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Notice regarding Formulation of New 3-Year Medium-Term Management Plan

The Hulic Group is pleased to present an outline of its newly formulated 3-year medium-term management plan (2016-2018).

The plan, which represents the second phase of the 10-year long-term management plan, is designed to develop and evolve the Group's business model around the focus of the real estate leasing business to achieve further sustained increase in corporate value.

1. Summary of Financial Results

The new medium-term management plan has been formulated after the targets of the previous medium-term management plan (2014–2016) were met ahead of time in 2015.

Performance under Medium-Term Management Plan (2014–2016) (Billions of yen)

	FY ended Dec. 2013 (results)	FY ended Dec. 2015 (results)	Increase	Original target
Operating income	29.1	42.0	44.3%	42.0～45.0
Ordinary income	25.9	42.5	64.1%	38.0～40.0
Net income	15.9	33.6	111.3%	23.0～25.0
EBITDA	37.8	54.7	44.7%	52.0～54.0
Ratio of interest-bearing debt to EBITDA	12.2 times	(*) 12.0 times	---	12.0 times or less
Net debt to equity ratio	2.8 times	2.2 times	---	3.0 times or less

(*) Pro Forma base: 11.1 times

2. New Medium-Term Management Plan (2016–2018)

◇ Basic Policy: Further evolve the distinctive Hulic business model to achieve a high rate of growth.

While retaining leasing as its main business focus, the Group will pursue innovation that anticipates today's needs to achieve high rates of productivity and growth.

◇ Management Indicators

(1) Profit plan (Billions of yen)

	FY ending Dec. 2018 (target)
Operating income	67.0～70.0
Ordinary income	61.0～64.0
Net income	39.0～41.0
EBITDA	82.0～85.0

・Through steady progress with the reconstruction of existing properties, portfolio expansion, and consolidation particularly of its three main future growth businesses (senior market, tourism, and environmental business), the Group is resolved to meet the profit target for fiscal 2018, the final year of the new medium-term management plan.

・As with the previous medium-term management plan, the target for the profit plan is expressed as a range so as to take account of fluctuating elements such as trends in the warehousing business.

(2) Financial restraints

・Ratio of interest-bearing debt to EBITDA in FY2018: 12.0 times or less.

・Net debt to equity ratio in FY2018: 3.0 times or less.

(3) Capital efficiency

・ROE for FY2018: 10% or more.

(4) Shareholder return

・Consolidated dividend payout ratio (simplified calculation): to be maintained at 30% or more.

◇ Basic Strategy

(1) Building of a solid lease portfolio

・Continue steady progress with reconstruction to improve portfolio quality

・Carry out strategic sourcing of corporate real estate and other assets for steady portfolio expansion

・Implement strategic and plan-based asset management operations to maximize earnings opportunities

(2) Promotion of value-added real estate businesses

・Promote development business based on high-quality properties in prime locations of appropriate scale for the Hulic business model

・Respond to diverse needs with projects based on acquisition, value enhancement, and resale (e.g. property repackaging)

・Strengthen support to Hulic Reit in line with sponsor support agreement

・Reinforce leasing operations to develop strengths in commercial as well as office property

(3) Consolidation of three main future growth businesses and opening up of new business domains

・Expand and consolidate operations in senior market, tourism, and environmental business

・Develop operations in new real estate-related business domains in response to changing social structures

(4) Synergies from combined Group strength

・Increase Group synergies and enter flexibly into alliances and merger and acquisition deals with external players

(5) Comprehensive risk management and balance sheet control

・Ensure sound financial practice through financial control and subject Group businesses to comprehensive risk management

(6) Implementation of balanced management for sustained growth

・Promote balanced management by addressing environment, social, and governance (ESG) issues and taking other initiatives to create value responsive to social needs

Forward-looking statements contained in this document that relate to future business performance are based on data available at the time of its release and assumptions made at the time of release regarding uncertain factors which may affect business results. Actual business results may differ due to the impact going forward of a range of factors.