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HULIC CO., LTD.
Integrated Report 2024



Publication of Integrated Report 2024



For more than half a century, Hulic Co., Ltd., (“the Company”) has been in a real estate leasing business focused on office buildings in central Tokyo. With the corporate philosophy of “for the realization of a society full of safety, peace of mind and trust, and for the continuous improvement of corporate value,” we have been pursuing growth of our company as well as realization of a sustainable society.

This report explains the Company’s value creation process and how the strengths we have cultivated feed into increasing medium- to long-term corporate values as well as social value. It also outlines Medium-Term Management

Plan (2023-2025) and topics such as initiatives in the field of sustainability to support our growth.

This report references a range of materials to ensure that the editorial process and the content meet our standards. These reference materials include the International Integrated Reporting Framework recommended by the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Collaborative Value Creation 2.0 issued by Japan’s Ministry of Economy, Trade and Industry.

We would like to use the Report as one of our communication tools with our shareholders, investors, and our stakeholders.

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About the Integrated Report

Financial Information	Non-financial Information
Integrated Report 2024 The Report explains our initiatives for the sustainable growth of the Hulic Group (“the Group”) with financial and non-financial information.	
<ul style="list-style-type: none"> Summary of Consolidated Financial Results, Investor Presentations FACTBOOK IR Information https://www.hulic.co.jp/en/ir/ 	<ul style="list-style-type: none"> Initiatives for Sustainability https://www.hulic.co.jp/en/sustainability/ Sustainability Book News Release

Editorial Policy	
The aims of the Report are to facilitate a multi-facet understanding of the Group’s sustainable growth among investors and other stakeholder groups as well as to create new opportunities for dialogues. In issuing the Report, it has been reviewed by the Board of Directors. This report also includes messages from executive officers that convey Hulic’s management strategy. The Chairman and Representative Director provides a general overview of management strategy, the President and Representative Director explains fiscal year materials as well as the Medium-Term Management Plan, and the Executive Officer in Charge of Finance covers Hulic’s financial strategy. Financial and sustainability related information which we were unable to present in the Report from space constraints are available on our website.	
Reporting Boundary Hulic Co., Ltd. and its Group companies	Time of Issuance June 2024
Reporting Period Fiscal Year 2023 (from January 1, 2023 to December 31, 2023) Information as of December 31, 2023 in principle unless otherwise noted. Notwithstanding the foregoing, included some activities and information after January 1, 2024.	Reference Guidelines International Integrated Reporting Framework (IFRS Foundation) Guidance for Collaborative Value Creation 2.0 (Ministry of Economy, Trade and Industry) The Japanese Ministry of the Environment “The Environmental Reporting Guidelines (2018)” GRI (Global Reporting Initiative) “The GRI Standards 2021”

Corporate Philosophy and Basic Stance

Corporate Philosophy

**For the realization of a society full of safety,
peace of mind and trust,
and for the continuous improvement of corporate value**

Basic Stance

Ideal Company	We aim to be a company that grows each day by utilizing stable corporate infrastructures.
Corporate Culture	We always conduct business from a new viewpoint in an effort to increase our corporate value.
Stance to Customers	We are committed to providing optimal products and services to customers, placing customer satisfaction as our top priority.
Ideal Employees	Each of Hulic's employees strives to provide high quality value as a professional.

Sustainability Vision

We aim to pursue realization of a sustainable society and continued growth of Hulic by putting our Corporate Philosophy into practice.

We commit to take a faithful approach to all of stakeholders.

To this end, we pursue initiatives based on a three-point Vision.

- We create shared value with our society by actively engaging with the environmental issues through our corporate activities.
- We lay the foundation for the future by providing peace of mind to our customers through offering our high value-added products and services.
- We take compliance seriously, respect human rights and strive to perform transparent corporate activities based on our high ethical standards.

Medium- and Long-Term Management Plan (2020-2029)

Financial Targets
(see details on pp. 38-39, Medium- and Long-Term Management Plan)

Non-financial Targets
(see details on pp. 36-37, KPIs/Targets and Results for Non-financial Information)

Target Profile (FY2029)

"Driving innovation" and "Accelerating progress" as our motto, we continue to steadily increase our corporate value through evolving ourselves flexibly in response to changes in macro environment

Basic Policy

Strike a balance between P/L Growth, B/S Soundness, Profitability, and Productivity (efficiency) at a high level and achieve further growth through dynamic transformation backed by overwhelming speedy decision-making

Basic Strategies

Business

- 1 Further evolve the business model and restructure the leasing portfolio
- 2 Strengthen development and value-added businesses
- 3 Create unique new business domains and improve Group strengths

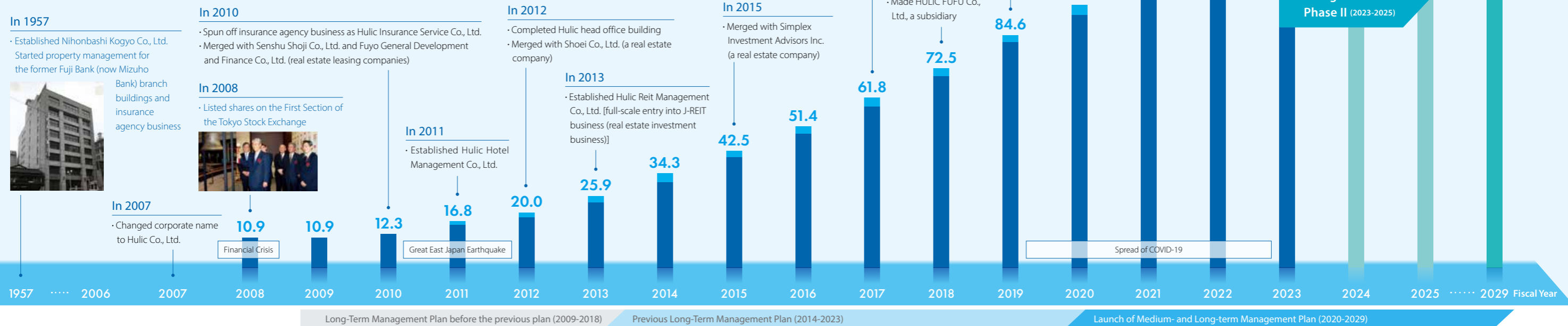
Management Infrastructure

- 4 Strengthen the management foundation and implement stringent risk management
- 5 Implement management that emphasizes sustainable co-creation and co-existence with society

A Real Estate Company with Over 60 Years of Growth and Achievements

In 1957, Hulic (then called Nihonbashi Kogyo) was established to manage the branch buildings and other properties of the former Fuji Bank (now Mizuho Bank). In 2007, the Company made a new start to mark the 50th anniversary of being established by changing the corporate name to Hulic Co., Ltd. ("the Company"). Then in 2008, we became a public company by listing our shares on the First Section of the Tokyo Stock Exchange (current Prime Section). We have steadily strengthened the business base with a unique growth strategy centered on real estate development, reconstruction, investments, and M&As.

Consolidated Ordinary profit (Unit: JPY bln)



Toward further growth by **JPY 180.0 Bln**
 "driving innovation and accelerating progress"

Record of Business and Sustainability Initiatives

Business Initiatives		Building on the leasing business as a foundation, grew through M&As in addition to taking on property development/reconstruction and new businesses									
Business Initiatives	General	Advancement of development and reconstruction business									
	Environment	Started PPP business									
	Society	Senior citizen-related businesses									
	Corporate Governance	Tourism-related businesses									
Sustainability Initiatives		Started new businesses (children's education and Bizflex etc.)									
General	Established CSR Vision	Issued first CSR Report, and continued to publish reports until 2019								Established Sustainability Vision and a Sustainability Committee	
Environment	Conducted three years of joint research with the Massachusetts Institute of Technology (MIT) on natural ventilation and natural lighting systems; patented Natural Lighting System in 2016										
Society	Opened the Hulic Sugunami Office in the Ogikubo area of Sugunami ward, Tokyo, creating a conducive working environment for employees with disabilities					Obtained the highest "Eruboshi" rank					
Corporate Governance	Organized a Risk Management Committee, a Fund ALM Committee, and a Compliance Committee			Appointed a female external director		Established Corporate Governance Guidelines, a Remuneration Committee and a Nominating Committee			Transitioned to a system where a non-executive director serves as chairperson of the Board of Directors		

Hulic's Management Policy and Business Strategies

Management Policy

“Driving Innovation” and “Accelerating Progress”

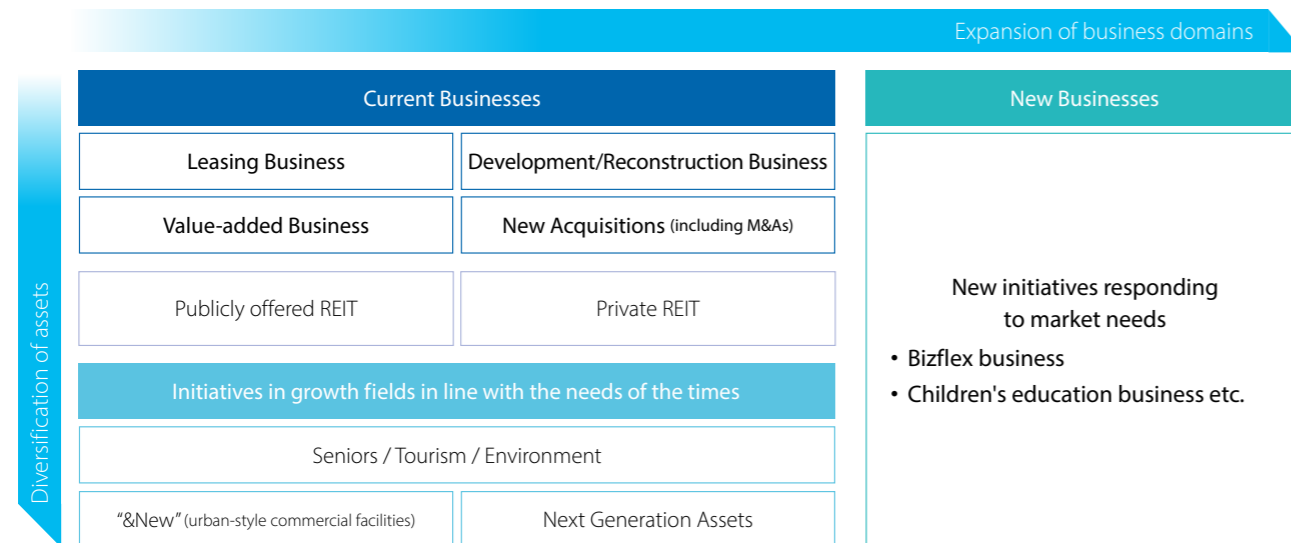
Balanced Management

Strike a balance between P/L Growth, B/S Soundness, Profitability, and Productivity (efficiency) at a high level

<p>P/L Growth</p> <p>Posted continued earnings growth since listing on TSE Average rate of growth of Consolidated Ordinary Profit: 20.0%</p>	<p>B/S Soundness</p> <p>External credit rating: AA- (stable) Equity Ratio (FY2023): 37.9%*</p>
<p>Profitability</p> <p>Maintained higher profitability than competitors Ordinary Profit to Sales Ratio (FY2023): 30.7%</p>	<p>Productivity (Efficiency)</p> <p>Putting emphasis on income per employee and ROE ROE (FY2023): 13.0%</p>

*50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as nominal equity.

Business Strategies



Our Strengths

- 1 Stable revenue structure centered on leasing business
- 2 The majority of properties is in prime locations of central Tokyo and/or near stations
- 3 Selection and concentration strategy

Core Fields	Non-core Fields
• Tokyo and/or near stations	• Regional office buildings
• Medium-sized office buildings	• Large-scale office buildings
• Reconstructions, and small to medium-sized developments	• Large-scale developments
• Senior living, hotels, <i>ryokan</i> (Japanese-style luxury inns), next generation assets	• Condominiums for sale

Leasing Business

▶ pp. 46-47

We are providing the real estate leasing business based on many rental properties we own, primarily in Tokyo 23 wards. We have approx. 250 properties (as of December 31, 2023) including disaster-resilient and highly safe offices, commercial facilities, hotels, senior living, and rental housing in convenient locations near stations. These form the core of our business model.



Development Business

▶ pp. 48-50

For company-owned properties whose floor area could be increased in accordance with zoning laws, we systematically carry out reconstruction suitable for the location with optimal floor area ratio. This enables us to increase leasing revenue while making qualitative improvements to our portfolio. In addition, we promote development and redevelopment business drawing on the expertise built in the reconstruction of owned properties. Furthermore, We pursue opportunities in PPP business*1 and development of next generations assets which meet the needs of times including logistics facilities, data centers and research facilities.



*1 We are participating in projects to support the efficient use and operation of public assets (national and local government-owned land) by providing the know-how cultivated through the development and reconstruction of office buildings and commercial & lodging facilities.

Value-added Business

▶ pp. 51

We are engaged in the business of using various value-added methods including renewal, renovation and conversion to increase the asset value of properties we own and those we have recently purchased or invested in for resale. We take profits by sales of these properties once we have maximized a property's value. We also hold assets for short-term warehousing purposes with the aim of helping distribution of real estate in response to the diverse needs in the real estate market.



New and Other Businesses

▶ pp. 52-55

We launched several new businesses in recent years on the back of our corporate culture which allows us to constantly challenge in progressive new business fields. We will continue to create new businesses in targeted fields that have unmet market needs and good growth prospects by employing various methods including business collaboration and alliance, as well as M&As.



- **Senior citizen-related business**
As the aging of society proceeds, we anticipate that social demands for nursing and medical care will increase. Therefore, we are actively promoting the development of senior living, hospitals, and burial pavilions, as well as businesses to promote wellness and QOL of healthy and active seniors.
- **Tourism-related business**
To capture demand for tourism, which is expected to increase over the medium- to long-term, Hulic operates own brand hotels (THE GATE brand) and luxury *ryokans* (FUFU brand) and owns leasing hotels.
- **Medium-scale flexible office business**
We will provide a series of medium-scale flexible offices called “Bizflex” to respond the diversified office needs.
- **Children's education business**
We promote businesses that provide education-related services for children.
- **Other businesses**
Our Group companies are in various businesses including operation of REITs (both publicly and private) and private fund, building management, insurance, and contracting for construction work among other opportunities.

Message from
the Chairman,
Representative Director

Saburo Nishiura

Chairman,
Representative
Director

We intend to respond flexibly to the changing environment and continually improve our corporate value, guided by our motto: “driving innovation” and “accelerating progress.”

Analysis of the Business Environment

◆ Analysis of the International Environment

About the COVID-19 pandemic, which has lasted for three or four years, I have seen a decline in mask wearing, even on trains, indicating that we might be nearing the resolution of this crisis. However, in international relations, there are many ongoing issues with new ones emerging.

The prospect of a ceasefire in Ukraine following Russia's invasion remains uncertain. Imports from agricultural nations, such as Russia and Ukraine, have been disrupted, resulting in ongoing price increases in

Japan due to higher raw material costs. In response to requests from organizations such as the Japan Business Federation and labor unions, companies are significantly increasing base salaries, highlighting the broad global impact of the Russia-Ukraine issue.

In the Middle East, the conflict between Israel and Hamas continues. Given that oil prices have already surged, I believe that Japan's strong dependence on imports will lead to substantial economic repercussions if there are more price hikes. In China, several major real estate companies have gone bankrupt or are facing

financial difficulties, affecting the Chinese economy. As China is Japan's largest trading partner, the impact on Japanese companies, especially manufacturers, is significant, raising concerns about further negative impact going forward. Moreover, heightened tensions in the international arena, especially between the United States and China, alongside China-Taiwan relations and North Korea, have prompted Japan to spend more on defense. I feel that many international issues are directly or indirectly affecting the Japanese economy, making decision-making for businesses more complex.

◆ Analysis of the Domestic Environment

There are many domestic challenges and risks as well.

(1) Decline in Working-Age Population and Other Demographic Issues

Population decline has long been a serious issue, with Japan's population decreasing by approximately 800,000 people compared with the previous year.* And this decline is expected to accelerate in the future. In 2023, I met with many business leaders, and it was apparent that most industries were grappling with labor shortages. The lack of workers, particularly in onsite demand for construction, as well as bus and taxi drivers, is a critical issue. Due to these developments, there has been a significant increase in construction costs within the real estate sector. Construction costs for Expo 2025 Osaka have doubled from the initial budget. In particular, the construction industry's regulation on an upper limit for overtime hours, adopted since 2024, has also had an impact. In the hotel industry, where there is a heavy reliance on workers from overseas, especially cleaners, the weakening yen has led to a reduction in their numbers. Also, in senior living, while the number of residents is growing, it has become increasingly challenging to recruit care workers. It is highly likely that the shortage of workers will continue to worsen going forward. While measures to address the declining birth rate are being discussed, a rapid recovery seems unlikely because we need to wait at least 20 years from now that the newborns are becoming the age of working population. It is clear that even efforts to improve productivity through digital transformation (DX) will not easily resolve the problem of labor shortages.

* According to *Surveys of Population, Population Change and the Number of Households based on the Basic Resident Register* issued by the Ministry of Internal Affairs and Communications (as of January 2023)

(2) Earthquake Risk

The Noto Peninsula Earthquake struck at the very beginning of 2024. Further, the probability of an earthquake directly under the Tokyo metropolitan area or in the Nankai Trough occurring within the next 30 years is said to be very high. The Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, the Kumamoto Earthquake, and the Hokkaido Eastern Iburi Earthquake all reached a maximum seismic intensity of level 7 on the Japanese scale. Building collapses naturally pose a serious threat, and depending on the time and location of an earthquake, there could be fires or tsunamis. As mentioned earlier, there is still a shortage of workers in the construction industry, which is expected to worsen in the future. Consequently, post-earthquake reconstruction is likely to face even greater challenges, both for manpower and financially.

(3) Risk of a Mt. Fuji Eruption

Although it is not a topic that is being talked about, we also regard the eruption of Mt. Fuji as a natural disaster risk. In the event of an eruption, Tokyo, Kanagawa, Shizuoka, Yamanashi, and other neighboring prefectures would suffer considerable damage. In the past, electrical equipment was usually installed underground of buildings. However, in recent years, to mitigate flood-related risks, there has been a growing trend for installing electrical equipment on rooftops. As a result, volcanic ash from an eruption could penetrate electrical systems, potentially making lighting and heating/cooling systems in buildings unusable, even after electricity is restored. Also, if volcanic ash accumulates on roads or railways, it could affect transportation and logistics.

(4) Global Warming

In 2023, many cities exceeded their record high temperatures. Globally, reducing greenhouse gas emissions has become critical, leading the Japanese government to designate 2030 as a milestone year for interim progress and to declare the commitment to achieve carbon neutrality by 2050. While switching to renewable energy sources is certainly the main focus, in reality, many people recognize that achieving this goal without nuclear power generation is going to be challenging. However, I think it is crucial for every company to swiftly meet its own responsibilities for their carbon neutrality.

In addition to the above, there are many other issues and risks to consider. While action must be taken to address these issues, there is also the need to generate profits, improve our financial performance, and provide returns to stakeholders, such as customers, local communities, financial institutions, shareholders,

Approach to Corporate Management

I have served as president and chairman for 18 years, and I believe that we are facing challenging times. Despite the difficult circumstances, since going public Hulic has achieved increases in profits and dividends for 15 consecutive fiscal periods.

The earnings growth can be attributed to the recovery of the hotel segment, which had been in deficit for several years but turned profitable due to the resurgence of inbound tourism, along with an increase in capital gains from real estate sales. These sales are conducted not only to generate a profit but also to facilitate asset restructuring, with the aim of controlling the expansion of total assets. The equity ratio (after considering hybrid finance) improved from 37.1% in FY2022 to 37.9% in FY2023. This has helped to maintain our high external credit rating. We have a keen interest in maintaining external credit ratings in order to have a wider range of procurement options, even if borrowing from the financial institutions become limited due to tight Bank for International Settlements (BIS) regulations, etc.

