
Summary of Consolidated Financial Results

**For the Third Quarter of FY2023
(January 1, 2023 – September 30, 2023)**

**This document is an English summary translation of a statement written initially in Japanese.
The original Japanese should be considered the primary version.*

Disclaimer Regarding Forward-Looking Statements

The forward-looking statements, including forecasts of performance of Hulic and its Group companies, contained in these materials are based on information currently available to the Hulic management and on certain assumptions deemed to be reasonable. Actual business and other results may vary substantially due to various factors.

 **HULIC CO., LTD.**
(TSE Code: 3003)

Outline of Consolidated Financial Results for the Third Quarter of FY2023 <under Japanese GAAP>

October 27, 2023

Name of company listed: HULIC Co., Ltd.

Stock exchange listing: Tokyo (Prime Market)

Code number: 3003 URL: <https://www.hulic.co.jp/en/>

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Quarterly Securities Report to be filed on: November 9, 2023

Dividends to be paid on: –

Preparation of supplementary material on quarterly financial results: Yes.

Holding of quarterly financial results presentation meeting: N/A

1. Consolidated Financial Results for the 3Q FY2023 (January 1, 2023 to September 30, 2023)

(1) Consolidated Financial Results (cumulative)

(Amounts indicated are displayed with amounts less than one million yen rounded off.)
(Percentages indicate the YoY increase / decrease.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY2023	278,529	(30.2)	90,950	17.7	83,588	9.8	58,697	20.6
3Q FY2022	399,208	50.3	77,257	10.9	76,078	16.5	48,667	20.2

Note: Comprehensive income: 3Q FY2023: ¥78,313 million [56.8%], 3Q FY2022: 49,934 million [(5.4%)]

	EPS (Net income per share)	Diluted EPS
	Yen	Yen
3Q FY2023	77.14	77.11
3Q FY2022	63.93	63.90

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS (Net assets per share)
	Million yen	Million yen	%	Yen
3Q FY2023	2,530,800	734,290	28.8	960.28
FY2022	2,320,337	687,153	29.5	902.70

Reference: Equity: 3Q FY2023: ¥730,723 million, FY2022: ¥686,728 million

2. Dividends

	Annual dividends				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	–	20.00	–	22.00	42.00
FY2023	–	23.00	–		
FY2023 (Planned)				25.00	48.00

Note: Revision to the planned dividends announced recently: Yes.

For details, please refer to “Notice of Revisions to Annual Performance and Dividend Forecast 【SUMMARY】” announced today (October 27, 2023).

3. Forecasts of Consolidated Financial Results for FY2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate the YoY increase / decrease.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		EPS (Net income per share)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	470,000	(10.2)	143,000	13.3	134,000	8.7	90,000	13.7	118.28

Note: Revision to the forecasts of financial results announced recently: Yes.

For details, please refer to “Notice of Revisions to Annual Performance and Dividend Forecast 【SUMMARY】” announced today (October 27, 2023).

* Notes

(1) Changes in Significant Subsidiaries during This Quarter

(Changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes.

Newly included: One: (company name) Godo Kaisha Shobu Property

Excluded: –

(2) Application of Special Accounting for Preparing Quarterly Consolidated Financial Statements: N/A

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements

1. Changes in accounting policies due to revisions of accounting standards, etc.: N/A

2. Changes in accounting policies due to other reasons: N/A

3. Changes in accounting estimates: N/A

4. Restatement of prior period financial statements: N/A

(4) Number of Issued Shares (common stock)

	3Q FY2023	FY2022
1) Number of issued shares as of the end of each period (including treasury shares)	767,907,735	767,907,735 (the end of FY2022)
2) Number of treasury shares as of the end of each period	6,965,752	7,164,236 (the end of FY2022)
3) Average number of outstanding shares for each period (consolidated cumulative period)	760,859,073	761,168,199 (3Q FY2022)

* The summary of quarterly financial results is not required to be subjected to quarterly reviews by certified accountants or auditors.

