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Notice on Formulation of the New Medium-Term Management Plan

The Hulic Group is pleased to present an outline of its newly formulated medium-term management plan (2018–2020).

The plan represents the final phase of the long-term management plan (2014–2023) and aims to achieve the goals of the plan three years ahead of schedule. It is designed to develop and evolve the Group's business model around the focus of the real estate leasing business to achieve a further sustained increase in corporate value.

1. Summary of the previous medium-term management plan (2016–2018)
The new medium-term management plan was formulated after achieving the target for ordinary income, a key focus, as well as other indicators ahead of schedule in 2017 under the previous medium-term management plan (2016–2018).

Performance under the Previous Medium-Term Management Plan (Billions of yen)

	FY ended Dec. 2016 (results)	FY ended Dec. 2017 (results)	Increase	Original target
Operating income	53.3	64.2	20.3 %	67.0–70.0
Ordinary income	51.4	61.8	20.2 %	61.0–64.0
Profit attributable To owners of parent	34.8	42.4	21.5 %	39.0–41.0
EBITDA	66.4	77.7	17.1 %	82.0–85.0
Ratio of interest-bearing debt to EBITDA*	10.0 times	10.6 times	—	12.0 times or less
Net debt to equity ratio*	2.1 times	2.3 times	—	3.0 times or less
ROE	10.7%	11.9%	—	10% or more

2. Outline of the New Medium-Term Management Plan (2018–2020)

◆ Positioning of the plan

The plan is positioned as the last step to achieve our 2023 target of ¥85 billion in ordinary income set for the final year of the long-term management plan, three years ahead of schedule, and to prepare for the next long-term management plan aimed at further growth.

◆ Target profile

While maintaining the Hulic business model, the Group will continue to achieve steady growth through evolution by responding to changes in the environment.

◆ Basic policy

While retaining leasing as our main business focus, the Group will further strengthen the development business and the value-added real estate business, and strive to achieve evolution in the business model to expand stable profits through asset management and other businesses.

◇ Quantitative Plan

(1) Profit plan (FY ending Dec. 2020) (Billions of yen)

	FY ending Dec.2020 (target)
Operating income	88.0
Ordinary income	85.0
Net income	55.0
EBITDA	105.0

(2) Financial restraints (FY ending Dec. 2020)

- Ratio of interest-bearing debt to EBITDA: 12.0 times or less.
- Net debt to equity ratio: 3.0 times or less.

Note: Figures take into consideration ¥150 billion (50% equity) in hybrid finance earmarked for 2018.

(3) Capital efficiency (FY ending Dec. 2020)

- ROE: 10.0% or more.

(4) Shareholder return

- Consolidated dividend payout ratio (simplified calculation): to be maintained at around a third of profit attributable to owners of parent.

◇ Basic Strategy

(1) Bolstering and enhancing the quality of the lease portfolio

- Create a portfolio that meets the needs of the times and strikes a good balance between offices and non-office properties (retail, hotels, facilities for seniors etc.)
- Enhance the asset value of individual properties by strengthening the asset management function.

(2) Expansion of the asset recycling-type business model by strengthening the development business

- Systematically promote reconstruction of existing properties and long-term development projects limited to premium locations that contribute to enhanced asset value.
- Continue to develop the "&New" series of middle-size urban commercial facility
- Establish the Group asset recycling-type business model including for real estate investment trusts (REITs).

(3) Establishment of an asset management business and capital recycling model through promotion of the value-added real estate business

- Realize added value from both tangible and intangible perspectives by leveraging technical know-how and leasing capabilities built up with extensive reconstruction experience.
- Diversify exit strategy using various sourcing channels and networks.

(4) Cultivation of new business domains and enhancement of overall the Group strengths

- Foster new and profitable businesses in response to changes and challenges in the social environment.
- Reinforce profit-making capabilities at individual the Group companies and leveraging the Group ties.
- Effectively utilize M&A, alliances and so on as tools to quickly drive growth in new businesses and enhance the Group capabilities.

(5) Implementation of balanced management and enhancement of risk management

- Implement management that balances growth, safety and productivity (effectiveness) in a sophisticated manner.
- Maintain stable financial foundations and secure diverse procurement methods.
- Strengthen risk management associated with business diversification and provide thorough control over the balance sheet when the market changes.

(6) Promotion of management focused on sustainability and based on our CSR Vision

- Aim to be a company that is a sustainable member of society by managing business based on Environmental, Social, and Governance (ESG) criteria and creating value.

(Environmental) Enhance our presence as an environmentally friendly enterprise by developing new technologies and introducing them at the Company's properties.

(Social) Utilize diverse human resources and further boost opportunities for female involvement by focusing on diversity management. Enhance labor productivity through initiatives that include health management and reform of work styles, and secure and nurture exceptional human resources.

(Governance) Continually monitor risk management, compliance and internal control systems based on the Governance Code to make sure they are functioning effectively.

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.