We do not set operating revenue as our management target. Instead, we are prioritizing profit items. This is because profits are essential for fulfilling our objectives. As I will discuss later, using renewable energy, improving seismic performance through development, reconstruction, distributing dividends to shareholders, and providing a high level of compensation for employees cannot be accomplished without profits. Since the real estate industry typically has high levels of borrowing, we set our profit target as the profit after interest payments. During the Medium-Term Management Plan (2023–2025), we are also aiming for a consolidated dividend payout ratio of 40% or higher as well as prioritizing profit attributable to owners of parent to make increased dividends possible. Ordinary profit has risen by over 10% annually since

and employees, as well as to ensure our sustainable growth. Dealing with immediate challenges is vital, yet it is also necessary to prepare for the future. Moreover, it has become quite common for profitable companies to engage in corporate social responsibility activities.

our listing. The dividend per share for FY2023 increased by JPY8 compared with the previous year, for a total of JPY50. Further, despite of a public offering of shares in October 2021, net income per share (EPS) has also increased from JPY101.09 in FY2021 to JPY124.36 in FY2023. Our dividend payout ratio is one of the highest among the major developers.

◆ On Being a Good Company

I was a banker before becoming the president of Hulic. During my tenure at the bank, I undertook various responsibilities, including serving as chairman of the credit review committee. Based on that experience, I had doubts about whether a company could be considered good solely based on profitability. While profitability is certainly important, I don't believe that it should be the only consideration. As a result, we have been redefining what constitutes a “good company” based on communication with financial institutions and corporate governance codes from the Tokyo Stock Exchange, making incremental improvements to our management since going public. Although we haven't reached an optimal level yet, we have made considerable progress. I think the following criterion are general guidelines for defining a “good company.”

(1) Achieving growth

Japan has experienced persistent deflation for an extended period, resulting in sluggish growth rates compared with other countries. Despite this, Hulic has achieved annual growth of 10% or higher in ordinary profit for 15 consecutive fiscal periods since going public. I believe that having ordinary profit of over JPY100.0 billion is one of the benchmarks for being a leading company in Japan. We achieved this goal in FY2021 and have continued to increase this indicator since then.

(2) Enhancing Financial Position/Safety

When I first became the president of Hulic Co., Ltd., (“the Company”), our borrowings were secured by collateral. (Currently, all of our loans are unsecured.) Having collateralized loans implies a perceived lack of soundness from the bank's viewpoint. Given our role as a real estate management company for banks at that time it was natural to think that way. As a result, to secure funding in the future and attract new talented employees, we made the decision to go public. Following our listing, we conducted three rounds of public offerings to bolster equity base. As of December 31, 2023, our equity stood at JPY765.6 billion. However, because we listed later than some major developers, I believe it is necessary to continue building up our equity by accumulating profits.

Our external credit rating was upgraded to AA- in 2022, finally giving us a certain level of recognition from the market. Despite acquiring numerous properties again in 2023, we strategically reorganized our portfolio, curbing asset growth. As a result, our borrowing balance and financing costs remained consistent with the last fiscal year, reflecting our sensible operations and being mindful of our external credit rating.

(3) Market Capitalization/Market Valuations

Around 10 years ago, there was a brief period when our market capitalization exceeded JPY1 trillion, but since then, it has stayed between JPY700.0 billion and JPY900.0 billion. Through investor relations activities, both domestic and international, and consistently achieving profit growth and dividend increases, in August 2023 we again reached the market valuation milestone of JPY1 trillion. Our stakeholders include customers, local communities, financial institutions, employees, among others. For shareholders, we have undertaken initiatives that include gradually increasing the dividend payout ratio, which currently exceeds 40%; ensuring prompt financial announcements within one month of the financial closing date; introducing shareholder incentives as part of our strategy to promote long-term ownership among individual shareholders; and improving disclosure on our website.

(4) Key Management Metrics and Target Achievement

We include the following indicators as part of our key

Key Management Metrics	Our Situation (as of December 31, 2023)
① PBR 1 or higher (benchmark for the Tokyo Stock Exchange Prime Market)	Approx. 1.5 times
② ROE 10% or higher	13.0%
③ Equity ratio (after considering hybrid finance): 30% or higher	37.9%
④ Net D/E ratio: 3 times or less	1.3 times
⑤ Debt/EBITDA ratio: 12 times or less	7.6 times
⑥ Vacancy rate: 1% or less	0.4%

management metrics. As of December 31, 2023, we have achieved the targets for all of these items.

(5) Sustainability

Looking at our environmental initiatives, we achieved RE100 in 2023, two years ahead of initial plan. We achieved this by generating renewable energy through our own solar power plants, rather than purchasing non-fossil certificates from external sources. We were the first to achieve RE100 through this method in Japan. Our plan is to continue investing JPY8.0 to 10.0 billion per year to alter the electricity for all company-owned buildings to 100% renewable energy sources by 2029. Further, we will incorporate industry-academia collaborations with Waseda University to explore insights into energy storage batteries and related technology. Going forward, we plan to install these new batteries at some of our solar power plants. Given the recent severe weather patterns, it is essential to tackle the issue of global warming by reducing greenhouse gas emissions.

For governance, our Board of Directors is consisted of five executive directors and six external directors. In the Audit & Supervisory Board, there are two full-time members and three external members. In the past, the Chairperson of the Board of Directors was a non-executive director who was not an external director. However, we have transitioned to having an external director in this position since 2024. Also, we now have

five female executives, including directors and Audit & Supervisory Board members, with women making up over 30% (as of April 1, 2024). External directors and external auditors come from diverse fields of expertise,

including experienced business executives, scholars specializing in corporate law and child education policy, lawyers, certified public accountants, and journalists.

For Key Stakeholders

We recognize the importance of addressing the needs of our various stakeholders, including customers, local communities, financial institutions, shareholders, and employees. We believe it is essential to provide optimal responses to every stakeholder.

◆ Customers

We convey to employees the idea that salaries are essentially funded through rents received from our customers. From this perspective, we must make every effort to serve our customers, as we believe that providing safe, secure, and convenient buildings is one of their most important objectives. Apart from residential properties and *ryokan* (Japanese inns), we typically prioritize office and commercial locations with convenient access (within three to five minutes of a station). Among our facilities, 63% are within three minutes of a station and 77% are within five minutes. We believe it is a benefit for customers if our facilities are as close to a station as possible, especially during the rainy season and winter.

For business continuity plans (BCPs), there is a high risk of a major earthquake striking Tokyo within the next 30 years. As a result, we are pushing ahead with development, reconstruction, and seismic reinforcement to ensure that all company-owned buildings are upgraded to high-resilience structures capable of withstanding an earthquake with seismic intensity of level 7 on the Japanese scale by 2029. We also plan to finalize our response plan for an eruption of Mt. Fuji within the next few years. Furthermore, we make it possible to use renewable energy at company-owned buildings, allowing tenants to move closer to achieving their RE100 goals.

◆ Local Communities

Hulic was formerly known as Nihonbashi Kogyo. As the name suggests, our headquarters was located in Nihonbashi, Chuo ward in Tokyo until 2012 when we

relocated to Odenmachi, with the nearest station being Kodemmacho Station on the Hibiya Line. Odenmachi used to be an area with numerous companies in the textile industry, but over time, it transformed into a residential area with many condominiums. Though Hulic is not engaged in condominium development, we still prioritize maintaining strong relationships with neighboring residents. As an example, since the local neighborhood association didn't have *mikoshi* (portable shrines) and festival floats, we made donations to provide them. We also hold an annual summer festival, during which we participate in carrying the donated *mikoshi* along with members of the neighborhood association and nearby companies. During the summer festival, we are delighted to welcome many children who come to join the festivities. Further, we have established a daycare center within the head office building. Aside from employees' children, we also welcome local children, when space is available. We donated books when the local Nihonbashi Elementary School celebrated its 100th anniversary. Although our business model isn't focused on business to consumer (B to C) interactions, we are committed to building strong connections with the local community.

◆ Financial Institutions

Since joining Hulic, I have become even more aware of the importance of finance, and I prioritize communications with financial institutions for strong relationships with them. While it's not common for many companies to regard financial institutions as stakeholders, my perspective differs. I'm not solely influenced by my banking experience, but rather by the fact that developers, regardless of their backgrounds, must secure stable long-term funding as they repay development funds through rents. That's why I view financial institutions as crucial stakeholders. Our interest-bearing debts came to JPY1,445.0 billion, while

major real estate companies typically carry around JPY3–4 trillion. Also, it is essential for us to maintain our current AA external credit rating and continue aiming for higher credit ratings. External credit ratings are a barometer of our financial soundness and are essential for flexible bond issue. Hulic's external credit rating is currently AA-, yet it's clear that achieving an AAA rating would make a significant difference for investors.

◆ Shareholders

Before the COVID-19 pandemic, I devoted a significant amount of time to investor relations, including overseas investors. From this experience, I felt that the needs and expectations of each shareholder differ significantly. Since going public, we consistently prioritized shareholder returns and have continued to raise dividends. We have also maintained a consolidated dividend payout ratio of 40% or higher, which is among the highest in the real estate developer sector. In addition, as a shareholder incentive, we send a gift catalog to mainly individual investors. In August 2023, our market capitalization exceeded JPY1 trillion. Furthermore, our price to book ratio (PBR) have exceeded 1 time. While stock prices are determined by the market, we intend to keep going after increased profits and dividends with a management strategy that is conscious of stock price valuations.

◆ Employees

With the declining working-age population, the challenge lies in efficiently recruiting employees. As of December 31, 2023, Hulic operates with a small team: 222 employees. Ordinary profit per employee exceeds JPY600.0 million, making us one of the top performers, based on productivity, among listed companies in Japan. For this reason, we have been recruiting professionals or people who have the potential to become professionals. First, looking at salaries, the average annual salary for 2023 was JPY19.08 million, ranking us among the top in the industry. At Hulic, employees reach an annual salary level of over JPY5.0 million in their second year with us.

Also, we maintain fringe benefits at an exceptionally high level, as shown below.



1. Breakfast, lunch, and beverages at the head office cafeteria are free.
2. Single-person dormitories are usually provided for free.
3. Health exams allow individuals to select the level of screening, such as a comprehensive check-up (if desired, an MRI and other tests are provided for free).

We also have a rehiring system for employees who resigned due to circumstances such as their spouse's relocation. Our approach to HR is considered top tier, even among other listed companies.

Besides childcare leave, flexible work hours for childcare, and leave for tending to a sick child, we have established the following systems under our next-generation nurturing support program.

1. Onsite daycare centers (contributes to flexibility of commuting by car)
2. Subsidies for after-school club fees (up to JPY50,000 per month)
3. Celebratory gifts (first born: JPY100,000, second born: JPY200,000, third or more: JPY1,000,000)
4. Support for infertility treatments, etc.

As a result of these initiatives, the fertility rate in 2023 was 2.8, a high rate compared with a five-year average of 1.7 and the national average of 1.3.*

*Source: Population Statistics of Japan 2022 issued by the Ministry of Health, Labour and Welfare

Above, I have outlined Hulic's response and approach to risk. Since becoming president, we have faced significant challenges that were previously thought to occur only once every hundred years or even once every few hundred years, including the 2008 economic crisis, the Great East Japan Earthquake, the

COVID-19 pandemic, and Russia's invasion of Ukraine. While it's possible that some unexpected risks could occur, we remain committed to steadily increasing profits and holding assets that appreciate over time. In the following section, I would like to discuss Hulic's growth strategy.

Hulic's Growth Strategy

◆ HR Development Strategy

As the challenge of population decline has been clear since I assumed the president post, we have consciously steered away from labor-intensive ventures and opted to concentrate on business to business (B to B) operations. Our tourism-related business segment is an exception, though. For new graduate recruiting, we aim for a balanced ratio of male and female hires, with approximately half from science and engineering as well as half from the humanities. Moving forward, we are committed to prioritizing training programs that allow new employees to experience tangible growth. We also strive to provide a comfortable work environment through competitive salaries, fringe benefits, and spacious offices.

I have always emphasized the distinction between *work* and *tasks*. Tasks typically involve accurately

executing predefined activities. Although new employees sometimes have to perform tasks to gain an overall understanding, we prefer that other employees do not do any tasks. Therefore, we recommend leaving these to systems or outsourcing them. I believe that employees should engage in meaningful work, which means thinking about a job that needs to be done then adding value. The process of thinking is challenging. To me, this involves studying, reading many books, meeting various people and having discussions.

As a company, we believe in reducing overtime work and encouraging each person to create more time for studying, reading, and meeting people, in addition to providing English conversation classes and online learning. However, I believe that meeting people involves *giving* to others. Without *giving*, there can be no *receiving*. Therefore, it is essential to cultivate an interest in varied subjects and to continually learn.

Hulic sponsors the Hulic Cup Kisei Championships for *shogi* (Japanese chess) and the Hulic Cup Hakurei Championships for female *shogi* players as part of our cultural support, in this way contributing to the *shogi* community. *Shogi* players carefully ponder every move, along with later moves and their opponent's response, a single match can take an entire day.

On days without matches, *shogi* players research new moves, often using AI. When a new move is effective, it becomes known to all *shogi* players. So, they must continually research new strategies. I suggest promoting *tsumeshogi* (*shogi* puzzles) within the company as a form of thinking exercise to underscore the significance of critical thinking. Critical

thinking is something that all executives and employees must engage in daily.

A good salary certainly attracts top employees, and it is essential to increase productivity in order to raise salaries. Our goal going forward is to maintain an optimal workforce size within our organization. Having raised base salaries last year, we are now targeting an increase in starting salaries and a roughly 10% raise in salaries for 2024. What's more, we plan to pass on the benefits of higher productivity directly to our employees.

◆ Real Estate Business Strategy

It is expected that the real estate market will become increasingly challenging as the population continues to decline, with the residential and office sectors being particularly affected. After becoming president, I made several decisions about what we wouldn't pursue; one of those was residential properties.

(1) Offices

The demand for office space will decrease as the working-age population declines. That's why we have been reducing the percentage of office properties in our portfolio, aiming to bring it down to 50%. In the current landscape where the average vacancy rate stands at approximately 6%, our vacancy rate has consistently remained below 1%. Given that 99% of Japanese companies are small and medium-sized, we have outlined the following as our fundamental strategy.

- ① We prioritize medium-sized buildings, typically with a site area of 500 tsubo* or less, often ranging from 200 to 300 tsubo.
- ② Properties should be strategically located within a 3–4 minute walk from train stations.
- ③ Buildings must have a high seismic resistance to effectively withstand major earthquakes.
- ④ Our buildings must be resilient to a potential Mt. Fuji eruption, with mechanism in place to swiftly resume operations following the ash fall.
- ⑤ We intend to contribute to tenants' RE100 goals by altering all company-owned buildings to 100% renewable energy use by 2029.

* One tsubo is approximately 3.3 m².

The costs associated with BCP initiatives and environmental compliance are rising. While current profits are important, I intend to manage the business with a balance between the present and the future.

(2) Commercial Facilities

Commercial facilities are gradually returning to normal operation as COVID-19 restrictions ease and inbound tourism increases. We have identified Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa as our focus area, and all of them are progressing smoothly. Commercial properties in prime locations are experiencing significant interest from luxury brands and other retailers looking to establish new stores. For development projects in the prime area of Ginza, we are receiving a high volume of inquiries, even before completion of buildings. In Ginza, we are planning approximately 10 development and reconstruction projects in the future, aiming to improve both floor area ratios and overall business profitability.

(3) Hotels and *ryokans* (Japanese style luxury inns)

As inbound tourism returns, both hotels and *ryokan* have seen an increase in average daily rates (ADRs), accompanied by exceptionally high occupancy rates. Our directly managed hotels are located in Ginza/Yurakucho, Asakusa, Ryogoku, Kyoto, Sapporo, and Maihama, among other areas. Development is also underway in Yokohama, the Sapporo Station area, Fukuoka's Tenjin, and Osaka's Shinsaibashi, with openings scheduled to take place gradually. Two of our FUFU brand of luxury *ryokan* opened in Karuizawa in December 2023. This has brought the number of FUFU *ryokan* to 11, with three in Atami, two in Hakone, two in Karuizawa, and one each in Nikko, Kawaguchiko, Kyoto, and Nara. We are planning developments in Jogashima (Kanagawa Prefecture) and Ginza. While the weakening yen is having a clear impact, I don't foresee a decline in tourists coming from overseas anytime soon, especially considering factors such as Japan's safety, delicious cuisine, and unique seasonal experiences. Nonetheless, securing labor is crucial in the tourism-related sector. Employees in hotel operations were given substantial base salary raises. Further, we are committed to boosting business efficiency without compromising the level of service for any reason. We are promoting the efficiency of DX while optimizing workflows and focusing on improving services through initiatives that include room renovations and events.

(4) Senior living

As of December 31, 2023, the number of senior



living units (beds) reached approximately 4,800, approaching our goal of 5,000. Despite the high demand stemming from population aging, there is a clear shortage of caretakers. To address this shortfall, Hulic has implemented initiatives such as a scholarship program for students pursuing careers in caretaking and the introduction of monitoring sensors to enhance caretaking support. However, challenges remain due to the weakening yen, resulting in a decline in workers from overseas, compounded by the physical demands of caretaking. Simultaneously, aging populations are a global phenomenon, especially in developed countries. Consequently, we already invested in a senior living in the United States operated by a subsidiary of Mitsui & Co., Ltd. This move capitalizes on the many workers available in the US, offering promising investment opportunities compared with Japan. For overseas investments, our strategy for the future focuses on making only financially sound and carefully selected investments.

(5) Logistics facilities

The demand for new logistics facilities in the central Tokyo area is high, catering to the requirements of approximately 14 million Tokyo residents. However, competition is fierce. In addition, logistics companies must address issues such as a shortage of drivers and achieving carbon neutrality throughout the distribution process. For these reasons, we are targeting locations as close to Tokyo as possible, preferably within the inner areas of National Route 16, which offers good access to highways and other transportation routes. At the same time, large-scale logistics developments at Narita Airport have different objectives. Narita Airport is the top domestic hub for cargo handling. And the completion of a third runway is scheduled for 2029. However, Narita Airport has been open for over 45 years, and the facilities are aging. So, we intend to construct four warehouses and a building for customs clearance and quarantine by 2029. Put simply, although they are logistics facilities, our aim is to transform them into places capable of managing all operations near the airport. Our logistics facilities will have unique features, making them highly competitive and relatively easy to lease out.

(6) Key Thoughts on Owning Real Estate

A declining population and labor shortages have

made the real estate business increasingly tough in recent years. In addition, we must address issues such as seismic performance and carbon neutrality, even if these do not immediately contribute to profits. In these circumstances, I believe the following items are crucial:

- Carefully interpreting demographic trends (such as owning senior living and limiting the proportion of office in our portfolio).
- Considering the volume and needs of target companies when strategizing for offices (medium-sized buildings/flexible office space targeting growing companies, etc.).
- Differentiating our properties as much as possible by offering distinctive features (nearness to train stations, BCPs, and environmental friendliness).
- Carefully selecting prime locations tailored to each asset type.

I aim to develop our business as a company capable of thriving despite the population decline.

◆ New Businesses

Relying solely on conventional approaches will be difficult for sustaining continuous growth in the face of rapid environmental changes. Since going public, we have expanded our business model and diversified our portfolio to include assets beyond traditional office and commercial spaces, such as properties catering to seniors, health, and tourism. Recently, we ventured into developing logistics facilities and data centers. Our diversification extends further with initiatives that include flexible offices (Bizflex), education, and rental offices. At the same time, we have established a framework for financing new businesses, although it's important to note that profits from these businesses could be realized some time in the future. While taking risk is essential for generating profit, after some thought, our track record suggests that we have mitigated risk by taking on relatively low-risk investments. Taking even greater risks in the future is essential along with the continuing population decline. Hulic's equity stands at JPY765.6 billion, and when combined with the unrealized gains from real estate of JPY384.9 billion, this totals JPY1,150.5 billion. We will allocate approximately 10% of this amount, around JPY110.0–120.0 billion, for this type of risk-taking. Of course, it is natural for us to carefully identify property and business risks even more thoroughly than before. We have also started to assess overseas projects that we had not previously joined,

setting clear limits on our involvement.