* Disclaimer regarding forward-looking statement

This document contains forward-looking statements about the performance of Hulic and its Group companies, based on management’s assumptions in light of currently available information. In no way do these statements provide any assurance by Hulic of achieving such results. Actual results may differ substantially from these statements due to various factors.

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1. Qualitative Information on Consolidated Financial Results of 3Q FY2023

(1) Summary of Business Results

In cumulative 3Q FY2023, rent income from real estate was stable due to the completion and acquisition of properties in the previous fiscal year and in the current fiscal year. In addition, sales of real estate for sale steadily progressed during 3Q FY2023. As a result, operating revenue was ¥278,529 million (decreased ¥120,679 million or 30.2% year on year), operating profit was ¥90,950 million (increased ¥13,693 million or 17.7% year on year), ordinary profit was ¥83,588 million (increased ¥7,510 million or 9.8% year on year) and profit attributable to owners of parent was ¥58,697 million (increased ¥10,030 million or 20.6% year on year).

The business results for each segment were as follows.

(Operating revenue for each segment includes inter-segment operating revenue 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 constructing a competitive leasing portfolio that addresses the changing circumstances, we work to further improve the overall value of our buildings and properties not only by continuous portfolio reshuffling but also by developing and reconstructing properties that are highly earthquake resistant and environmentally friendly. In addition, we work to acquire stable and continuous capital gains and asset management fees through expanding pipelines for development / reconstruction and value-added projects as well as diversifying exit strategies of properties.

New acquisitions (non-current assets) in cumulative 3Q FY2023 included Hulic • Sompo Japan Ueno Kyodo Building (partial) (Taito-ku, Tokyo), Shimachu Fuchu Store (Fuchu-shi, Tokyo), ROOM DECO Makuhari Shin-Toshin (Chiba-shi, Chiba), COI Nishi Aoyama Building (Shibuya-ku, Tokyo), Uniden Hatchobori Building (Chuo-ku, Tokyo), Hulic Ginza 7-chome Building (partial) (Chuo-ku, Tokyo), Olinas Mall • Olinas Core (Sumida-ku, Tokyo), and others.

In development and reconstruction business (non-current assets), we acquired land for development of (tentative name) Minami Hashimoto Development Project (Chuo-ku, Sagamihara-shi). In addition, (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) Misato Logistics Development Project I (Misato-shi, Saitama), (tentative name) Ginza Building Reconstruction Project (Chuo-ku, Tokyo), (tentative name) Shinsaibashi Project (Chuo-ku, Osaka), (tentative name) Misato Logistics Development Project II (Misato-shi, Saitama), (tentative name) Shinjuku 318 Development Project (Shinjuku-ku, Tokyo), Ginza Core (Chuo-ku, Tokyo), etc. were proceeded as planned.

In PPP (Public Private Partnership) business, Hulic Kinshicho Collabo Tree (Sumida-ku, Tokyo) was completed in January 2023. In addition, projects including "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 were proceeded as planned.

In real estate for sale, properties including Hulic Akihabara Chuo-dori Building (Chiyoda-ku, Tokyo) and Sagamihara land (partial) (Chuo-ku, Sagamihara-shi), etc. were sold.

As described above, the segment operations progressed as planned because rent income from real estate was stable due to completion and acquisition of properties in the previous fiscal year and in the current fiscal year. In addition, sales of real estate for sale steadily progressed during 3Q FY2023. As a result, operating revenue in this business segment totaled ¥247,461 million (decreased ¥130,521 million or 34.5% year on year) and operating profit was ¥97,424 million (increased ¥8,629 million or 9.7% year on year).

<Insurance Agency >

Hulic Insurance Service Co., Ltd., one of the Company's consolidated subsidiaries, serves as an insurance agency for both Japanese and foreign insurance companies operating in Japan and sells various insurance products to both corporate and individual customers. Although a difficult business environment continues to surround the insurance business industry, Hulic Insurance Service Co., Ltd. is pursuing expansion of this business, concentrating on corporate transactions, with a strategy of acquiring the business rights of existing non-life insurance agents.

