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Company Name: Hulic Co., Ltd.
(3003JP TSE 1st section)
Real Estate
President : Manabu Yoshidome
Contact: itou.shin@hulic.co.jp

Financial Information of 3rd Quarter FY2020 (January～September)【SUMMARY】

(Billion of Japanese Yen)

	FY2018 3Q	FY2019 3Q	**FY2020 3Q**	**% YOY**	FY2020 forecast
Operating Revenue	170.1	215.7	**186.3**	**down 13.6 %**	320.0
Operating Income	51.0	55.7	**54.1**	**down 2.9 %**	100.0
Ordinary Income	48.6	52.1	**50.1**	**down 3.8 %**	92.0
Net Income	33.4	36.8	**28.7**	**down 22.0 %**	62.0
Annual Dividend	25.5 yen	31.5 yen			(34.5→)**35.0 yen**

[Summary] = No sales in 3Q due to the lock-down but it will be back in 4Q. We revised up our dividend payout forecast.
・Poor 3Q results mainly attributed to the lack of transaction (no sales activity) right after the Emergency lock-down period.
In addition, increasing loss from hotel operation ('View' 'Gate') and lack of variable leasing income(other hotels) dragged down the PL.
・We, however, expect a strong 4Q, and decided NOT to change our annual financial guidances but revise UP annual Dividend forecast by 0.5yen to 35.0yen per share, which is 3.5yen higher than last year.

[Transaction market]= Activated in 4Q
・Lock down period(Mar-June) prohibited all of us to execute due-diligence. In the following 3rd quarter, we rushed into seal transactions, such as sales deal with 3rd parties or Reits and purchase from sponsored SPC- details to be disclosed in 4Q.
As a result, delivery dates are expected to concentrate in our 4Q. Even annual revenue forecast will be shy of last year, we will be able to book a significant capital gain in addition to our ordinary leasing income.

[Tokyo Office market]= 'Work from home' style lost edge with domestic companies. Commuter trains are now crowded.
・Tokyo central office vacancy is rising but only very slightly and in a limited area. Cap rate is almost unchanged. Funding is easy.
Overseas fund players stay aggressive and activity rising. Our office vacancy peaked out in June at 0.5% now improved to 0.3%.

[Hotel Business]= quick recover is seen by booming short-tourism
・Since the long weekend of September 20th, running ratio of hotels quickly recovered. PL loss peaked out in 3Q.
There are no inbound tourists to Japan but domestic travelers cannot go overseas, either. They look for the domestic destination.
・Our 'FuFu' series of premier traditional Inn are full by the year-end, partly due to the 'Go-To-Campaign' (Government subsidy program)
Short trips from the big cities are the most popular traveling style. = Mt.Fuji, Nikko, Atami, Hakone, Kyoto~'FuFu' has all of these.
・Our 'Gate Hotel' series in Tokyo's Ginza and Asakusa, running ratio recoverd only to 30～50%. Urban zone hotels are not still satisfactory.
In general, business trips are not encouraged by most companies and budget hotels do not get campaign effect.
・Leasing Hotels pay fixed portion of rent, which is approximately 80% of our total planned revenue.
・HULIC won't terminate the mid-term development plan of new Hotels. Japan will be expected to attract more visitors after Corona.
Extra height allowance given by the Authorty for the new Hotel-inclusion development will contribute to increase investment return.

[Commercial/Retail property]= underperforming
・Although people are back on the streets, small eating establishment keep closing and chain-stores increase restructuring.
・Once it vacated, it is difficult to find the next tenants. Developers often get benefit to vacate the space without paying the compensation, being encouraged to expedite the redeveloping schedule of old buildings.
・GINZA still wins over SHIBUYA and AOYAMA in central Tokyo. Top brands keep Ginza signature shops by sacrificing others.

[Other assets]
・Both Logistics and Data Center are the best perfomer and we are planning of several redevelopment projetcs - to be followed.
・Nursing homes(non-operational, just master-leasing) produce stable cashflow and we keep increasing of them in prime Tokyo area.
(Census said 28.6% of Japanese residents are now over 65years old and single household eldery are rising)
・As you all know, HULIC does not have any overseas exposures and not affected by Covid-19 lockdown in US and European countries.

[Risk Factors]
・Tokyo Olympic/Paralympic in July 2021- Japan Government and IOC are up for it but global outbreak are worsening

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