Further, we have set a certain target yield as a criterion for making investment decisions. However, for properties in our strategic areas, we have allocated dedicated resources as part of our strategy to strengthen our portfolio. For example, in the heart of Ginza, the yield can be as low as 2% or even less. Despite the low yields at the time of acquisition, properties in Ginza significantly contribute to the unrealized gains, affirming their considerable role in bolstering our portfolio.

Two years ago, we established the Business Creation Department. They are responsible for new business initiatives such as mergers and acquisitions (M&As) and overseas business.

We also have the Sales Promotion Department who specializes in identifying the needs of companies that we are currently not working with and ways to address those needs, while contributing to revenues. In 2023, Hulic was selected as the developer for a pioneering R&D-centric urban development project spearheaded by JFE Holdings, Inc. and Kawasaki City. We proposed bringing R&D-focused tenants into the area, along with residential functions, supermarkets, and other amenities for the people who will work there. Also, as part of our Narita Airport logistics development project, we intend to develop facilities that can accommodate not only logistics but also customs clearance, quarantine, and other operations. I believe adding this kind of value is part of our new business initiatives.

Although we acknowledge M&As are challenging, we are considering M&As as one way to grow our business. There is a possibility that some companies could struggle to adapt to change. As a result, we are also exploring the adoption of new business models to bolster growth as a Group.

◆ Becoming a Leading Company in Japan

Although Hulic currently has just over 200 employees, we aspire to become one of the leading companies in Japan. We have defined a leading company based

Indicator		Hulic (as of December 31, 2023)
Profitability	Ordinary profit: JPY100 billion or more	JPY137.4 billion
B/S Soundness	External credit rating: AA level	AA- (stable)
Market evaluation	• Market cap: JPY1 trillion or more • PBR: 1 time or higher	Approx. JPY1,133.8 billion 1.5 times
Capital efficiency	ROE: 10% or higher	13.0%
SDGs	Nikkei SDGs Management Survey: 4 stars or more	4 stars

on the opinions of experts from several fields, including financial institutions:

While we accomplished all of the items listed above in 2023, there are still many challenges ahead. To become a leading company in Japan, we are committed to “driving innovation” and “accelerating progress” (our motto), as well as fostering integrity, maintaining a strong sense of ownership, and working “ahead of the curve.”



Message from the President, Representative Director

Looking Back on 2023

2023 was the start of our Medium-Term Management Plan (2023–2025). The basic policy of our plan is to create a high-quality leasing portfolio that addresses changing circumstances and continues to improve on sustainable management while maintaining a strong external credit rating.

Reflecting on 2023, the world economy went through a challenging period marked by the prolonged Russia-Ukraine war, clashes between Israel and Hamas, and the rapid rise of inflation and interest rates in Western nations.

Amid these challenges, we have generally made good progress during the year. Looking specifically at performance, we achieved our fifteenth consecutive year of higher profits and dividends since going public. We realized over 10% annual growth and set new record highs for each profit indicator. Operating profit grew by JPY20.0 billion, or 15.8% year on year, to JPY146.1 billion; ordinary profit was up by JPY14.2 billion, or 11.5%, to JPY137.4 billion; and profit attributable to owners of parent rose by JPY15.4 billion, or 19.5%, to JPY94.6 billion.

Below, I will explain the basic strategies of the current Medium-Term Management Plan and our progress up to December 31, 2023.

(1) Build a high-quality leasing portfolio and maintain / strengthen a flexible earnings structure

Hulic has set ambitious goals to achieve by 2029, including 100% for highly earthquake-resistant buildings; 100% of buildings using renewable energy; ensuring that less than 50% of our portfolio consists of office buildings; and having over 50% of assets located in focus areas. We are making progress with the restructuring of our portfolio to meet these targets.

- We achieved an 86% rate for highly earthquake-resistant buildings (95% when excluding those subjects for sale or reconstruction).
- We achieved RE100 in May 2023, two years ahead

of the initial plan, by developing our own solar panel plants for generating carbon-free.

- Office buildings as a percentage of our portfolio has been reduced to 46%, already below our target of 50%. Moving forward, we expect an increase in the proportion of hotels, *ryokan* (Japanese inns), and next-generation assets, all growth areas.
- The development and acquisition of properties in Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa has moved ahead, boosting the ratio of properties in focus areas to 48%.
- A vacancy rate of less than 1% has been maintained in our highly competitive leasing portfolio on the back of the initiatives mentioned above (The overall property vacancy rate of 0.4%, as of December 31, 2023).

(2) Enhance the pipelines of development, reconstruction and value-added properties.

Diversify exits to ensure profitability

Hulic has set a target to develop or reconstruct over 100 properties by 2029, aiming to make certain that all company-owned buildings can withstand earthquakes with a seismic intensity of level 7 on the Japanese scale. We take two approaches in our strategy for development and reconstruction projects: planning to maintain a portion of buildings to increase the foundation of leasing portfolio and selling a portion of building to capitalize on development profits.

- 94 development/reconstruction projects have been confirmed or are almost confirmed.
- Construction has begun on large-scale development and reconstruction projects, such as the Shinsaibashi Project, the Ginza Building reconstruction, and the redevelopment of Jiyugaoka. Construction has begun on eight properties, while 14 have been completed.
- The data center development project in Kobunacho has begun. We established a data center management company, DEH1 K.K. , in joint venture with Digital Edge Japan LLC .
- The development of logistics facilities is going smoothly. The second and third properties, Hulic Logistics Noda I and Hulic Logistics Kashiwa, have

been completed. Construction has also begun on two more properties: Hulic Logistics Hashimoto and Hulic Logistics Noda II.

- For a possible exit strategy for development properties, we use not only public REITs but also private REITs and funds.

(3) Diversify revenue sources by enhancing initiatives in new business areas

In addition to business development in tourism, seniors, and the environment, Hulic new businesses include flexible office “Bizflex flexible offices” and children’s education. We have also set an investment budget of JPY50 billion for our growth strategy to diversify sources of revenue through initiatives in next-generation assets including logistics facilities, data centers, R&D facilities and CRE (corporate real estate) and mergers and acquisitions (M&As). In this way, we are strengthening our ability to respond to environmental changes.

- Hotel segment has experienced a rapid recovery from the COVID-19 pandemic, resulting in a profit increase of JPY6.1 billion year on year and a return to being profitable. We have consolidated our tourism subsidiaries under Hulic Hotel Management Co., Ltd. to further boost profitability.
- Two new Bizflex offices have opened and are operating at full capacity.
- In our children’s education business, Kodomo Departs has been confirmed for Nakano and Tama Plaza, with plans for four more.
- We are developing labs (R&D facilities) as next-generation assets.

In addition, Hulic Kinshicho Collabo Tree, which houses three venture companies, was also completed in January 2023.

- For M&As, we acquired CROSSCOOP Co., Ltd. and subsequently rebranded the company as HULIC Biz Frontier Co., Ltd. for entering the rental office business, a growing business field.
- In anticipation of synergy with our children’s



Takaya Maeda

President,
Representative
Director

education business, we entered into a capital and business alliance with R.project Inc., a company that specializes in operating campsites and facilities used for training camps. This demonstrates our venture into the outdoor business sector.

- ABEJA, Inc. and EcoNaviSta, Inc., partners and investment recipients in new business sectors, have been listed on the Tokyo Stock Exchange Growth Market.

(4) Ensure financial soundness and thorough risk management to maintain a strong external credit rating

- Due to the steady accumulation of profits, our equity has risen to JPY765.6 billion, with an equity ratio adjusted for hybrid finance of 37.9%, a Debt/EBITDA ratio of 7.6 times, a Net D/E ratio of 1.3 times, and return on equity (ROE) of 13.0%, all exceptionally favorable indicators. Also, our external credit rating remains at the AA level.

(5) Raise the level of sustainability management, including the promotion of environmental initiatives and human capital development, etc.

- We achieved RE100 in May 2023, two years ahead of our initial plan.
- We are promoting strong seismic performance and flood damage countermeasures for owned buildings. We are also gradually implementing countermeasures for an ashfall from a potential Mt. Fuji eruption.
- We are strengthening initiatives for respecting human rights. This includes revising our human rights policy and setting up a framework for human rights due diligence.
- Hulic has been continually included as a constituent in six ESG investment indices selected by the Government Pension Investment Fund (GPIF).
- We added two more external directors, resulting in non-executive directors making up the majority, and achieved a female ratio of 30% among directors and auditors.
- Two female executive officers have also been

appointed, for even more diversification.

As a result of these initiatives, Hulic's stock price exceeded market capitalization of JPY1 trillion in August 2023 and has since remained above this level.

Plans for FY2024

On New Year's Day 2024, a massive earthquake with a seismic intensity of level 7 (Japanese scale) struck the Noto Peninsula. Hulic has been improving the seismic performance of all company-owned buildings, making certain that they withstand a seismic intensity of level 7. We also recognize the risk associated with a Mt. Fuji eruption, which could significantly impact socioeconomic activities. We reaffirm the importance of the actions we have taken to address these risks.

Regarding the issue of population decline, the long-term decline in population presents a significant challenge to the overall Japanese economy. In preparation for a potential decrease in office workers, Hulic plans to lower the ratio of offices in our portfolio to below 50% and build up assets in growth sectors.

The following is our core strategy for our plans for FY2024. "We intend to strengthen our leasing business through more new investments, including for next-generation assets. We will also continue portfolio restructuring with a focus on balance sheet control to bolster revenue. Moreover, leveraging the increased risk tolerance from our steadily growing equity, we intend to invest in new business areas, in this way diversifying our revenue sources and accelerating the achievement of Medium-Term Management Plan goals."

Tuning to forecasts for FY2024, we project operating profit of JPY153.0 billion (an increase of JPY6.8 billion year on year), ordinary profit of JPY144.0 billion (an increase of JPY6.5 billion), and profit attributable to owners of parent of JPY98.0 billion (an increase of JPY3.3 billion), maintaining the trend of robust profit growth.

For the business environment for FY2024, we expect that the ease money financial environment will



continue for now, despite the decisions to eliminate the yield curve control (YCC) and to lift negative interest rates.

For the investment environment, I see a growing trend in investment opportunities for Hulic. These opportunities include the sales of corporate real estate, along with sales (divestments) by some overseas investors. Further, the transaction market remains strong.

Against this backdrop, in FY2024, we will continue to build up leasing revenue through investments and replace assets to restructure our portfolio.

Regarding investments, large-scale corporate real estate (CRE) projects have started to move in the second half of 2023. I believe these projects stem from a shift in corporate behavior, driven by the need to improve capital efficiency in response to the price-to-book ratio (PBR) falling below 1 time. In addition, we will continue to pursue investments in various ways, such as equity as well as mezzanine investments. We will also

continue to replace assets in our portfolio with a focus on earthquake resistance.

For development and reconstruction projects, we are planning to mitigate any negative impact including the increase of construction cost by thorough review of business income and expenses. With this proactive approach, we remain committed to the development and reconstruction of over 100 properties by 2029.

A significant portion of our unrealized gains comes from properties in focus areas such as Ginza, Shibuya/Aoyama, and Shinjuku. Also, street-level stores are commanding rents that exceed our projections, buoyed by the strong expansion ambitions of luxury brands. This should effectively offset the increase in construction costs. Therefore, in the future we plan to continue making investments in focus areas, such as in and around Ginza.

The Kobunacho Project, our venture into the new realm of data centers, is progressing well and is expected to be completed in 2025. In logistics facilities, Hulic



under management (AUM) more effectively.

In the hotel and *ryokan* business segment, we are currently going ahead with projects such as The Gate Hotels in Fukuoka, Sapporo, Yokohama, and Shinsaibashi, as well as FUFU luxury *ryokan (inns)* in Jogashima and Ginza. We initially planned to temporarily halt new expansion. However, given that the tourism sector is one of the few areas where domestic growth is expected, we have decided to once again increase the number of facilities. As we move forward, we plan to explore the development of new form of business in the hospitality industry.

In the children's education business, with six Kodomo Depart projects now underway, we set up Children Education Business Unit to accelerate our

education business. This initiative includes bolstering our collaboration with the Riso Kyoiku Group as well as seeking new partnership opportunities.

We also started to work on making renewable energy a profitable business. Although the environmental business was one of our original three new business areas, we believed that pursuing profits from this business was too early unless we achieve RE100. Therefore, our focus has been on initiatives such as achieving RE100 and transitioning to 100% renewable energy in all company-owned buildings. Now that significant progress has been made in these areas, we have decided to pursue the environmental business to generate revenue. At the end of 2023, we chose to make an equity investment in the first round of a battery storage fund.

For M&As, we have established a dedicated

promotion team to drive M&As as a key component of our growth strategy. Our objective is to systematically explore opportunities for expansion and identify potential avenues for growth in a integrated fashion.

A Message to Stakeholders

We adhere to the principles of balanced and sustainable management, always mindful of the cost of capital and our stock price.

We believe that achieving and maintaining an ROE that exceeds the cost of capital is fundamental to improving our corporate value. As of December 31, 2023, our ROE stood at 13.0%. Consequently, our PBR has been maintained above 1 time, reaching 1.5 times as of December 2023. Our strategy for improving corporate value begins with prioritizing profit growth, enhancing capital efficiency, and optimizing the cost of capital.

It is crucial to maintain and improve high productivity levels, while rewarding employees. In 2023, we had a 4% base salary raise, resulting in a wage increase rate, including salary adjustments, of nearly 9%. For 2024, our aim is to raise this figure to approximately 10%. We believe it is necessary for companies in Japan to foster a positive economic cycle by implementing wage increases that outpace inflation and by establishing an environment where female employees can continue their careers after childbirth. We take pride in our leadership in this area.

For governance, starting in 2024, we have decided to appoint an external director as the chairperson of the Board of Directors. This step has resulted in more transparency. We will continue to deliver shareholder returns through dividends as we aim to increase dividends by improving profits based on a policy of providing a consolidated

dividend payout ratio of 40% or higher.

I believe that companies should not be evaluated solely on their financial performance. While addressing sustainability is crucial, we also value what sets us apart from others: unique Hulic-like qualities. These qualities, which represent the values we cherish, include balanced management, driving innovation and accelerating progress, being a small group of elite professionals, clarity in decision-making, anticipating the next step, maintaining a strong sense of ownership, and honesty in action. Another crucial value is following through on everything we set out to achieve.

We are committed to responding flexibly to changes in the environment by "driving innovation" and "accelerating progress", in order for us to continuously be a "good company" and an "exciting company" for all stakeholders.



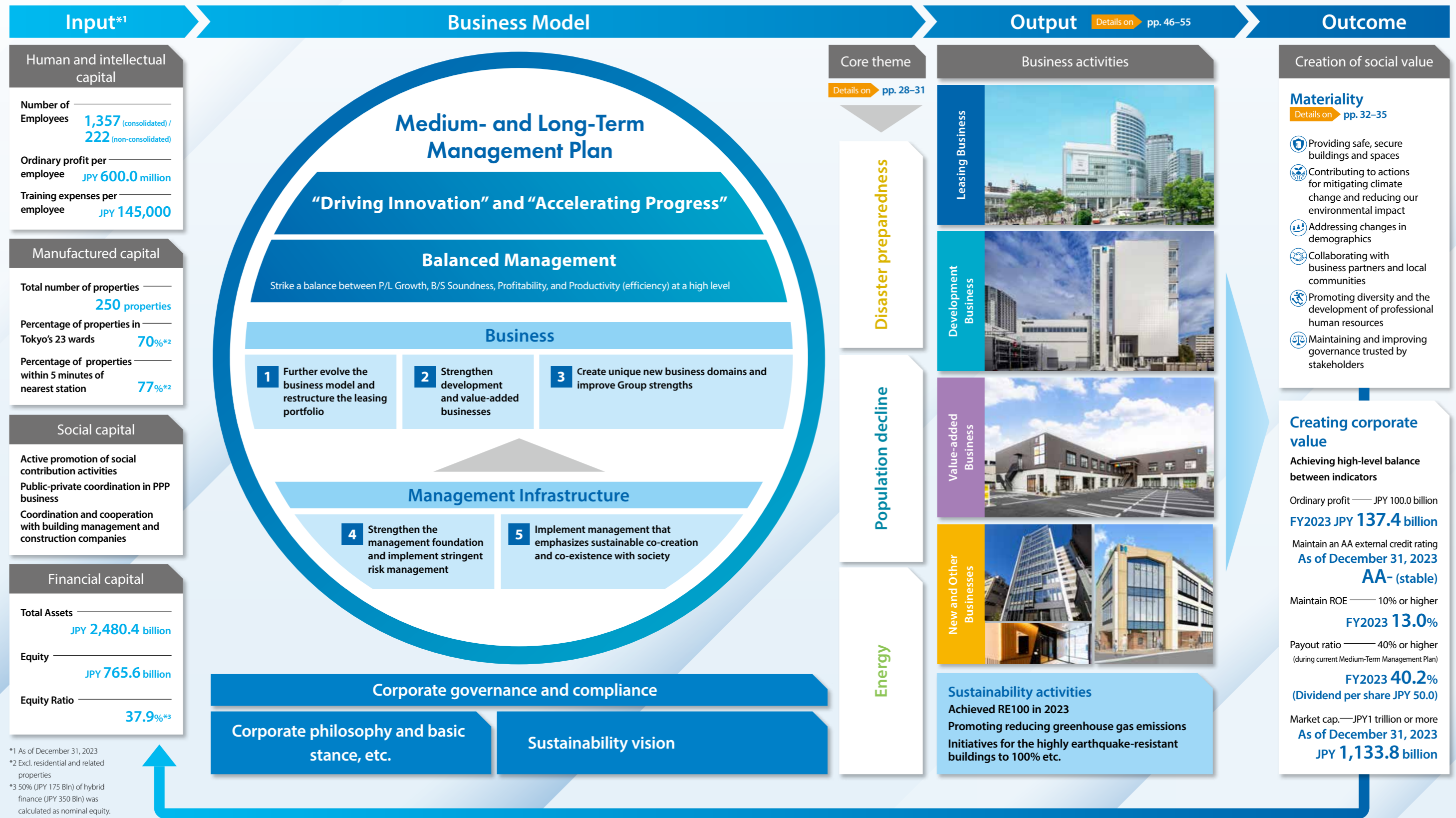
Logistics Hashimoto is slated for completion in 2024.

Establishing a new core fund that was planned for 2023 as part of the exit strategy for development and reconstruction projects has been temporarily deferred. Investors are currently hesitant to make long-term investments as they are assessing how Japan's financial policies will evolve. Consequently, we have postponed setting up core funds based on long-term investments. Instead, we are planning on setting up bridge financing or similar vehicles that will purchase and own properties for a certain period.

We have explored the possibility of launching a new private REIT for logistics facilities this fiscal year. However, we believe that incorporating logistics facilities into existing private REITs would be better than creating a new one with a small asset size. This approach will help diversify asset classes and grow the assets

Hulic Group's Value Creation Process

For the realization of a society full of safety, peace of mind and trust, and for the continuous improvement of corporate value.



*1 As of December 31, 2023
*2 Excl. residential and related properties
*3 50% (JPY 175 Bln) of hybrid finance (JPY 350 Bln) was calculated as nominal equity.

Hulic's Story of Sustainability

Here, we look at three themes that we recognize as important social issues for the realization of a society full of safety, peace of mind and trust, when identifying materiality that we should focus on as well as related initiatives.



1 Disaster preparedness

Materiality
Providing safe, secure buildings and spaces

- ◆ **Related KPIs**
 - 100% highly earthquake-resistant buildings*¹ by 2029 (target to be achieved by the end of 2025 excluding those subjects for sale or reconstruction)
 - Percentage of properties meeting Hulic's earthquake resistance standards*²: 100% each year



Analysis of the Business Environment

Japan is one of the countries where earthquakes occur most frequently, and experts believe there is a 70 to 80%*³ probability of major earthquakes, such as earthquakes directly under metropolitan Tokyo and in the Nankai Trough, within the next 30 years. The Great East Japan Earthquake in 2011 caused a staggering 6.5 trillion yen*⁴ in damages. In addition to earthquakes, Japan is also at risk of other disasters, such as an eruption of Mt. Fuji and flooding. As a real estate company that provides buildings, we recognize disaster countermeasures for buildings as one of our most significant issues and intend to ensure that our tenants can be active with peace of mind.