As a result, operating revenue in this business segment was ¥2,726 million (decreased ¥109 million or 3.8% year on year) and the operating profit was ¥872 million (decreased ¥88 million or 9.1% year on year).

<Hotels / Ryokans >

In Hotels / Ryokans business, as the Company's consolidated subsidiaries, Hulic Hotel Management Co., Ltd. manages "THE GATE HOTEL" brand hotel series, Hulic FUFU Co., Ltd. manages "FUFU" ryokan series and NIPPON VIEW HOTEL Co., Ltd., (dissolved in October by absorption-type merger with Hulic Hotel Management Co., Ltd. as the surviving company) manages "View Hotel" brand hotel series.

In 3Q FY2023, both occupancy rates and ADR (Average Daily Rates) remained at high levels reflecting favorable tourism demand from both domestic and overseas customers.

As a result, operating revenue was ¥30,898 million (increased ¥11,879 million or 62.4% year on year) and operating profit was ¥778 million (¥4,995 million loss same period of the previous fiscal year).

<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, operating revenue was ¥4,754 million (decreased ¥765 million or 13.8% year on year) and operating profit was ¥404 million (decreased ¥73 million or 15.4% year on year).

(2) Qualitative Information on Consolidated Financial Position

<Assets>

Total assets as of the end of 3Q FY2023 was ¥2,530,800 million, increased ¥210,462 million from the end of FY2022. From the perspective of constructing a competitive leasing portfolio that addresses the changing circumstances, we work to further improve the overall value of our buildings and properties not only by continuous portfolio reshuffling but also by developing and reconstructing properties that are highly earthquake resistant and environmentally friendly.

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

Changes in amount of major items were as follows.

- Real estate for sale: Increased ¥155,411 million (Transfer from non-current assets, acquisition and sales of properties, etc.)
- Land: Decreased ¥20,510 million (Acquisition of properties, transfer to real estate for sale, etc.)
- Construction in progress: Increased ¥26,936 million (Progress in development and reconstruction projects, completions, etc.)
- Investment securities: Increased ¥34,011 million (Acquisition and sales of investment securities, an increase in unrealized gains of investment securities, etc.)

<Liabilities>

Total liabilities as of the end of 3Q FY2023 was ¥1,796,509 million, increased ¥163,325 million from the end of FY2022. This was mainly attributable to financing carried out for capital investment and the like.

The balance of borrowings was ¥1,043,321 million, which included ¥31,144 million non-recourse borrowings owed by a consolidated SPC. Financing from financial institutions was operated stably at low cost on the back of the Group's high earnings level.

<Net Assets>

Total net assets as of the end of 3Q FY2023 was ¥734,290 million, increased ¥47,137 million from the end of FY2022. Total shareholders' equity was ¥670,867 million, increased ¥24,397 million from the end of FY2022, due mainly to an increase of retained earnings in profit attributable to owners of parent and a decrease of retained earnings in the cash dividend payment.

Total accumulated other comprehensive income was ¥59,856 million, increased ¥19,597 million from the end of FY2022, due mainly to an increase in valuation difference on available-for-sale securities as a result of an increase in unrealized gains on marketable securities.

(3) Notes Regarding Forward-looking Statements such as Forecasts of Consolidated Financial Results

The Company has revised the forecasts of consolidated financial results for FY2023 announced on January 30, 2023 and also has disclosed its forecast of operating revenue, which had not been disclosed due to unpredictability. For details, please refer to "Notice of Revisions to Annual Performance and Dividend Forecast 【SUMMARY】" announced today (October 27, 2023).

