July 29, 2020
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(3003JP TSE 1st section)
Real Estate
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Financial Information of 2nd Quarter FY2020 (January～June)【SUMMARY】

Ⅰ. FY2020 2nd Quarter performance result Summary

(Billion of Japanese Yen)

	FY2018 2Q	FY2019 2Q	**FY2020 2Q**	**% YOY**	FY2020 forecast
Operating Revenue	114.5	171.1	**160.2**	**down 6.3 %**	N.A.
Operating Income	35.5	38.9	**46.9**	**up 20.3 %**	100.0
Ordinary Income	34.3	36.7	**45.2**	**up 23.0 %**	92.0
Net Income	23.6	26.1	**27.5**	**up 5.4 %**	62.0
Annual Dividend	11.5 yen(*)	14.0yen(*)	**17.5yen(*)**	**up 25.0 %(*)**	34.5 yen

(*) mid-year dividend

[Summary]
▪Revenue down due to market activity was frozen during the 3-month nation-wide lockdown by Covid-19.
・All income items achieved record-high as our 1st half-year results. Both leasing income and capital gains increased.
・Up to the 2nd quarter, leasing income is slighly bigger than capital gain. We expedited property sales with good margins.
・Leasing income break-down: Office63% Retails14% Hotel11% Nursing home4% Corp residence3% Data Centers etc5%.
・Central Tokyo office market is stable. We have received more cancellation notice than normal year but new demand is frequent.
・Nursing Home leasing is stable. All contracts are master-leasing to the operators (100% fixed rents regardless of its capacity)
・Most retails shops asked extention or grace of the rent payment. We have allowed in a very limited manner.
・Our Hotel leasing structure is approximately 80% fixed rent and 20% flexible rent. We lost entire flexible portion in the 2nd quarter.
・We are lucky to own neither overseas nor residential exposures. Tokyo condo sales downed 44% Y-O-Y.
・In Ginza, commecial district in Tokyo central, properties are still trading at record-high prices due to rarity, tax-saving purpose.

Ⅱ. Major KPI

(Japanese Yen)

	2017/12	2018/12	2019/12	2020/6
NIKKEI Index	22,764	20,014	23,656	22,288
HULIC share price	1,266 yen	985 yen	1,316 yen	1,012 yen
Market Capitalization	839.4 Billion	653.1 Billion	886.8 Billion	682.0 Billion
EPS	64.38 yen	75.18 yen	88.93 yen	n.a
BPS	570.02 yen	608.49 yen	687.01 yen	687.23 yen
unrealized value of leasing asset	293.3 Billion	323.2 Billion	370.0 Billion	n.a

Ⅲ. Future and Beyond (Covid-19 effect).

〈Japan Macro Environment〉
・COVID-19 postive numbers have been rising sharply in entire Japan. Although Government lifeted restriction against mobility of people and shop/restaurant operating hours, commercial acvtivity stays slow and there are little signs of picking up. Now the Government recommends companies to try 70% of workers to work from home if possible.
・Even with some criticizm, the Government started the campaign for domestic travellers to refund roughly 50% of its expense,. It will not boost economic impact because neither Tokyo residents nor Tokyo visitors are eligible for this campaign.
・Tokyo Olympic game is 360 days to go. Skepticism is growing, officials insisted on proceeding but suggested of its scale-down.
・Running ratio of Hotels will stay low unless airlines start the international flights. And operating loss could rise without the subsidy from Government or local municipal offices. Shops and restaurants may stay weak by lack of mobility of people.

〈Hulic related〉
・Even some business activities are out of control by COVID-19, HULIC performance is relatively less damaged than peers due to our risk-averse business model. (no overseas exposure, no residencial property sales, no large development, Tokyo central focus)
・Our operating hotels closed down in the entire 2nd quarter and operating loss was Yen 2billion. They reopened on July 1st.
・Up to now, we did not see any sign of CAP-rate increase in central Tokyo offices. Investors appetite seem strong with plenty of cash liquidity. Although we keep trying to buy on dips, attractive investment opportunity in 2Q was very limited.
・There are so many ambiguous macro factors to predict accurately of our future performance. We still keep original annual guidance for profit and dividend payout. (note: we pay out the mid-year dividend as we predicted before. (25% increase from a year ago)
・We still keep up our 3-year mid-term business plan but stay cautious stance for new investments and not particularly bind to use our investment budget. We, however, completed hybrid-bond finance for Y200billion in July and ready to act quickly if necessary. (END)