Hulic's Major Initiatives and Actions

- **Earthquake countermeasures: ensuring all company-owned buildings can withstand a seismic intensity of level 7 by 2029**
Hulic has established inhouse earthquake resistance standards*² that are stricter than the Building Standards Act and then applies these standards to all buildings that we develop or reconstruction. In addition, earthquake-absorbing and earthquake-damping structures are effective for ensuring high earthquake resistance, and we actively employ them in our buildings (see pages 64 and 65). We also assess earthquake resistance when acquiring properties. We are working to ensure that all company-owned buildings can withstand an earthquake with a seismic intensity of level 7 on the Japanese scale by 2029. (We plan to develop or reconstruction more than 100 properties by 2029.)

At the same time, to accurately assess the safety of buildings in the event of a major earthquake, we will gradually introduce systems such as the Sokushin Navi structural health monitoring system for determining the degree of damage that could occur.



An example of reinforcement work

- **Measures against ashfall from possible Mt. Fuji eruption**
If Mt. Fuji were to erupt, there is concern that rain mixed with volcanic ash could get into building drainage systems, block drain pipes, and cause failures of drains and electrical equipment. We have jointly developed a product called a drain cap that prevents volcanic ash from entering building equipment and plan to release it widely (patent pending).

As well, we have established a system to swiftly restore the functions of buildings, enabling operations to quickly resume once no more ash is being released from the eruption and so that the public infrastructure can be restored.

We have also introduced operational measures at some of the luxurious *ryokan* (Japanese inns) that we own near Mt. Fuji, such as obtaining insurance to compensate for economic losses due to temporary closures caused by ashfall.



Drain cap

Topics

Holding Seminars on Mitigating Damage Caused by Disasters

We have been holding seminars for employees on how to mitigate the damage caused by disasters since 2022 (with lecturers from the Japanese Red Cross Society). The employees learn about the expected damage and methods to protect themselves in the event of a large-scale earthquake, such as one directly under metropolitan Tokyo. In the practical training, they learn, among other items, how to perform first aid using readily available plastic bags, as well as CPR and how to use an AED (defibrillator).



Seminars on mitigating damage caused by disasters

*1 Highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.
*2 Hulic's earthquake resistance standards are where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of level 7.
*3 2020 white paper by the Ministry of Land, Infrastructure, Transport and Tourism
*4 According to the Natural Disaster Damages section of 70th Japan Statistical Yearbook 2021 by the Statistics Bureau of Japan

2 Population decline

Materiality
Addressing changes in demographics

◆ Related KPIs

- Senior living (number of units): 5,000 by 2025



Analysis of the Business Environment

Japan's falling population, the increased aging of society, and the low birth rate will accelerate in the future. Japan's population is predicted to decline from 126.15 million in 2020 to 87 million in 2070. At the same time, the percentage of the population aged 65 and over is predicted to rise steadily from 28.6% in 2020 to 38.7% in 2070. Simultaneously, the average life expectancy is expected to rise and immigration is set to increase.*

Population decline is an issue that affects all industries, but we believe the impact on the real estate market will be especially significant. For this reason, we are building a real estate portfolio that addresses demographic changes, including promoting businesses related to the elderly and inbound tourism, in light of the rising number of overseas tourists coming to Japan.

In addition, while Japan's birth rate has been trending downward over the long term, the number of dual-income households is rising and the government is considering improving programs for child-rearing support. Anticipating the growing demand for tutoring academies and extracurricular activities for children, we have ventured into children's education as one of our new business initiatives.

* Source: Summary of Future Population Projections (2023) published by the Ministry of Health, Labour and Welfare

Hulic's Major Initiatives and Actions

• Building a real estate portfolio that addresses demographic change

Target: Office share of 50% by 2029

Keep the office share down in anticipation of an expected decline in demand due to the decrease in the working population and changes in the way people work.

Target: 50% of properties in focus areas

Promote acquisition and development in focus areas (Ginza, Shinjuku eastside, Shibuya/Aoyama, Asakusa) in anticipation of the population being concentrated in urban areas.



HULIC SQUARE TOKYO

• Promoting senior citizen-related business

Invest in and develop senior living, operate lounges for active seniors, and promote new nursing care businesses using IoT in anticipation of the growing social demand for nursing and medical care as people age.



Hulic Premium Club Nihonbashi

• Promoting tourism-related business

Operate branded hotels and *ryokan* (Japanese inns) to capture tourism demand, expected to rise due to the increasing number of overseas tourists coming to Japan.



Lobby at FUFU Kawaguchiko

• Promoting children's education business

Provide education-related services for children in collaboration with partner companies in response to more and more dual-income households and the government implementation of measures to support child-rearing.

• Promoting other new businesses

Establish a department dedicated to new business creation and continually review and plan new businesses based on demographic changes.

Topics

Operating Hulic Scholarship Program for Training Welfare Caretakers

We established the Hulic Scholarship Program for Training of Welfare Caretakers in 2017 in order to support students aiming to be welfare caretakers, and develop human resources engaging in nursing care for the elderly and thus contribute to resolving social issues related to the aging of society.

This is a non-repayable (free) scholarship that aims for an improvement of the labor shortage in nursing care.



Practical training

3 Energy

Materiality
Contributing to actions for mitigating climate change and reducing our environmental impact

◆ Related KPIs

- Greenhouse gas emission reduction targets
- Number of renewable energy systems installed in development and reconstruction projects: at least three every year
- Number of times climate change risks are monitored by the Sustainability Committee and reported to the Board of Directors



Analysis of the Business Environment

2030 interim targets have been set for reducing greenhouse gas (GHG) emissions, a worldwide issue, and a consensus has been reached on the goal of achieving carbon neutrality by 2050. These initiatives are meant to address the pressing concern of shifting to renewable energy. There are also energy supply concerns as many of the country's nuclear reactors remain idle. We believe that we, as a company, must do our best to address energy issues not only to secure energy for the Hulic Group but to help our customers' businesses run smoothly as well.

Hulic's Major Initiatives and Actions

• Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings by 2029

Focusing on the "additionality" of renewable energy, the Hulic Group develops and owns solar and small hydroelectric plants for renewable energy, rather than buying it from power companies.

Also, against the backdrop of rising energy prices, generating our own power is an advantage for securing stable energy sources.



Solar power generation facility in Wakaba Ward, Chiba City



Kamogawa Small Hydroelectric Plant

Topics

Achieved RE100 in 2023: Becoming the first in Japan to generate renewable energy using proprietary non-FiT solar power plants

Since joining RE100 in 2019, we have been promoting the development of new non-feed-in tariff (non-FiT) solar power plants to achieve our goal. As of May 2023, we have achieved RE100 with our non-FiT solar power plants. This is the first time in Japan for RE100 to be achieved without using non-fossil fuel certificates under FiT by rather through non-FiT power sources developed in-house.

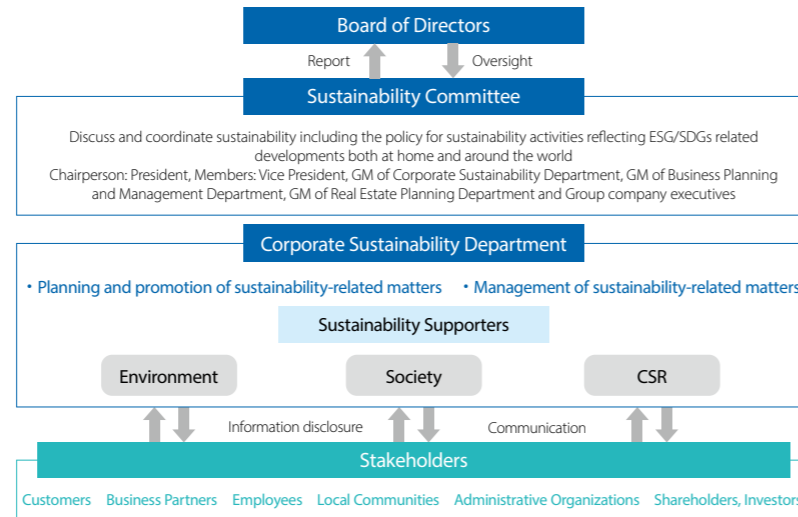


Materiality Assessment

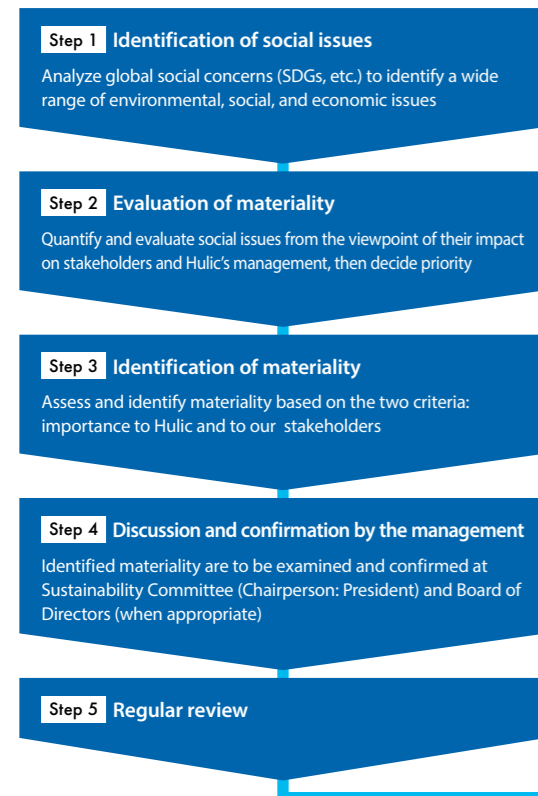
Hulic has been providing properties with excellent safety, environmental features, and convenience that match the needs of the times and society. As social issues and stakeholders' interests diversify, we will continue to address issues in society by assessing opportunities and risks in our businesses to achieve sustainable growth.

Structure to Promote Sustainability

We established the Sustainability Committee to deliberate on and coordinate important management concerns related to improving long-term competitiveness and our response to risk, after considering the situation at home and overseas related to sustainability, including the ESG/SDGs. Since management involvement is essential for medium- to long-term initiatives, the Sustainability Committee is chaired by the president and includes vice presidents, the GM of Corporate Sustainability Department, the GM of Business Planning and Management Department, the GM of the Real Estate Planning Department, and Group company executives. In addition, the Committee, supervised by the Board of Directors, reports to the board at least once a year on climate change deliberations.

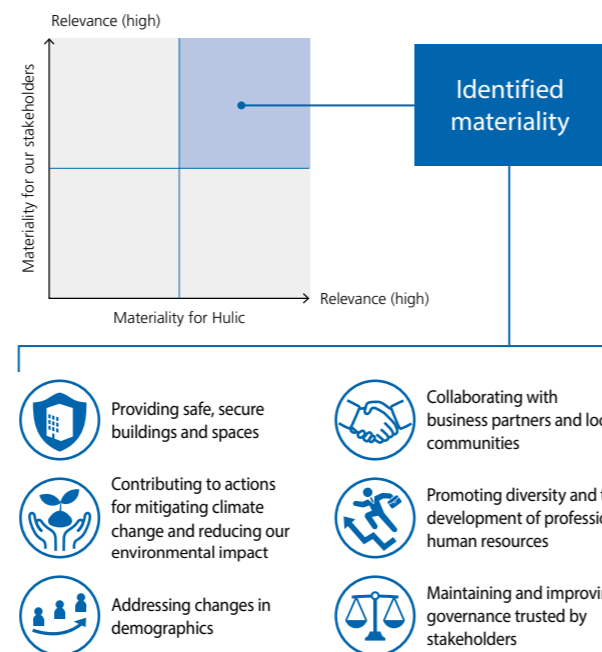


Materiality Identification Process



Materiality Identified

We identified and selected issues of especially high materiality in terms of their importance to Hulic and to our stakeholders.
















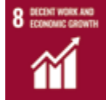











Our Major Stakeholders and Related Materiality

We are committed to realizing a sustainable society by delivering environmental, social and economic value through interactive communication with all stakeholders. Stakeholders who are particularly important for our sustainable growth and relevant materiality issues are indicated below.

Classification	Key stakeholders	Major engagements (frequency in parentheses)	Materiality of high relevance
Customers	• Tenants • Facility users	• Customer satisfaction survey (annually) • Disclosure of information in our Integrated Report and on our website (when appropriate) • Establishment of a contact point for inquiries (permanent)	 Providing safe, secure buildings and spaces Addressing changes in demographics
Business Partners	• Building management companies • Construction companies • Building maintenance contractors • Real estate agents • Financial Institutions	• Regular meetings and business interaction (when appropriate) • Disclosure of information in our Integrated Report and on our website (when appropriate)	 Collaborating with business partners and local communities
Employees	• Employees of the Hulic Group	• President's message (monthly) • President's survey (twice a year) • Seminars by the president* (about twice a month) • Career development interviews (twice a year or more) • Interviews by Human Resources Department • Disclosure of information through the Company intranet (when appropriate)	 Promoting diversity and the development of professional human resources Contributing to actions for mitigating climate change and reducing our environmental impact
Local Communities	• Local communities • NPOs and NGOs	• Social contribution activities and volunteer activities (when appropriate) • Participation in neighborhood associations (when appropriate) • Engagement with communities in the vicinity of our projects (when appropriate) • Engagement with NPOs and NGOs (when appropriate)	 Collaborating with business partners and local communities
Administrative Organizations	• National and local public government	• Promoting PPP business (when appropriate) • Initiatives for various awards and evaluations (when appropriate) • Payment of appropriate taxes (when appropriate)	 Collaborating with business partners and local communities Promoting diversity and the development of professional human resources
Shareholders, Investors	• Individual investors • Institutional investors	• Briefings for individual investors and for analysts and institutional investors (including overseas) (when appropriate) • Timely disclosure of information on our website (when appropriate) • Establishment of a contact point for inquiries (permanent) • Issuing a shareholder newsletter (twice a year)	 Maintaining and improving governance trusted by stakeholders

* Social gathering with the president and young/mid-career employees

Opportunities and Risks Related to Materiality and Our Actions

Materiality	SDGs contributed to	Opportunities	Risks	Main initiatives
 <p>Providing safe, secure buildings and spaces</p>	  	<ul style="list-style-type: none"> Heightened need for properties that are safe and secure from natural disasters including earthquakes and flood damage Addressing workstyle and other changes among property users 	<ul style="list-style-type: none"> Rise of vacancy rate and decline of real estate value due to delayed actions on earthquake resistance techniques and BCP preparedness Decrease in the competitive advantage and increase in vacancy rates of properties due to delays in addressing changes in the needs of property users 	<ul style="list-style-type: none"> Achievement of 100% highly earthquake-resistant buildings*1 by 2029 Addressing Mt. Fuji eruption risk and exhaustive confirmation of other natural disaster risks Prevention of flooding by installing tide boards Assessing tenant needs through customer satisfaction surveys
 <p>Contributing to actions for mitigating climate change and reducing our environmental impact</p>	    	<ul style="list-style-type: none"> Heightened need for buildings and properties equipped with higher energy efficiency and renewable energy Heightened need for technologies for the reuse and effective use of resources Heightened need for real estate development that is mindful of conserving local ecosystems Growth of markets and demand through the increase in business domains, including environmental response 	<ul style="list-style-type: none"> Need for additional compliance with environmental measures and regulations as well as increased costs Soaring prices of construction materials Deteriorating residential environment and reputational decline in the event of ecosystem destruction near a property Risk of delayed action on environmental issues due to lack of environmental management system 	<ul style="list-style-type: none"> Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings*2 by 2029 Achieved RE100 in 2023 Promoting Scope 3 emission reductions through collaborations in the supply chain Improved performance building energy savings Waste reduction through longer life building design Installing water-saving equipment Actively adopting environmentally conscious technologies Promotion of greening in development projects Reduced greenhouse gas emissions and promoting forest circulation through the development of fireproof wooden buildings Opinion exchange with environmental experts (Environmental Advisory Council) Acquiring building certifications and labeling disclosure
 <p>Addressing changes in demographics</p>	  	<ul style="list-style-type: none"> Heightened need for senior living and hospitals with the aging of society and increase in the number of healthier senior citizens Potential for growth of new markets and demand due to more dual-income households and the government's enhanced childcare support Expansion and using needs related to IoT demand 	<ul style="list-style-type: none"> Hiring-related costs may rise and shortage of care workers may materialize as the population of young generation declines Declining demand for office buildings and existing businesses due to declining working population Changes in existing business model due to accelerated digitalization 	<ul style="list-style-type: none"> Development of and investing in senior living and other facilities as well as investing in nursing care technology Entry into the Children's Education Business Development of medium-sized Bizflex flexible offices Established a department dedicated to new business creation and the management of corporate venture capital
 <p>Collaborating with business partners and local communities</p>	   	<ul style="list-style-type: none"> Better results are expected through synergies brought about by aiming for mutual sustainable growth with our business partners and local communities 	<ul style="list-style-type: none"> Reputational damage due to human rights and other issues in the supply chain Reputational damage due to lack of communication with local communities 	<ul style="list-style-type: none"> Close communication with tenants, building management companies and construction companies Human rights due diligence including supply chain Various contributions to society
 <p>Promoting diversity and the development of professional human resources</p>	  	<ul style="list-style-type: none"> Diversification of human resources by promoting diversity Improved employee motivation and brand value in talent acquisition by enhancing workplace wellness features and enriching talent development program Improved productivity through more use of digital and DX-related technologies 	<ul style="list-style-type: none"> Loss of human resource acquisition and business opportunities Potential for increased turnover due to inadequate working environment Productivity loss due to delays introducing digital and DX-related technologies 	<ul style="list-style-type: none"> Establishing a personnel system that recognizes diverse workstyles Securing occupational health and safety, promoting health and productivity management and the expansion of fringe benefits Initiatives to create a highly productive organization
 <p>Maintaining and improving governance trusted by stakeholders</p>		<ul style="list-style-type: none"> The effectiveness of operations is ensured and confidence in management improves when internal controls and corporate governance work 	<ul style="list-style-type: none"> Social sanctions and the deterioration of public confidence due to noncompliance issues from inadequate compliance system 	<ul style="list-style-type: none"> Strengthening the supervisory function of the Board of Directors and Audit & Supervisory Board Establishing a Nominating Committee and a Remuneration Committee Establishing a corporate governance structure for climate change risk Compliance training for employees and setting up a hotline Formulating a BCP and conducting drills

*1 Highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.

*2 Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale, etc.

Key Performance Indicators (KPIs) / Targets and Results for Non-financial Information

We aim to increase our corporate value and solve social issues simultaneously. Therefore, with respect to key performance indicators (KPIs) / targets, we are addressing to achieve both financial and non-financial aspects with the same amount of importance. Non-financial information KPIs / targets and results are shown below. For financial information KPIs, please refer to the pages elaborating Medium- and Long-Term Management Plan (2020 to 2029).

Figures marked with ✓ have been assured by an independent assurance provider.

For FY2023 results, we received assurances from an independent assurance provider concerning the following items: greenhouse gas emissions Scope 1, greenhouse gas emissions Scope 2, greenhouse gas emissions Scope 3 (total, Category 13); waste disposal; water intake (water consumption); percentage of employees who received medical checkups; use rate of paid leave; and employment percentage of persons with disabilities. We will continue to disclose information on the progress of our sustainability initiatives to the stakeholders while strive to improve disclosure quality using PDCA cycle. Results for KPIs in the years before KPIs were set are indicated with a — (dash).