2. Consolidated Financial Statements (Unaudited)

(1) Quarterly Consolidated Balance Sheets (Unaudited)

(Million yen)

Item	At the end of 3Q (September 30, 2023)	At the end of previous fiscal year (December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	130,129	138,400
Notes and accounts receivable, and contract assets	8,616	7,097
Merchandise	26	21
Real estate for sale	246,182	90,770
Real estate for sale in process	1,141	4,355
Costs on construction contracts in progress	33	21
Supplies	379	371
Other	15,769	9,870
Allowance for doubtful accounts	(7)	(7)
Total current assets	402,270	250,901
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	234,898	233,474
Machinery, equipment and vehicles, net	9,293	8,890
Land	1,354,393	1,374,904
Construction in progress	43,143	16,207
Other, net	10,434	10,972
Total property, plant and equipment	1,652,164	1,644,449
Intangible assets		
Goodwill	4,265	4,795
Leasehold interests in land	82,030	81,233
Other	2,649	2,199
Total intangible assets	88,944	88,228
Investments and other assets		
Investment securities	318,717	284,706
Guarantee deposits	45,876	37,545
Deferred tax assets	905	856
Net defined benefit asset	669	493
Other	19,301	10,865
Allowance for doubtful accounts	(0)	(31)
Total investments and other assets	385,469	334,436
Total non-current assets	2,126,578	2,067,114
Deferred assets		
Total deferred assets	1,951	2,321
Total assets	2,530,800	2,320,337

(Million yen)

Item	At the end of 3Q (September 30, 2023)	At the end of previous fiscal year (December 31, 2022)
LIABILITIES		
Current liabilities		
Short-term borrowings	101,344	162,237
Short-term bonds payable	94,980	—
Current portion of bonds payable	30,000	50,000
Accrued expenses	5,295	3,843
Income taxes payable	15,819	11,531
Advances received	6,926	6,543
Provision for bonuses	988	377
Provision for bonuses for directors (and other officers)	249	340
Other	13,852	10,883
Total current liabilities	269,457	245,757
Non-current liabilities		
Bonds payable	381,000	371,000
Long-term borrowings	941,977	857,748
Deferred tax liabilities	61,324	53,532
Provision for share awards	2,989	2,846
Net defined benefit liability	1,619	1,634
Long-term guarantee deposits	94,539	88,287
Other	43,601	12,376
Total non-current liabilities	1,527,051	1,387,426
Total liabilities	1,796,509	1,633,183
NET ASSETS		
Shareholders' equity		
Share capital	111,609	111,609
Capital surplus	137,731	137,741
Retained earnings	425,286	401,090
Treasury shares	(3,760)	(3,971)
Total shareholders' equity	670,867	646,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,027	40,267
Deferred gains or losses on hedges	(493)	(261)
Foreign currency translation adjustment	—	0
Remeasurements of defined benefit plans	322	252
Total accumulated other comprehensive income	59,856	40,258
Non-controlling interests	3,567	424
Total net assets	734,290	687,153
Total liabilities and total net assets	2,530,800	2,320,337

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

(Million yen)

Item	3Q (From January 1, 2023 to September 30, 2023)	Previous 3Q (From January 1, 2022 to September 30, 2022)
Operating revenue	278,529	399,208
Operating costs	148,160	287,690
Operating gross profit	130,368	111,518
Selling, general and administrative expenses	39,418	34,261
Operating profit	90,950	77,257
Non-operating income		
Interest income	43	8
Dividend income	1,944	1,833
Share of profit of entities accounted for using equity method	—	981
Termination of lease contracts	210	4,318
Other	667	675
Total non-operating income	2,865	7,816
Non-operating expenses		
Interest expenses	8,605	7,612
Share of loss of entities accounted for using equity method	249	—
Other	1,372	1,382
Total non-operating expenses	10,226	8,994
Ordinary profit	83,588	76,078
Extraordinary income		
Gain on sale of investment securities	21	370
Gain on investments in silent partnership, etc.	20	66
Subsidies for employment adjustment, etc.	—	14
Compensation income	3,351	10
Other	200	8
Total extraordinary income	3,594	469
Extraordinary losses		
Loss on retirement of non-current assets	540	2,073
Loss on reconstructions of buildings	742	2,143
Impairment losses	540	—
Other	86	28
Total extraordinary losses	1,910	4,246
Profit before income taxes	85,273	72,301
Income taxes - current	27,642	24,946
Income taxes - deferred	(1,084)	(1,302)
Total income taxes	26,557	23,643
Net income before non-controlling interests	58,715	48,658
Profit (loss) attributable to non-controlling interests	18	(9)
Profit attributable to owners of parent	58,697	48,667