Hulic's Materiality	KPIs / Short-Term Targets, Medium- to Long-Term Targets	Coverage	2019 results	2020 results	2021 results	2022 results	2023 results	Unit	Assessment ^{*15}	Relevant Page
Providing safe, secure buildings and spaces	Percentage of properties meeting Hulic's earthquake-resistance standards ^{*1} : 100% each year	All completed properties each year	100% (4 properties in boundary)	100% (8 properties in boundary)	100% (8 properties in boundary)	100% (4 properties in boundary)	100% (10 properties in boundary)	%	⊙	pp.29,64-65
	Progress toward a 100% highly earthquake resistant buildings ^{*2} by 2029	Hulic-owned fixed assets	—	—	81%	82%	86%	%	○	pp.29,64-65
Contributing to actions for mitigating climate change and reducing our environmental impact	Greenhouse gas emission reduction targets ^{*3} By 2024 Scope1+2 70% By 2030 Scope1+2 70%, Scope3 30% By 2050 Scope1+2, Scope3 substantially zero (base year: 2019)	Scope1+2 Properties where the Hulic Group has control of energy management ^{*3} Scope3 Indirect emissions other than Scope1 and 2 related to Hulic Group's business activities ^{*3}	Scope1 14,931 Scope2 25,067 Scope3 229,006	Scope1 10,490 Scope2 18,529 Scope3 270,066	Scope1 11,369 Scope2 17,473 Scope3 210,703	Scope1 13,151 Scope2 20,966 Scope3 239,397	Scope1 13,259✓ Scope2 5,105✓ Scope3 261,152✓	metric t-CO ₂ e	○	pp.31,56-63
	RE100 progress rate ^{*4} : 10% in 2021, 30% in 2022, 65% in 2023, 100% in 2024	Electricity used in Hulic Group business activities	—	0.5%	13.5%	47.0%	100%	%	⊙	pp.31,58
	Number of renewable energy systems installed in development and reconstruction projects: at least 3 every year	All completed properties each year	4	3	8	3	3	property	⊙	pp.58-59
	Waste emission reduction target: Each year less than 11 kg/m ² in terms of basic unit	Hulic Head Office Building and Hulic Annex	—	—	—	—	9.6	kg/m ²	⊙	pp.62
	Waste disposal: No numerical target (follow-up item)	Properties where the Hulic Group has control of energy management ^{*5}	1,461	879	811	2,401	3,593✓	metric tonnes	—	pp.62
	Percentage of technical measures (such as longer life design, etc.) ^{*6} applied to reduce construction waste: 100% each year	All completed fixed assets each year	—	100% (8 properties in boundary)	100% (8 properties in boundary)	100% (4 properties in boundary)	100% (10 properties in boundary)	%	⊙	pp.62
	Water intake (water consumption): No numerical target (follow-up item)	Important 204 properties ^{*7}	437	346	1,487	1,855	1,953✓	thousand m ³	—	pp.62
	Water intake (water consumption): Water-saving fixture installation rate of 100% each year	Fixed assets completed each year (excluding residential)	—	—	—	—	100% (9 properties in boundary)	%	⊙	pp.62
	Number of greening projects ^{*8} : 1 or more each year	All completed properties each year	3	5	6	3	2	property	⊙	pp.63
	Number of times climate change risks are monitored by the Sustainability Committee: 1 or more each year Number of times reports are submitted to the Board of Directors: 1 or more each year	Hulic Co., Ltd.	—	1/—	1/2	1/3	1/3	time	⊙	pp.56,60-61
Number of Environmental Advisory Council meetings held: 1 or more each year	Hulic Co., Ltd.	1	1	1	1	1	time	⊙	pp.56	
Addressing changes in demographics	Senior living number of room unit: 5,000 by 2025	Hulic Group (including properties sold/trusted to REIT)	—	3,600	3,700	4,000	4,800	room	○	pp.30,52
Collaborating with business partners and local communities	Number of customer satisfaction surveys: 1 or more each year	Hulic Group	1	1	1	1	1	time	⊙	pp.66-67
Promoting diversity and the development of professional human resources	Percentage of employees who received medical checkups ^{*9} : 100% each year	Hulic Co., Ltd.	100%	100%	100%	100%	100%✓	%	⊙	pp.72
	Use rate of childcare leave ^{*10} : 100% of eligible female employees /100% of male employees by 2024	Hulic Co., Ltd.	100%/—	100%/—	100%/—	100%/—	100%/125%	%	⊙	pp.72
	Ratio of employees returning to work after childcare leave: 100% each year	Hulic Co., Ltd.	100%	100%	100%	100%	100%	%	⊙	pp.72
	Usage rate of paid leave ^{*11} : 70% or higher each year	Hulic Co., Ltd.	78.5%	75.5%	81.5%	77.7%	86.4%✓	%	⊙	pp.72
	Percentage of career development interviews conducted: 100% every year (conducted twice a year)	Hulic Co., Ltd.	—	—	100%	100%	100%	%	⊙	pp.73
	Ratio of female managers: 2020; 20%, 2024; 25%, 2029; 30%	Hulic Co., Ltd.	20.2%	23.9%	22.4%	21.5%	18.3%	%	○	pp.71
	Number of seminars provided by the Diversity Promotion Project Team: once each year	Hulic Co., Ltd.	1	1 ^{*12}	1	1	1	time	⊙	pp.71
Employment percentages of persons with disabilities: Maintaining the statutory employment ratio or higher (2.2% or higher till FY2020 and 2.3% or higher from FY2021 to FY2023.)	Hulic Group ^{*13}	2.42%	2.34%	2.54%	2.68%	2.74%✓	%	⊙	pp.71	
Maintaining and improving governance trusted by stakeholders	Participation rate in Board of Directors meetings: 80% or higher each year	Hulic Co., Ltd.	99.1%	98.7%	99.6%	99.6%	99.5%	%	⊙	pp.77
	Number of effectiveness assessment of the Board of Directors: once each year	Hulic Co., Ltd.	—	1	1	1	1	time	⊙	pp.78
	Number of compliance training conducted: 5 times each year (4 times for employees and once for officers)	Hulic Co., Ltd.	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	time	⊙	pp.82
	Number of Risk Management Committee and Fund and ALM Committee meetings: 4 times or more each year, respectively	Hulic Co., Ltd.	4/13	4/22	4/16	4/17	4/16	time	⊙	pp.80-81
Number of BCP drills, inspections of stockpiled food and suppliers: 1 or more each year	Hulic Group	1	1	3/4/1 ^{*14}	3/4/1	2/4/4	time	⊙	pp.81	

*1 Hulic's earthquake-resistance standards are where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of level 7.

*2 Highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.

*3 Beginning with Integrated Report 2022, we are calculating greenhouse gas emissions based on the GHG Protocol. See pages 25 for the boundary for Scope1 and Scope2. The boundary and calculation method for Scope3 are disclosed on our website: <https://www.hulic.co.jp/en/sustainability/ecology/>

*4 The RE100 progress rate is calculated by dividing the total amount of power generated by Hulic-owned solar photovoltaic equipment in the year by the total amount of electricity used at the Hulic head office building and on the floors occupied by Group companies (includes some estimates).

*5 Calculations for waste disposal are based on the properties where the Hulic Group has control of energy management (30 properties in FY2019, 36 properties in FY2020, 41 properties in FY2021, 40 properties in FY2022, and 48 properties in FY2023). Beginning in FY2020, we are calculating total waste disposal at specific properties within the boundary by using weight conversion factors based on actual measurements. The waste disposal of certain properties are estimated using the total floor area based on the emissions intensity of buildings with similar functions.

*6 The percentage of properties completed in the given year that used technologies and measures that contributed to a reduction in waste as well as raw materials and other resources based on the Hulic Guidelines for Longer Life.

*7 Beginning in FY2021, Hulic's fixed assets are covered, excluding properties under development and land for lease (220 properties in FY2021, 207 properties in FY2022 and 204 properties in FY2023). Note that the amount of hot spring water used at hot spring inns is not included.

*8 The number of completed non-current assets in each year among those buildings and facilities with a greening obligation.

*9 The executive officers, employees (including seconded staff) and full-time contract staff who were with the Company at the time of application of medical checkup and as of December 31, were counted (excluding personnel who were on leave).

*10 Females calculated by dividing the number of employees who took maternity leave in the fiscal year by the number of employees who entered the period covered by maternity leave in the fiscal year and males calculated by dividing the number of employees who took paternity leave in the fiscal year by the number of employees whose spouses gave birth in the fiscal year.

*11 The usage rate of paid leave is calculated by dividing the number of days of paid leave used in the year by the number of days of paid leave granted in the year. The number of days carried over in the year are excluded.

*12 In FY2020, a video training session was held in lieu of an in-person seminar session to prevent the spread of COVID-19.

*13 Limited to Hulic Co., Ltd. and subsidiary companies that have been certified as special subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities. The employment ratio for persons with disabilities is as of June 1 of each year.

*14 Beginning in FY2021, the number of BCP drills, inspections of stockpiled food and suppliers are disclosed, respectively.

*15 ⊙: achieved, ○: progressed, △: not progressed, —: not subject to assessment

Progress of Medium- and Long-Term Management Plan (2020-2029) and Medium-Term Management Plan (2023-2025)

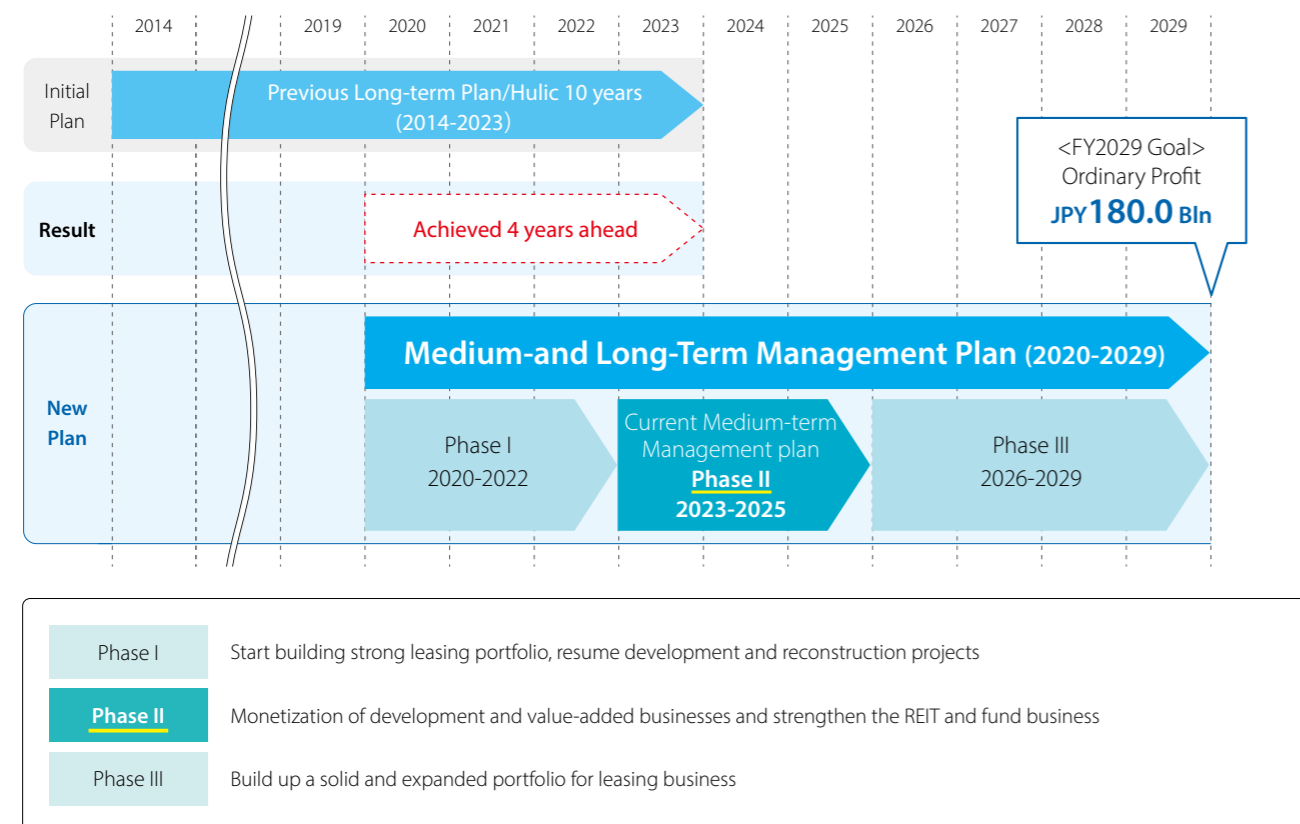
The Medium- and Long-Term Management Plan (2020-2029) is intended to develop and evolve our business model, which is centered on the real estate leasing business, and to pursue the growth of our corporate value. The current Medium-Term Management Plan (2023-2025) is in progress as Phase II of this Medium- and Long-Term Management Plan.

Medium-and Long-Term Management Plan (2020-2029) Target Profile and Basic Policy

Target Profile (FY2029)	With "driving innovation" and "accelerating progress" as our motto, we continue to steadily increase our corporate value through evolving ourselves flexibly in response to changes in the macro environment
Basic Policy	Strike a balance between P/L Growth, B/S Soundness, Profitability, and Productivity (efficiency) at a high level and achieve further growth through dynamic transformation backed by overwhelming speedy decision-making

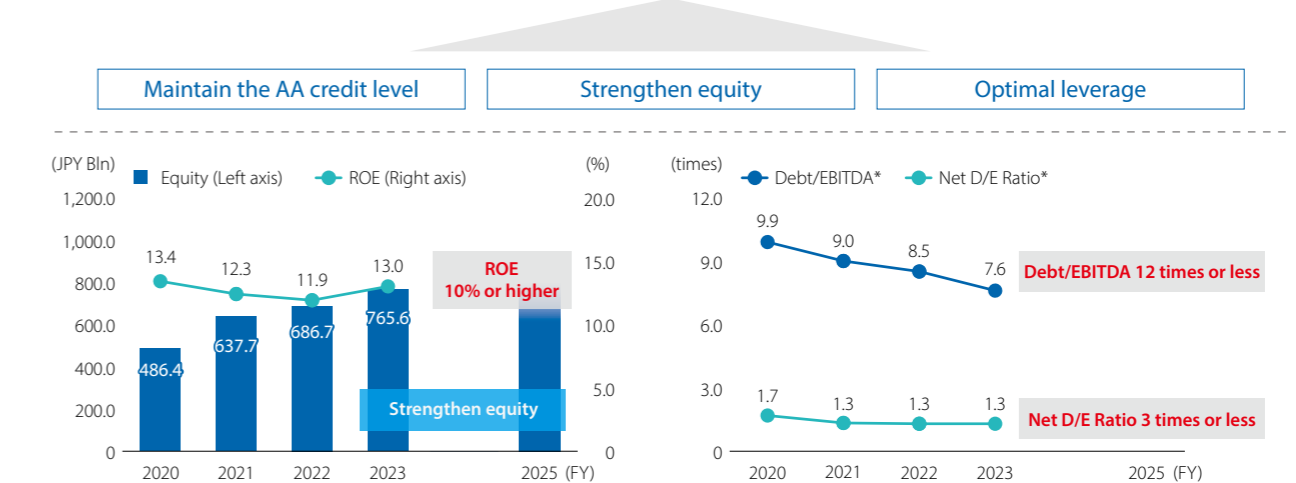
Position of the Plan

The current Medium-Term Management Plan as phase II of the Medium- and Long-term Management Plan (2020-2029) is in progress. Create a foundation for growth beyond 2030.



Qualitative targets of current Medium Term-Management Plan

Strengthen equity through profits growth and simultaneously pursue the AA credit and high profitability through sound financial base.



* 50% (JPY75 Bln) of hybrid finance issued in FY2018 (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) issued in FY2020, FY2022 and FY2023 was calculated as such.

The current Medium-Term Management Plan (2023-2025) Basic Strategy/Focus Areas

Basic Strategy	Aim to create a high-quality leasing portfolio that addresses the changing circumstances, and continue to enhance sustainable management, while maintaining a strong external credit rating	
Focus Areas	Basic Strategy of Medium- and Long-term Management Plan (2020-2029)	Focus areas of the current Medium-Term Management Plan (2023-2025)
	1. Further evolve the business model and restructure the leasing portfolio	1. Build a high-quality leasing portfolio and maintain/strengthen a flexible earnings structure
	2. Strengthen development and value-added businesses	2. Enhance the pipeline of development, reconstruction and value-added properties. Diversify exits to ensure profitability
	3. Create unique new business domains and improve Group strengths	3. Diversify revenue sources by enhancing new business domains
	4. Strengthen the management foundation and implement stringent risk management	4. Ensure financial soundness and thorough risk management to maintain a strong external credit rating
5. Implement management that emphasizes sustainable co-creation and co-existence with society	5. Raise the level of sustainable management, including the promotion of environmental initiatives and human capital development, etc.	

Progress on Medium-Term Management Plan (Results of the Main Initiatives in FY2023)

Focus Area

1

Build a high-quality leasing portfolio and maintain / strengthen the flexible earnings structure

- Promote the sale of properties that do not satisfy Hulic's strict investment criteria. Seek to make the portfolio all highly earthquake-resistant buildings* by the end of 2025, excluding those scheduled to be sold or reconstruction.
- Acquire properties through diverse investments that leverage Hulic's ability for proposals to increase revenues from rents.
- Continue property reshuffles to construct a competitive leasing portfolio that addresses the changing circumstances such as population decline.

Progress up to December 31, 2023

- ◆ Steady progress also being made on restructuring the leasing portfolio
 - 95% of highly earthquake-resistant buildings (86% when including those scheduled to be sold or reconstructed)
 - Leasable area has increased despite a temporary fall in the number of properties due to portfolio restructuring.
 - Keeping the office ratio down, striving for a balanced portfolio to address the population decline and other changes in the environment (office share at 46%).

* Highly earthquake-resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.

Focus Area

2

Enhance the pipelines of development, reconstruction and value-added properties. Diversify exits to ensure profitability

- Accelerate completion of projects that we acquired for reconstruction during the previous Medium-Term Management Plan (2020–2022).
- Complete listing of 100 properties to be developed / reconstructed by 2029 at the end of 2025. Increase distinctive development / reconstruction and value-added projects for each asset class.
- Sell some of these properties to Hulic Group REITs and funds so that the group's AUM is maintained / enhanced and balance sheet is well controlled.

Progress up to December 31, 2023

- ◆ We have confirmed or unofficially confirmed 94 properties as of December 31, 2023 as part of our plan to develop or renovate more than 100 properties by 2029.
- ◆ We completed 14 properties in 2023.
- ◆ We steadily expanded assets under management (AUM) at our REIT (approx. JPY 540.0 billion on December 31, 2022 to approx. JPY 590.0 billion on December 31, 2023).

Focus Area

3

Diversify revenue sources by enhancing new business domains

- Actively work on M&As and alliances to expand existing business domains, including senior, environment and children's education, etc.
- Set aside around JPY50.0 billion for growth investments under the medium-to long-term strategy, and explore new business opportunities that respond to social and local community issues.

Progress up to December 31, 2023

- ◆ Bizflex flexible offices: opened two new properties in 2023 for a total of three in operation
- ◆ Children's Education Business: Decision made to commercialize Kodomo Depart (children's department stores) in Nakano and Tama Plaza, bringing the number of planned Kodomo Depart to six
- ◆ Outdoor Business: Entered the outdoor business through a capital alliance with R.Project Inc., which is engaged in the business of operating camp facilities, to create synergy with the children's education business.
- ◆ Agribusiness: Our agribusiness in Vietnam achieved a full-year profit for the first time in FY2022. Started expanding strawberry production in Himeji, etc.

Focus Area

4

Ensure financial soundness and thorough risk management to maintain a strong external credit rating

- Maintain the AA level external credit rating to promote stable debt financing by quickly and effectively responding to changes in the financial market.
- Strengthen equity capital consistently based on accumulated profits.
- Build a structure resilient enough to cope with disasters such as big earthquakes and eruption of Mt. Fuji, and improve the risk management system.

Progress up to December 31, 2023

- ◆ Maintained favorable financial indicators (Debt/EBITDA ratio of 7.6 times, NET D/E ratio of 1.3 times, and ROE of 13.0% as of December 31, 2023) ⇒ Maintained external credit rating of AA level
- ◆ Promoted high earthquake resistance of buildings and ashfall countermeasures for a possible eruption of Mt. Fuji.

Focus Area

5

Raise the level of sustainable management, including the promotion of environmental initiatives and human capital development, etc.

- Accelerate initiatives for environmental issues.
- Take various steps to develop human capital.
- Maintain/enhance the strong governance framework and upgrade to a management structure that addresses sustainability.
- Ensure transparent information disclosure to stakeholders.

Progress up to December 31, 2023

- ◆ Achieved RE100 ahead of schedule (two years ahead of initial plan, which was 2025).
- ◆ Revised the human rights policy, established a framework for human rights due diligence and strengthened initiatives for respecting human rights.
- ◆ Added two external directors, bringing the ratio of executive to non-executive directors to 5:7. Achieved the percentage of female directors and auditors : 30%, etc.

Message from the Executive Officer in Charge of Financial Strategy and Capital Management

We will continue to build a stable and sound financial base for maintaining and increasing medium- to long-term profits.

Hajime Kobayashi

Director, Vice President

1 Financial performance: Analysis of business environment

In 2023, while socioeconomic conditions mostly normalized, a noticeable shortage of labor contributed to a tightening in the supply-demand gap. This, coupled with the depreciation of the yen, led to rising prices, resulting in an economic situation unprecedented in recent years. Shifting our attention to the real estate industry, despite a softening in vacancy rates for offices attributed to an uptick in completed properties and the rise of remote work, the real estate investment market remained stable. This stability was primarily driven by sustained confidence among real estate investors, buoyed by signs of inflation easing in Europe and the United States as well as continued monetary easing domestically.

Given this environment, and based on the Medium- and Long-Term Management Plan (2020-2029), which began in 2020, the Group focused on steadily increasing corporate value by flexibly evolving in response to changes in the macro environment. We were guided in this by our motto: "driving innovation" and "accelerating progress."

As a result, all profit indicators reached record-high levels in FY2023. Consolidated ordinary profit, which we consider important as a profit target in the Medium- and Long-Term Management Plan, totaled JPY137.4 billion, an increase of 11.5% over the previous year. Profit attributable to owners of parent amounted to JPY94.6 billion, up 19.5% year on year. This brings within sight the target level of JPY98.5 billion set in the Medium-Term Management Plan (2023-2025). ROE, an indicator of capital efficiency, was 13.0%, exceeding our target of 10% or higher. Net D/E Ratio*, an indicator of financial soundness, decreased to 1.3 times, exceeding by far our cap of 3 times or less.

* Net D/E ratio has factored in the effect of hybrid finance as nominal equity.

For the economic outlook, moderate growth is expected to continue in Japan owing to a possible temporary slowdown



in the global economic recovery as we transition out of the COVID-19 pandemic.

In the real estate industry, location conditions often shape the competitive landscape, as demonstrated by the bustling commercial activity in central urban areas amid a swift rebound in inbound consumption. Despite this buoyancy, given the relatively low interest rates in Japan, it is expected that domestic and overseas real estate investors will continue to be active, looking for lucrative properties within the investment market.

Given this environment, we will continue to steadily implement our Medium- and Long-Term Management Plan in FY2024, aiming for stable growth with balanced risk-taking.

2 Capital efficiency: Recognition of capital costs

The real estate business is generally seen as not having a particularly high ROE. We established the ROE target of 10% or higher in the Medium- and Long-Term Management Plan and aim to maintain high capital efficiency. For this reason, we intend to improve ROA by realizing profits from the sale of completed properties that will ramp up going forward in addition to leasing revenue from our fixed assets portfolio, which is the core source of revenue. For financial leverage, we aim for steady improvement or a stable transition as indicated by changes in Net D/E Ratio. Additionally, we think large changes in ROE, an important indicator of shareholder value, are not desirable. Therefore, we have excluded business opportunities from condominium sales despite the solid capital efficiency, as this business might be highly sensitive to market conditions.

The levels of capital costs and the weighted average capital cost (WACC) are currently low, a reflection of the financial environment in recent years. At the same time, capitalization rates in the real estate market have remained low for the last few years, resulting in generally stable costs and returns. Given

these conditions, our policy is to monitor market changes and enhance our corporate value by maintaining a positive equity spread while closely watching capital costs.

3 Capital allocation strategy: Business portfolio reviews

Hulic aims to be a company with high profitability per employee, in other words, a company with a high level of productivity, so that we are cautious in pursuing profits (volume) just from expanding our business portfolio. We also usually emphasize stable revenues, so a high growth but extremely volatile revenue structure is slightly at odds with our policies.

Currently, the core of our business portfolio is leasing, which also includes related business fields, such as asset management and property management as well as the hotel business. We are also continually exploring new revenue sources, while taking risk control measures and making every effort to incorporate them effectively.

To strengthen the leasing business, we have followed a policy of expansion through M&As to effectively acquire companies with high-quality real estate portfolios. Accordingly, we have incorporated into our own business portfolio businesses that are strongly compatible with our own, particularly in the core real estate leasing business.

In contrast, we exited from businesses that were incompatible with leasing and were considered to have few synergies.

4 Resource allocation strategy: Growth investment policy

To strengthen and expand the leasing portfolio, which is our main source of revenue, investment including purchasing new properties, development and reconstruction, etc. are essential. In structural terms, negative cash flows from investment activities are covered by positive cash flows from operating and financing activities, but the level of investment must be controlled to avoid excessive reliance on cash flows from financing activities.

(1) Net investments in long-term lease properties

Investment standards are based on the approaching decline in population that is about to begin in earnest. By geographical area, our policy is to invest in properties near train stations in central Tokyo, mainly in our strategic focus areas of Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa. We intend to make our real estate portfolio more competitive as we believe population declines will result in medium- to long-term concentrations of people in urban areas and this could intensify competition between areas.

From the perspective of asset type, it is expected that there will be a solid demand for facilities for the elderly in the long run due to the aging population. With that in mind, we are

placing importance on healthcare assets, mainly senior living for the elderly and hospitals. In addition, as the impact of COVID-19 subsides, inbound tourism and the demand for tourism are rapidly recovering, and we will continue to prioritize assets in the tourism sector, focusing on hotels and *ryokans* (Japanese-style luxury inns), to provide both domestic and international visitors with the opportunity to experience the splendor of Japan.

Looking ahead to the future business environment, we expect to see rapid advances in information technologies and changes in workstyles and lifestyles. As a result, we are focusing on next-generation assets, such as facilities related to information technology including data centers, as well as logistics centers, to meet these needs.

Nonetheless, our policy is to invest in a property when we can expect a significant increase in asset value from development, reconstruction, and other measures, despite the fact that the investment does not perfectly satisfy our investment standards.

We believe that investment in long-term holdings of these properties is likely to result in a strengthened leasing portfolio because we are expecting increases in asset values and rents from investment in focused areas or assets. In the final year of our Long-Term Management Plan (in 2029), we envisage a portfolio profile where focus area assets account for 50% of the total real estate portfolio, and from the asset type perspective, we plan to bring the proportion of assets other than offices to 50% of the total real estate portfolio.

We set a hurdle rate for our investments. Assuming medium- to long-term value added to properties by post investment development and reconstruction, we consider we will be able to enhance our corporate value when the return on invested capital (ROIC) sufficiently exceeds WACC. In 2024, we plan to continue strengthening our leasing portfolio and making additional investments.

(2) Net investment in development business

Development and reconstruction improve the fundamental value of real estate and increase earnings. Moreover, reconstruction of buildings and facilities enables us to provide tenants with a safer and more comfortable environment. Above all, it is the core of our medium- to long-term business strategies to differentiate ourselves by developing high-quality medium-sized buildings with strong earthquake resistance when there are predictions of a Tokyo epicentral earthquake and other natural disasters. We are planning by 2029 more than 100 development and reconstruction properties, and we aim to further realize corporate growth with the resultant increases in rents and development profits.

In response to climate change, we are continuing to develop energy-efficient buildings. Also, we will invest approximately JPY66 billion to develop solar power equipment

that does not rely on the FIT system, aiming to convert all company-owned buildings* to electricity from 100% renewable energy sources by 2029, one year ahead of schedule. In addition, we will encourage the construction of fireproof wooden buildings, make effective use of unused energy, and take part in other initiatives to develop buildings with excellent environmentally friendly features. In these ways, we will develop real estate properties that are sought out by our clients.

* Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale, etc.

5 Funding policy: Balance sheet targets

With real estate leasing as our core business and stable leasing income the main pillar of our revenue structure, solid growth in this portfolio is essential for sustaining growth. We believe it is necessary to position this portfolio as the major part in our fixed assets in order for us to maintain the soundness of the balance sheets.

For this reason, we believe that it is important to first raise the profitability of fixed assets, which sit on the asset side. Increases in profitability lead to increases in asset value and act as a financial buffer contributing to financial soundness. Based on this approach, we formulated and are adhering to an investment policy on long-term holding of properties. Strengthening development and reconstruction is also linked to this approach. At the same time, properties that are not compatible with our core portfolio are sold and replaced. For instance, properties that do not match our investment policy and cannot be expected to increase in value through development and reconstruction can reinforce our portfolio if sold under the current favorable real estate market conditions

and are replaced with properties compatible with our investment policies. This approach also contributes by offsetting cash flows created by financing activities. Additionally, on the liability side, we monitor financial soundness using various indicators to maintain overall control of the balance sheets.

The Net D/E and Debt/EBITDA ratios are the ones we pay close attention to, among other indicators. Over the medium-to long-term, we target a Net D/E Ratio of three times or less and a Debt/EBITDA Ratio of 12 times or less. If leverage levels on the liability side become too high, this could raise credit issues including external credit ratings and could lead to increased funding costs and to a higher WACC. At the same time, when the leverage level falls below the balance point, the relative weight of WACC capital costs is increased, which ultimately leads to an increase in WACC and a decrease in ROE, even though credit costs are reduced. We believe that our target level for financial leverage is close to the optimum in the current environment. However, we are taking quick, effective action to control the balance sheet with a view to maintaining the AA external credit rating level.

In specific terms, our control method includes a combination mainly of asset-side control through portfolio rebalancing and other measures as well as liability-side capital control through hybrid financing, among others. We set investment plan standards based on the target profile of balance sheets from the initial planning stage of the beginning of each fiscal year and adhere strictly to the level of our targeted financial standards.

6 Our approach to funding

We undertake liability-side fund procurement, bearing in mind our target balance sheet profile, while for the capital account

our policy is to supplement appropriately using hybrid financing and other methods depending on the business environment and level of profit accumulation each year. For debt financing, we raise funds by a combination of direct market procurement using straight corporate bond issuance and indirect market procurement through financial institutions, ensuring an appropriate balance while monitoring financial market trends.

When executing debt financing, we attach importance to stable funding over the long-term, bearing in mind that the leasing portfolio is Hulic's fundamental long-term income source. In other words, we seek to secure financing with longer durations based on our approach to asset and liability management, favoring fixed-interest procurement in light of the interest rate environment. These measures are designed to ensure a stable and low-risk funding structure that allows us to flexibly navigate abrupt changes in the business and financial environments.

In October 2021, we increased our capital base through a public offering of approximately JPY100.0 billion, with the aim of maintaining a strong financial base and securing growth opportunities after COVID-19.

7 Cash allocation: Policy on shareholder returns

While aiming to achieve growth, Hulic places importance on providing appropriate profit distributions to the stakeholders who support our growth. Specifically for returns to shareholders, we have increased our dividends in every year since our listing, with the dividend payout ratio reaching 40.2% in FY2023. We are aiming for a dividend payout ratio of 40% or higher under our Medium-Term Management Plan (2023-2025).

Shareholder returns can also be made indirectly through

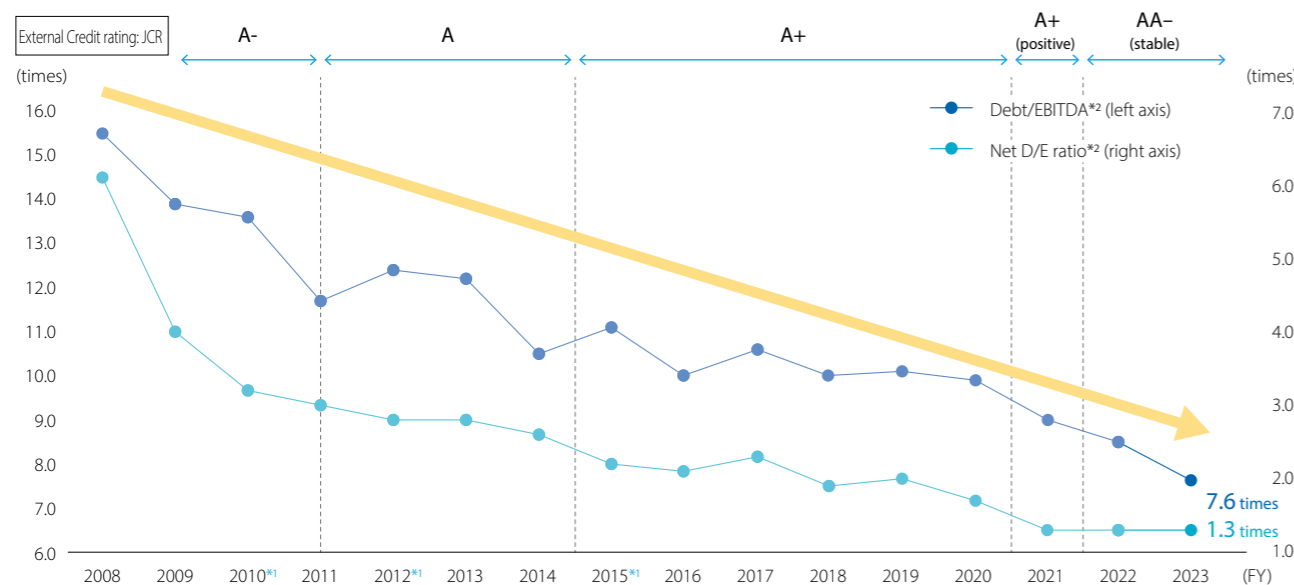
share buybacks in the market or by setting a total return ratio is another approach. However, considering Hulic's specific business feature that we earn stable revenue primarily from our leasing portfolio, unless there are unusual environmental changes, we believe it is more appropriate for us to deliver stable shareholder returns through paying dividends rather than share buybacks. We also recognize the need to increase share value over the medium-to long-term, thus we aim for both higher net assets per share and net income per share. Both net assets per share and net income per share have increased approximately 1.6 times over the last five years, leading up to FY2023.

8 Cash flow policy: Approach for undistributed earnings

To expand leasing revenue while enhancing the leasing portfolio, it is necessary to maintain financial soundness and to pay attention to the level of undistributed earnings while controlling the balance sheets.

Regarding the optimal level of undistributed earnings, we envision a shareholders' equity profile from indicators such as Net D/E Ratio and Equity Ratio, aiming to maintain it at a sufficient level. The most important element in maintaining sufficient shareholders' equity is retained earnings, which comes from undistributed earnings, but this does not mean that simply increasing undistributed earnings is good. On the other hand, excessive shareholder returns could hinder corporate growth and reduce future cash flows. Therefore, we will determine the level of undistributed earnings by taking a balanced view on the speed of profit growth while providing shareholder returns and other distributions.

Maintaining and Improving Financial Soundness



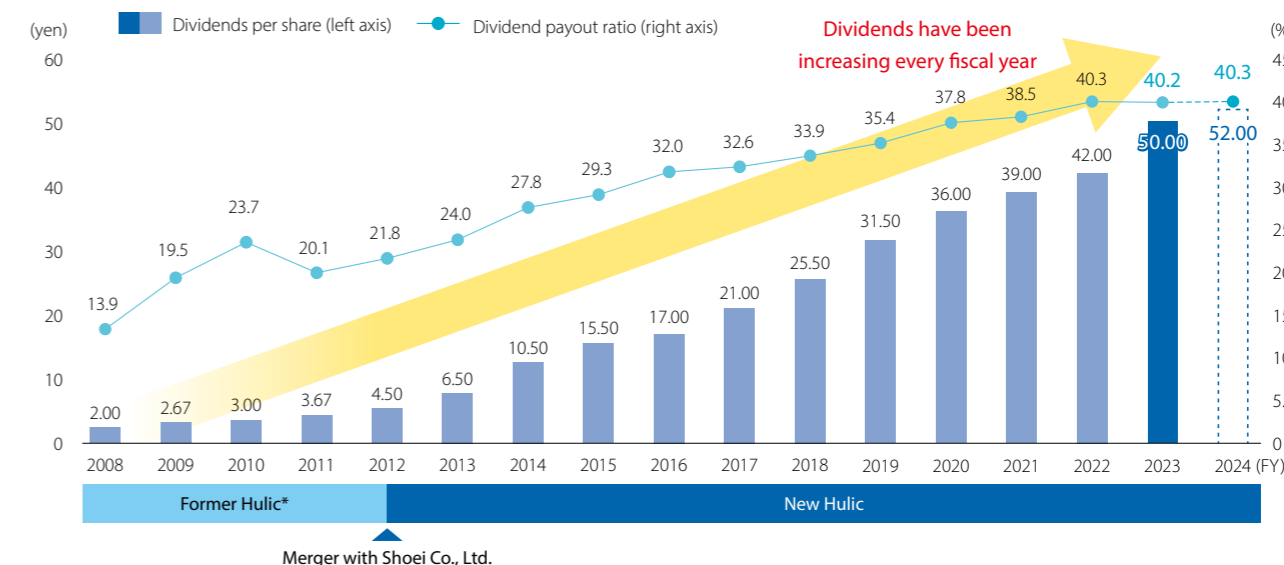
*1. Calculated on a pro forma basis.

*2. In 2018 and 2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as such in and after FY2020.

Dividends

Since our stock market listing in 2008, we have increased dividends every fiscal year.

Going forward, shareholder returns will continue to be primarily dividend payments. We intend to ensure a consolidated dividend payout ratio of 40% or higher, one of the goals in our Medium-Term Management Plan.



* In consideration of the 2012 merger with Shoei Co., Ltd. (share exchange ratio: former Shoei Co., Ltd.: former Hulic Co., Ltd. = 1:3), the dividends per share in 2008-2011 were calculated by dividing dividends of the former Hulic by three. The dividend payout ratio for 2009 and 2010 were calculated based on the initial forecast of net income excluding special factors.

Leasing Business

Business Overview

We operate a real estate leasing business based on ownership and management of lease properties located with a focus on Tokyo 23 wards. The leasing business is the core of our business model and our portfolio extensively includes office buildings, commercial facilities, hotels, senior living, and rental housings in prime locations or close to train stations with high-level safety standards with a particular emphasis on adoption of earthquake-resistant technologies. We are working to strengthen the real estate leasing business by actively investing in the acquisition and management of real estate in prime locations and in development and reconstruction projects to further boost revenue generating capacity through effective use of this asset portfolio.

Medium- to Long-Term Focus Strategies

Leasing Portfolio Policy

Rebalancing of leasing portfolios to pursue more competitive advantages

KPI	Plan	Progress
Highly earthquake resistant buildings 100%*1	<ul style="list-style-type: none"> Set new target to achieve 100% by 2025, excluding those subjects for sale or reconstruction 	FY2023: 86% FY2025: Achieve 100% of highly earthquake resistant building excluding those subjects for sale or reconstruction FY2029: 100% 95% (excluding those subjects for sale or reconstruction)
Renewable energy buildings 100%*2	<ul style="list-style-type: none"> Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings 	Achieved RE100 in May 2023, two years ahead of initial plan (initial plan : 2025) FY2029: 100%
Office share 50%*3	<ul style="list-style-type: none"> In response to a decline in working population, establish a balanced asset class composition with keeping the ratio of office buildings around 50%. 	FY2019: 63% → FY2023: 46% → FY2029: 50%
Assets in focus areas 50%*3	<ul style="list-style-type: none"> Promote acquisition and development in strictly selected locations, specifically focus areas (Ginza, Shinjuku East Side, Shibuya/Aoyama, Asakusa) 	FY2019: 43% → FY2023: 48% → FY2029: 50%

*1 Property number basis, highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.
 *2 Property number basis, excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale, etc.
 *3 Office share: Rent revenue basis, Assets in Focus Areas: Book value basis

Acquisition Strategy

Continue property reshuffles to construct a competitive leasing portfolio that addresses the changing circumstances such as falling population.