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

(Million yen)

Item	3Q (From January 1, 2023 to September 30, 2023)	Previous 3Q (From January 1, 2022 to September 30, 2022)
Net income before non-controlling interests	58,715	48,658
Other comprehensive income		
Valuation difference on available-for-sale securities	19,666	2,610
Deferred gains or losses on hedges	(232)	(317)
Remeasurements of defined benefit plans, net of tax	92	104
Share of other comprehensive income of entities accounted for using equity method	71	(1,121)
Total other comprehensive income	19,597	1,275
Quarterly comprehensive income	78,313	49,934
Comprehensive income attributable to		
Owners of parent	78,295	49,943
Non-controlling interests	18	(9)

(3) Footnotes on the Quarterly Consolidated Financial Statements

(Footnotes on the Assumption of Going Concern)

N/A

(Footnotes on Shareholders' Equity in Case of Significant Changes)

N/A

(Additional Information)

(Accounting Estimates Related to Impact from Spread of COVID-19)

No significant changes in the assumption of accounting estimates due to the spread of COVID-19 from the end of FY2022.

(Segment Information)

I. 3Q FY2023 (from January 1, 2023 to September 30, 2023)

1. Information on operating revenue, profit or loss by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the Quarterly Consolidated Statements of Income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels/ Ryokans (subsidiaries)	Total				
Operating revenue								
Outside customers	241,809	2,726	30,681	275,217	3,312	278,529	-	278,529
Inter-segment	5,652	-	216	5,869	1,441	7,311	(7,311)	-
Total	247,461	2,726	30,898	281,086	4,754	285,840	(7,311)	278,529
Segment profit or (loss)	97,424	872	778	99,075	404	99,480	(8,529)	90,950

Notes:

1. The category of "Others" included business segments that were not included in the reportable segments, such as general construction, design / construction management, etc.
2. Adjustment of segment profit of negative ¥8,529 million included elimination of intersegment transactions of ¥665 million and corporate expenses of negative ¥9,194 million, which were not distributed to reportable segments. Corporate expenses were expenses mainly related to general administrative departments that did not belong to reportable segments.
3. Segment profit was adjusted with operating profit reported in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets and goodwill for each reportable segment:

The information was omitted because it was immaterial.

II. 3Q FY2022 (from January 1, 2022 to September 30, 2022)

1. Information on operating revenue, profit or loss by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the Quarterly Consolidated Statements of Income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels/ Ryokans (subsidiaries)	Total				
Operating revenue								
Outside customers	373,948	2,835	18,801	395,585	3,623	399,208	—	399,208
Inter-segment	4,034	—	216	4,251	1,896	6,148	(6,148)	—
Total	377,983	2,835	19,018	399,837	5,520	405,357	(6,148)	399,208
Segment profit or (loss)	88,795	960	(4,995)	84,761	478	85,239	(7,982)	77,257

Notes:

1. The category of “Others” included business segments that were not included in the reportable segments, such as general construction, design / construction management, etc.
2. Adjustment of segment profit of negative ¥7,982 million included elimination of intersegment transactions of ¥492 million and corporate expenses of negative ¥8,475 million, which were not distributed to reportable segments. Corporate expenses were expenses mainly related to general administrative departments that did not belong to reportable segments.
3. Segment profit or (loss) was adjusted with operating profit reported in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets and goodwill for each reportable segment: N/A