Acquisitions in Five Asset Types Focused on Growth and Market Needs				
1 Focus Area Assets • Ginza • Shinjuku East side	2 Assets Closely Located to Major Central Tokyo Stations • Shibuya/Aoyama • Asakusa	3 Tourism and Healthcare-related Assets • Properties located mainly within a 3-minute walk of a station in central Tokyo • Hotels and <i>ryokans</i> (Japanese style luxury inns) • Other healthcare-related facilities • Senior living and hospitals	4 Next-Generation / CRE Assets • Logistics facilities, data centers, research institutions and other assets in response to market needs • Stable CRE assets based on expected long-term relationships building	5 Potential Value Growth Assets • Assets expected to achieve future value growth through reconstruction • Assets expected to achieve future value growth through value-adding initiatives

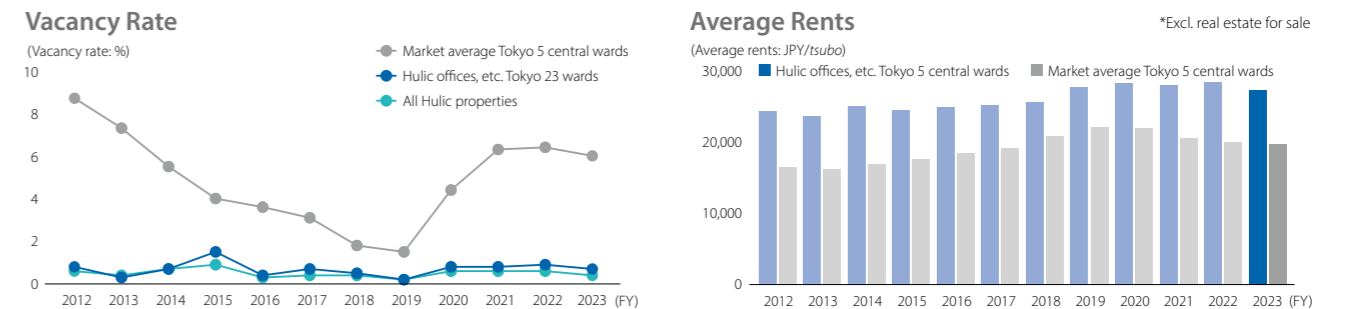
Initiatives and Track Record

The leasing business, the core of the Group's business, has achieved steady growth and has posted higher leasable floor areas.

Hulic has built a balanced portfolio of high-quality properties primarily located close to stations in central Tokyo. As a result, our vacancy rate has remained lower and our rent levels have trended higher than the market average.

Vacancy rate performing under market average and average rents staying higher than market average

We own many properties in prime locations in central Tokyo. In Tokyo 23 wards, the vacancy rate of our office and related properties has remained below the market average over the last few years at 1% or lower. Moreover, our average rents in Tokyo 5 central wards have trended above the market average, ensuring stable revenue. Going forward, we will continue to emphasize central Tokyo location and closeness to a station as key factors to mitigate the vacancy risk in rolling out operations.

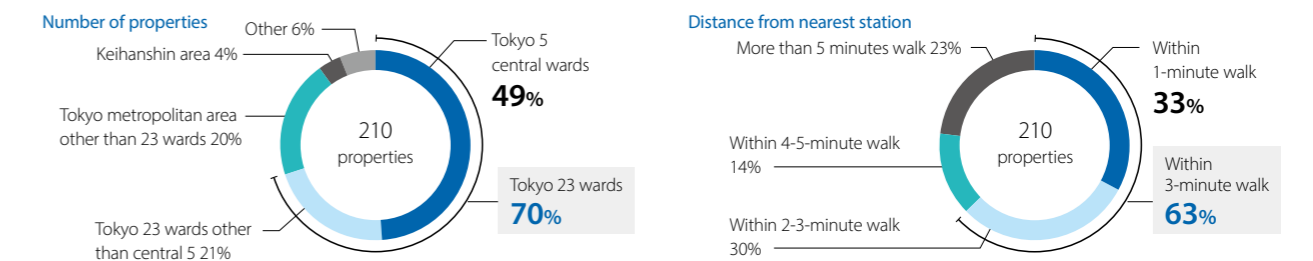


*1 Source: Market average; Miki Shoji Co., Ltd., Office Data by District (based on office buildings in Tokyo business districts with standard floor area of 100 tsubo or above).
 *2 Hulic vacancy rate: excludes floor area unleased pending tenant response or reconstruction, and properties within one year from completion.
 *3 Hulic average rents: calculated by dividing rental revenue for last month of fiscal year by leased floor area at the end of fiscal year. Excludes hotels, *ryokans*, and master lease properties.
 *4 One tsubo is approximately 3.3 m².

Focusing investment on central Tokyo properties close to stations

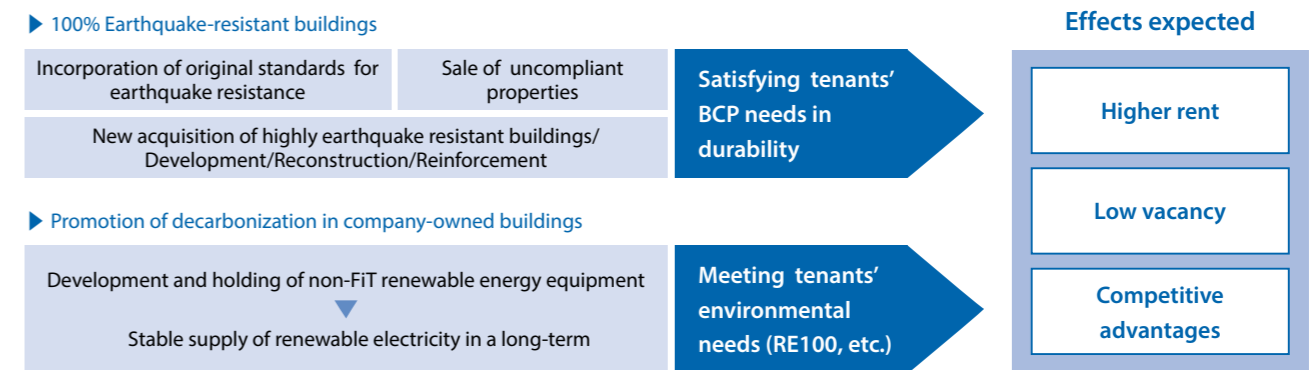
Approximately 70% of our office buildings and related properties are concentrated in central Tokyo 23 wards where tenant demand is high. Additionally, 63% of properties are close to a station, i.e. within a 3-minute walk. Located close to stations in central Tokyo, our properties have excellent transport links and are in demand from a wide range of tenants as general office space, bank branches, commercial and retail outlets, etc.

Geographical Distribution of Properties (excl. senior living and residential properties) (as of December 31, 2023)



Highly earthquake-resistant/eco-friendly buildings

In addition to selected location, we provide highly earthquake-resistant and decarbonized buildings.



Development/Reconstruction Business

Business Overview

Where properties in our portfolio have unused capacity, for instance in their permitted floor area ratio, we undertake systematic reconstruction to maximize capacity in a way that suits the location. This not only results in increased rent revenue but also enhances the quality of the asset portfolio. In addition, we promote development and redevelopment business drawing on the expertise built in the reconstruction of owned properties. Furthermore, we pursue opportunities in PPP business and development of urban type data centers and logistics facilities.

Medium- to Long-Term Focus Strategies

- Strengthen leasing portfolio and increase development revenue through promotion of development business backed by a successful medium- to long-term pipeline
- Increase high-quality assets by accelerating development and reconstruction projects with high standards of earthquake resistance and energy-saving features

Hulic's Major Development and Reconstruction Track Record

▼ Focus area properties (Ginza, Shinjuku East Side, Shibuya/Aoyama, Asakusa)



▼ Other (major properties)



▼ Completed in 2023 (major properties)



Progress of the Medium- to Long-Term Management Plan

Develop or reconstruct **more than 100 properties** (of which, 94 projects are confirmed or unofficially confirmed)



▼ Developing/planning (major properties)



We are also actively developing **next-generation assets** including **urban data centers, logistics facilities and research facilities.**



*These are images of projects at the planning stage, so they are subject to change.

Develop/Reconstruct **more than 100 properties** by 2029
Pursuing more competitive advantages of the leasing portfolio through development/ reconstruction
(prime locations in central Tokyo/ earthquake-resistance-high-quality /environmental friendliness /well-balanced portfolio)

Development/Reconstruction Business (PPP business)

Business Overview

Drawing on the expertise built in the development and reconstruction of office buildings, commercial and lodging facilities, etc., we are working with the public bodies in the effective utilization and operation of public assets owned by central and local governments.

Medium- to Long-Term Focus Strategies

- Leveraging our rich expertise in the PPP business, we aim to capture more opportunities by promoting sales to central and local governments.

What are PPPs?

Public-private partnership (PPP) project promotes effective use and operation of real estate owned by central or local governments (public real estate) through partnership and collaboration with the public and private sectors.

As a leading player in the PPP, Hulic draws on an effective track record in development in central Tokyo and a stable business base to support effective use and operation of public real estate.



Hulic Co., Ltd.

HULIC

- Effective track record in development in central Tokyo
- Stable business base

Initiatives and Track Record (Major Properties)



Value-added Business

Business Overview

This business sells properties we own and those we have recently purchased or invested in after increasing the value of the asset to the maximum by applying initiatives including updating, renovation, or conversion.

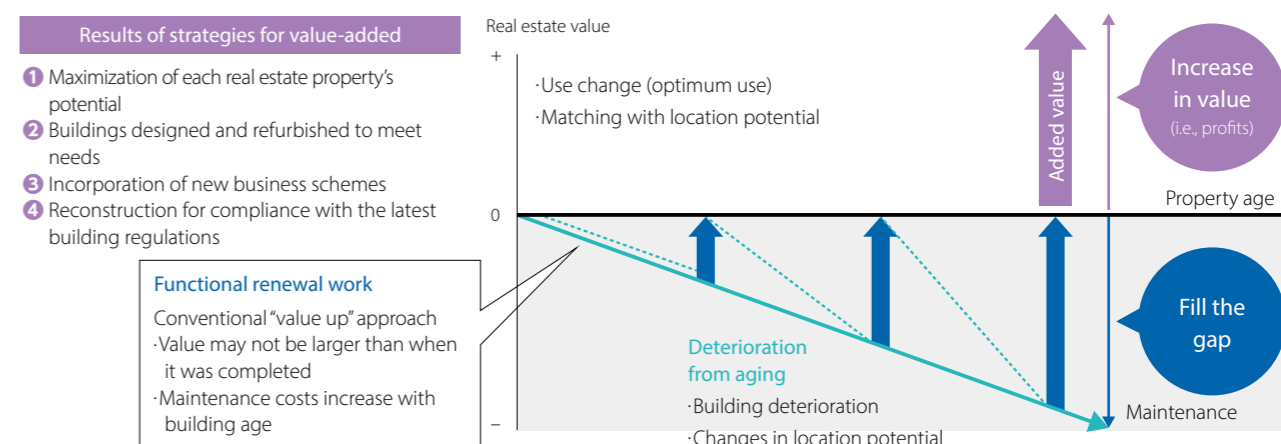
To meet the diverse needs of the real estate market, we also carry out short-term warehousing, which promotes the distribution of real estate to the market.

Medium- to Long-Term Focus Strategies

- With our plentiful value-added lineups, we build standard model cases and aim to establish this business as a growth driver and stable income source.

What Is the Value-added Business?

Value-added refers to bringing out a property's potential and maximizing the real estate value.





Track Record

① LICOPA Kawasaki (former site of Ito-Yokado Kawasaki Store's parking lot)



Hulic's second LICOPA community-based commercial facility was designed to attract more customers and revitalize the property. The site was renovated into a shopping center capitalizing on the deep roots with the local community in collaboration with Ito-Yokado Co., Ltd.

A new commercial facility was built on the former site of the parking lot to attract a new customer base and to create synergy with existing facilities that appeal to customers.

② Hulic Kasai Rinkai Building

This large value-added project increases profitability by improving the occupancy and efficiency rate of an existing multi-tenant commercial building as well as by expanding a logistics facility (Hulic Logistics Kasai) using the empty spaces within the site.

Senior Citizen-related Business

Business Overview

As the aging of society continues, we anticipate that demands for nursing and medical care will increase. We are promoting the development of senior living, hospitals and columbariums, as well as businesses to promote wellbeing and enrich the lives of active seniors.

Medium- to Long-Term Focus Strategies

- Leveraging know-how gained through pioneering initiatives in senior citizen facilities (senior living), we aim to make an industry-leading level of 5,000 units by 2025 (4,800 units as of December 31, 2023).
- We will also focus on creating and expanding new senior-oriented businesses in collaboration with healthcare-related companies.

Initiatives and Track Record

Given the rise in the elderly population and increasing demand for care facilities, we are investing in other businesses related to the elderly in addition to investing and developing senior living.

Investment/Development of senior living	Senior citizen-related business
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- Acquisition and development of facilities that have good locations and are run by excellent operators
- All are long-term leases
- Use of wood in building construction and materials of senior living are under consideration
- FY2023:1 property completed, five properties acquired

- New initiatives using existing asset holdings (verification of technologies, etc.)
- Creation of businesses related to healthcare and active seniors, among others



Charm Suite Yotsuya



Charmpremier Gotenyama Sanbankan



La vie re Grand Syukugawa



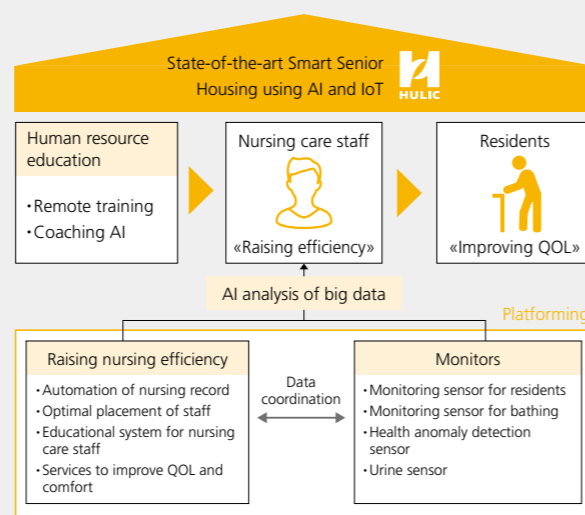
Hulic Premium Club Nihonbashi

TOPICS

Initiatives for Smart Senior Housing Project (a new nursing care business using AI and IoT)

The Smart Senior Housing Project aims to provide state-of-the-art senior living equipped with systems that use AI and IoT for monitoring sensors as well as recognition cameras and nursing care record integration, etc. The intention is to raise nursing efficiency and improve the productivity of the staff working in senior living as well as to offer the residents a better quality of life (QOL).

We had a business alliance with EcoNaviSta Co., Ltd., who has strengths in monitoring sensors, sleep issues, and dementia problems. We further moved forward and formed a capital and business alliance, investing in this company in December 2020 to establish a stronger relationship. Going forward, we will continue to further improve on the Smart Senior Housing Project to ease the labor shortage for nursing care, and we intend to create a new healthcare business.



Tourism-related Business

Business Overview

To capture demand for tourism, which is expected to increase over the medium- to long-term, Hulic operates own-brand hotels and *ryokans* (Japanese style luxury inns), and we are acquiring more hotel assets.

Medium- to Long-Term Focus Strategies

- We directly manage hotels and invest in hotel properties in areas that attract many sightseers, in this way aim for establishing a highly competitive advantage in the tourism industry.

Initiatives and Track Record

To capture needs for tourism, Hulic: 1)directly manages hotels under our own brand name (THE GATE HOTEL); 2)operates *ryokan*, Japanese style luxury inns (FUFU); 3) has acquired Nippon View Hotel Co., Ltd., which owns number of hotels under View Hotel brand; and 4) is acquiring and leasing hotels. We are developing our tourism-related business while mitigating risks by adding different grades of hotels that are owned/leased and properties that are managed by us into our tourism portfolio (owned and leased properties: from business to luxury types in limited geographical areas; directly managed: mainly upscale hotels and luxury *ryokans*). Recognizing this business as a potential growth area, we are considering additional development of our own brand hotel (The Gate Hotel) and *Ryokan*, Japanese style luxury inns (FUFU).

1 Own Brand Hotel (THE GATE HOTEL)

Our Policy

- One of the brand concepts is "to offer authentic value to our guests".
- Lodging-oriented boutique hotels with carefully selected locations and proven popularity, including in Asakusa, Ginza, Ryogoku and Kyoto.
- Development projects are underway in Fukuoka, Yokohama, Sapporo, and Osaka.



THE GATE HOTEL TOKYO by HULIC

2 Ryokans (Japanese style luxury inns) (FUFU brand)

Our Policy

- Hulic owns the properties and operation is entrusted mainly to Hulic FUFU Co., Ltd. (a joint venture with the Kato Pleasure Group).
- We are developing *ryokan* (Japanese style luxury inns) near famous sightseeing spots within two hours of Tokyo, primarily targeted at the affluent.
- Opened 11 and will open additional two by 2025



FUFU KYU-KARUIZAWA Restful Forest (Guest room)

3 Nippon View Hotel

Our Policy

- We acquired Nippon View Hotel Co., Ltd. as a wholly owned subsidiary in 2019, and we are promoting efficiency improvements by consolidating the business management sections.
- Opened March 2023 Asakusa View Hotel Annex Rokku



Asakusa View Hotel Annex Rokku (guest room)

4 Hotel (Asset) Acquisition and Leasing

Our Policy

- Hotel investment in a prominent tourist area
- These assets are being leased to operators with strong track records.



Grand Nikko Tokyo Bay Maihama

Other Business

Business Overview

Our Group companies are in various businesses including the operation of REITs (both publicly offered and private), building management, insurance, and contracting for construction work, among other opportunities. The Group is also working to diversify revenue sources by strengthening initiatives for new businesses, including in our businesses for flexible offices, rental offices, children's education, and the outdoors.

Medium- to Long-Term Focus Strategies

- Actively collaborate and form alliances with other companies as well as M&As for business growth.
- Set an investment budget for our growth strategy of approximately JPY50.0 billion to explore a wide range of new business areas that address social and regional issues.

Initiating Flexible Offices: Bizflex by HULIC

- The Bizflex series was launched in 2021 based on the concept of "easy to rent and easy to leave" as a new option for office space. Bizflex incorporates a leasing system for flexible leasing with low move-in and move-out costs as well as digital technology (DX) that helps tenants improve their productivity.
- As of December 31, 2023, four properties have been completed: Azabu-Juban, Roppongi, Tokyo-Yaesu, and Hamamatsucho.



Bizflex Tokyo-Yaesu by HULIC

Rental Office Business

- Entered the rental office business, where demand is expected to grow with the increase in the number of start-ups as well as diverse workstyles.
- Acquired CROSSCOOP Co., Ltd. in September 2023 making it a wholly owned subsidiary and changing the name to HULIC Biz Frontier Co., Ltd. This company operates rental offices in 9 locations.
- We will combine this company with our know-how in the office business and other areas to expand the services of the Group.



Children's Education Business

- With the increase in the number of dual-income households and the gift tax exemption for educational funds, we entered the children's education business in 2020, viewing it as a promising market.
- Promoted the development and deployment of Kodomo Depart, a one-stop service center for children.
- Formed capital and business alliances with education-related companies.
- Invested in children's educational facilities.



Kodomo Depart (image)

Outdoor Business

- In 2023, we formed a capital and business alliance with R.project Inc., an operator of camping and retreat facilities, recognizing that the outdoors contributes to the development of children's noncognitive abilities and can create synergy with the children's education business.
- Jointly considering ways to increase the value of existing facilities.



RECAMP Katsuura

Agribusiness

- With a Tomato cultivation business in Hokuto City, Yamanashi, and a strawberry cultivation business in Kagawa, we also produce and sell flowers in Vietnam using a method of producing high-quality agricultural products by Japanese farmers called Made by Japan.
- We are addressing population decline and food supply issues in the agribusiness by establishing a new agricultural model using ICT.



Overseas Businesses

- In markets that we expect will grow, we consider other initiatives as we reduce risk through joint ventures with partners who have knowledge and expertise. (We launched this business against a backdrop of building up capital by continuing profit growth and increasing the tolerance for risk.)
- We established the Global Investment Unit in 2024 and are looking into investing in senior living in the United States.

Contributing to Actions for Mitigating Climate Change and Reducing Our Environmental Impact



Environmental Policy / Environmental Management System

Fundamental Approach

Hulic will implement environmentally friendly management based on the Hulic Environmental Policy and work to resolve issues associated with conservation of the global environment.

Hulic Environmental Policy

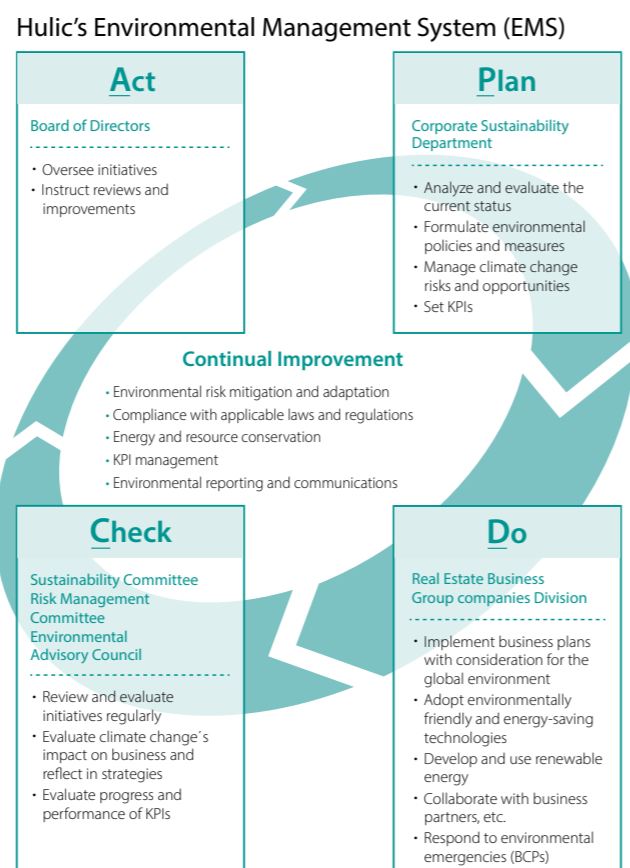
Hulic has formulated the Environmental Policy embodied in our Sustainability Vision and is executing environmentally friendly management to work towards solving various issues in the global environment. The following items are clearly stated in our Environmental Policy.

- 1 Environmental Compliance**
We strive to create a sustainable society while adhering to environmental laws and regulations.
- 2 Environmental Management System**
We contribute to the conservation of global environment by setting environmental targets and making continuous efforts for improving them.
- 3 Environmental Performance**
We reduce as much of our environmental footprint as possible by introducing eco-friendly designs from the planning stage of development in order to increase environmental efficiency.
- 4 Recycling-oriented Society**
We contribute to the creation of a recycling-oriented, zero waste society, by executing the 3Rs, reduce, reuse, recycle, throughout the life cycle of buildings.
- 5 Environmental Awareness and Education for Employees**
We provide environmental education and awareness raising activities to employees so that everyone can proactively work toward the improvement of environmental performance.
- 6 Environmental Communication**
We extensively disclose information on environmental contribution activities, and communicate with stakeholders including local communities to expand the circle of global environmental conservation.

Establishing an Environmental Management System (EMS)

The Group has established a unique environmental management system (EMS)* based on the Hulic Environmental Policy and is constantly working to improve it through the PDCA cycle while actively implementing environmental conservation initiatives. In 2020, we announced our support for the TCFD recommendations and we have further enhanced our corporate governance mechanism centered on Board of Director oversight and the Sustainability Committee.

* There is no office that has obtained certification for an environmental management system such as ISO 14001 or EMAS in the Group.



Long-term Vision for the Environment

Hulic executes environmentally friendly management to realize an ideal carbon-free and recycling-oriented society in 2050.

Roadmap of Initiatives for Achieving Vision

	2020-2022	2023	2024	2025	-2029	2030	-2050
General	Adoption of environmentally friendly technologies to properties owned						
	Start disclosing information in line with TCFD recommendations						
	Disclosed SBT-approved GHG emissions reduction targets (near-term targets)						
Decarbonization	Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings						
	RE 100 Achieved in 2023 → One year ahead of ongoing plan → Achieve by 2029 → One year ahead of ongoing plan						
	Development and operating solar power plants (non-FIT)						
	Development and operating small hydroelectric plants						
Circular economy	Technical measures to reduce waste and resource inputs (develop longer life buildings etc.)						
	Introducing wooden technology						
Greenhouse gas emission reduction targets*2	Scope1+2		● Reduce by 70%			● Reduce by 70%*3	● Substantially zero emissions
	Scope3					● Reduce by 30%*3	● Substantially zero emissions

*1 Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale, etc.
*2 Base year: 2019
*3 SBT-approved near-term targets. Combined Scope1 and Scope2 target is consistent with reductions required to keep the global warming to 1.5°C, the most ambitious goal of the Paris Agreement.
Scope3 target meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practice.

Greenhouse Gas Emission Reduction Targets under the SBT initiative

Hulic is moving towards realizing decarbonization of our operations. Hulic's greenhouse gas emission target ambition to reduce absolute Scope1 and 2 by 2030 has been determined to be in line with a 1.5°C trajectory and has been approved science-based target by the SBT initiative*1. We aim to achieve the target through developing renewable energy facilities in-house and advancing initiatives in the supply chain.



Greenhouse gas emission reduction targets (Absolute contraction targets, Base year: 2019)

	2024	2030	2050
Total of Scope1 and 2*2	Reduce by 70%	Reduce by 70%	Substantially zero emissions
Scope3*3	-	Reduce by 30%	Substantially zero emissions

We have begun the following initiatives for Scope3 (Greenhouse Gas Emission of the supply chain):

【Upstream activities of the supply chain】

Through collaboration with design firms and construction companies (use of building materials with low greenhouse gas emissions during manufacturing, promotion of use of wood in building construction and materials, use of renewable energy electricity at construction sites), and planning to reduce greenhouse gas emissions during building construction.

【Downstream activities of the supply chain】

Planning to reduce greenhouse gas emissions during operations by promoting energy conservation in buildings (tangible aspects, including the introduction of environmentally friendly technologies, renovations for energy conservation, harnessing unused energy and energy efficiency improvements through reconstruction), and cooperation with tenants (intangible aspects).

*1 The SBT initiative: An international initiative that promotes companies to develop greenhouse gas emission reduction targets in line with Paris Agreement goals (limiting the global temperature rise above pre-industrial levels to well below 2°C and limiting below 1.5°C).
*2 Total of Scope1 and 2: Greenhouse gas emissions from directly owned or controlled sources plus indirect purchased energy for business activities.
Scope1: Direct emissions (e.g., emissions from natural gas and other fuel combustion)
Scope2: Indirect emissions (e.g., emissions from the use of purchased electricity, heat and steam)
*3 Scope3: Greenhouse gas emissions from external companies affiliated with internal business activities (in the supply chain). Targets were set for Categories 11 and 13, which cover approximately 80% of Scope3.

Initiatives for Climate Change

Fundamental Approach

We are combatting climate change through environmental initiatives, including achieving RE100 in 2023 and converting to 100% renewable sources for electricity consumed at all Company-owned buildings by 2029.

Initiatives for Achieving RE100 in 2023 and Converting to 100% Renewable Energy Sourced Electricity for Electricity Consumption at All Company-owned Buildings by 2029

In line with Hulic's Long-Term Vision for the Environment, we have achieved RE100*1 in 2023 and set goals to convert to 100% renewable energy sources for electricity consumed at all company-owned buildings*2 by 2029 as part of our initiatives to combat climate change. The amount of reduction planned by 2029 is estimated to be around 132,000 t-Co2e, equivalent to the annual emissions of about 78,000 households.

What makes Hulic's approach unique is that we aim to achieve our targets by developing and retaining our own renewable energy facilities that do not use the FiT system*3 (non-FiT).

*1 An abbreviation of "Renewable Electricity 100%"; or sourcing 100% of electricity needed for business activities from renewable energy sources

*2 Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale, etc.

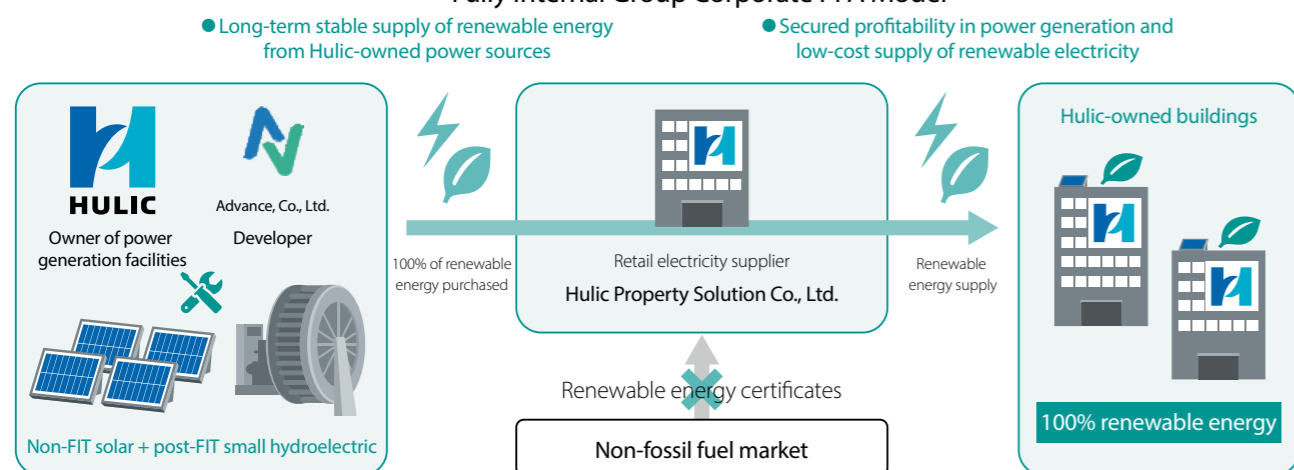
*3 A system for electricity that requires utility companies to purchase electricity generated using renewable sources for a certain period of time at a price specified by the national government.

*4 An agreement in which corporations, municipalities and other legal entities purchase renewable electricity from power providers on a long-term basis.

We have established a corporate PPA*4 mechanism where Hulic Property Solutions Co.,Ltd., a Group company, acts as a retail electricity supplier (power producer and supplier, or PPS), purchasing electricity derived from Hulic-owned renewable energy sources and selling it to Hulic-owned properties. This will ensure stable securing of renewable energy-derived electricity over the long term.

We are also working to build a system that flexibly supplies the renewable energy required to meet the power demand of our buildings by installing storage batteries alongside solar power generation facilities to store surplus power during peak sunlight hours.

Fully Internal Group Corporate PPA Model



Unique traits of Hulic's renewable energy sources

- New development and 100% in-house ownership of renewable energy facilities ▶ New development contributes to reduced greenhouse gas emissions (additionality)
- Non-FiT solar photovoltaic equipment ▶ No market purchase of renewable energy certificates
- 100% in-house ownership of power source and energy mix (combination of solar power generation and small hydroelectric power plants, etc.) ▶ Long-term and stable renewable energy power supply

Initiatives to Reduce Embodied Carbon

Embodied carbon refers to the amount of greenhouse gas emissions generated during the construction of buildings, covering everything from the purchasing building materials

to construction, renovation, and demolition (disposal). We are working intently to reduce embodied carbon (upfront carbon*) by adopting environmentally friendly building

materials in our development projects. These initiatives help reduce Scope 3 emissions in the upstream supply chain.

Example 1 : HULIC &New UDAGAWA II

We used environmentally friendly concrete for the foundation of the HULIC &New UDAGAWA II commercial facility completed in October 2023. Compared with the concrete we had planned to use at first, this reduced greenhouse gas emissions during construction of the foundation by around 60% (approximately 43 tonnes).



HULIC &New UDAGAWA II

Initiatives to Utilize Unused Energy

Unused energy is a generic term for energy that can be utilized but has not been used, such as heat discarded from buildings and factories, and temperature differences between outside air and rivers, groundwater, and sewage. To help realize a carbon-free society, we are working on the advanced utilization of unused energy according to location conditions, asset type, and the characteristics of development projects.

We are working hard to reduce energy consumption at our facilities. For example, at Hulic Ryogoku River Center, we implemented an air conditioning system that harnesses the temperature difference of river water from the nearby

Example 2 : Hulic Logistics Kashiwa

We used environmentally friendly asphalt as the paving material at the Hulic Logistics Kashiwa facility completed in December 2023. In addition to BELS (five-star) and CASBEE Kashiwa (B+ rank), external certifications included ZEB certification, which we obtained by installing a large-capacity solar power generation facility.



Hulic Logistics Kashiwa

Sumida River. Additionally, at Fufu Kawaguchiko, we use waste heat from hot springs to heat water.



Heat pump that use river water

Introducing Environmentally Friendly Technologies and Obtaining Patents for Environmentally Friendly Technologies

Hulic has developed unique natural ventilation and natural lighting systems (patented as lighting louver units) in collaboration with the Massachusetts Institute of Technology, and is installing these systems in newly developed buildings and the Hulic head office building. Elsewhere, we have developed, with other companies, and obtained patents for lightweight solar panels and a thin-layered wall greening system. These environmentally friendly technologies are commercialized and offered to the public from the manufacturers.

For the adoption of other energy-saving technologies, we individually consider and adopt technologies that are highly effective for their purpose and depending on the

location of the building.



Natural ventilation (rooftop solar chimney)

Information Disclosure Based on TCFD Recommendations

Recognizing the importance of climate-related financial information disclosure, we announced our support for the TCFD* recommendations in 2020 and started disclosing information on how we plan to mitigate and adapt to climate

change-related risks and opportunities in our businesses in line with these recommendations.

*TCFD is an abbreviation for The Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board and has proposed a framework for disclosing climate-related information.

TCFD Disclosure Recommendations and Hulic Initiatives (Summary)

TCFD Disclosure Recommendations	Hulic Initiatives (Summary)
Governance	Recognizing climate change response as an important management issue, we have established a governance mechanism centered on Board of Director oversight and the Sustainability Committee.
a) Board of Directors oversight of climate-related risks and opportunities b) Management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> Establish Board of Directors oversight and monitoring structure Matters related to climate change are deliberated by the Sustainability Committee, which is chaired by the President and Representative Director, who is responsible for climate change
Strategy	It has been determined that our businesses are sustainable, our strategy is resilient, and we can capitalize on new opportunities and improve corporate value.
a) Short-, medium-, and long-term climate-related risks and opportunities identified by the organization b) The impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning c) Describe the resilience of the organization's strategy, taking into account different climate-related scenarios, including a 2°C or lower scenario	<ul style="list-style-type: none"> Analyze and evaluate climate change mitigation and adaptation relating to climate change risks and opportunities, based on a 1.5°C scenario and business as usual scenario Examine validity of current strategies based on evaluation results
Risk Management	Matters related to risk management are centrally deliberated on and coordinated by the Sustainability Committee, which is chaired by the President and Representative Director, under the oversight of the Board of Directors.
a) Organizational process for identifying and assessing climate-related risks b) Organizational process for managing climate-related risks c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> The Sustainability Committee centrally deliberates climate change matters, including risk management, and reports to the Board of Directors The Risk Management Committee evaluates and deliberates climate change risks from a Group-wide risk management perspective and reports to the Board of Directors The Board of Directors receives reports from the Sustainability and Risk Management Committees and oversees climate change risks
Metrics and Targets	Materiality has been identified. The Sustainability Committee has set non-financial KPIs and manages progress by reviewing performance and other factors.
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with our strategy and risk management process b) Disclose Scope1, Scope2, and, if appropriate, Scope3 greenhouse gas emissions, and the related risks c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> Set climate change non-financial KPIs and related metrics, disclose progress toward achieving targets on Hulic website, etc. <ul style="list-style-type: none"> Greenhouse gas emission reduction targets (Absolute contraction targets, Base Year: 2019) <ul style="list-style-type: none"> By 2024 Scope1+2 70% By 2030 Scope1+2 70%, Scope3 30% By 2050 Scope1+2, Scope3 Substantially zero Achieved RE100 in 2023 Number of times the Sustainability Committee engaged in climate change monitoring, number of reported times to the Board of Directors Number of Environmental Advisory Council meetings held

● Strategy

We analyzed the impact of risks and opportunities on our strategy using 1.5°C scenario and business as usual scenario and examined resilience of our current strategies, including the need to change management plans and basic strategies.

At Hulic, we have been taking actions including building up earthquake resistance, and disaster prevention measures of our properties as well as environmental initiatives and decarbonization. As a result, we have found no potential financial impacts that were considered "large" related to both transition and physical risks in the scenarios we examined, and have found that our business is sustainable and our strategy is suitably resilient. Based on our motto of "driving

innovation" and "accelerating progress," we are going ahead with a business model that is able to flexibly respond to changes in the environment. Going forward, we will mitigate risks by evolving our business model based on changes in society as we move toward decarbonization. Looking at opportunities, we concluded that we will be able to continue improving our corporate value by building a competitive advantage in the leasing and development businesses as valuations increase for environmentally friendly technologies adopted in our properties and seizing opportunities in providing environment-conscious new products and services in the environment-related business field.

Assessing Risks and Opportunities

1.5°C scenario transition risks and opportunities

Continue on the basic strategies of our current Medium- and Long-Term Management Plan (further develop and evolve our business model based on the real estate leasing business)	
[Risks] • Increase in costs of responding to a wide range of policies and regulations introduced to address climate change	[Opportunities] • Increase in valuation of the environmental performance on our properties due to social changes leading to higher sales • Opportunities to enter new markets that help mitigate climate change will be created
Conclusion	<ul style="list-style-type: none"> Following the basic strategies of the current Medium- and Long-Term Management Plan, we are flexibly responding by deepening our business model and addressing risks. We confirmed that there are no climate change risks that would have a "large" impacts on us since we are implementing initiatives for the earthquake resistance, disaster prevention, environmental response, and decarbonization of our properties. As valuations increase for environmental initiatives for owned properties, we will build a competitive advantage in the leasing and development businesses. Also, we will capitalize on opportunities to provide new environment-conscious products and services as well as improve corporate value. The total financial impacts of climate change risks and opportunities has been assessed as "minimal" over the medium-term and "minimal (positive)" over the long-term.

Business as usual scenario physical risks and opportunities

Maintain current priority area, location policy and portfolio composition by use	
[Risks] • Physical risks, such as natural disasters due to climate change, will become apparent, resulting in higher costs to address them	[Opportunities] • Opportunities up to 2030 have already been incorporated into the Medium- and Long-Term Management Plan • No additional opportunities pertaining to climate change after 2030 and no financial impacts
Conclusion	<ul style="list-style-type: none"> Physical risks become apparent as climate change remains unmitigated. The financial impacts of climate change has been estimated as "small" over both the medium-and long-term because of a detailed examination of natural disaster risks done when properties are developed or acquired. Another reason for the "small" financial impacts is the mitigation of physical risks through design standards and disaster prevention measures in Hulic properties. To further reduce the financial impacts of climate change, we will promote a flexible response based on the basic strategies of the Medium-and Long-Term Management Plan. The financial impacts of climate change opportunities have been estimated to be "none" because the creation of additional opportunities related to climate change is not expected.

Analyzing the financial impacts of climate change and results

	[Medium-term] 2030	[Long-term] 2050
[Risks]	-	---
Increasing construction costs for compliance with ZEB regulations	-	---
Carbon pricing	-	None
Expanding disclosure of the performance for energy efficiency of buildings	-	-
Investing in storage batteries	-	-
Decarbonizing construction materials	-	-
Responding to embodied carbon	-	-
[Opportunities]	+	+++
Increase of leasing income due to growing demand for ZEB	+	+++
Receipt of ZEB subsidies	+	+
Financial impacts in the 1.5°C scenario*1	Total	-

		[Medium-term] 2030	[Long-term] 2050
Flooding*2	Impact on real estate value	--	--
	Impact on profit	-	-
Storm surge*2	Impact on real estate value	None	-
	Impact on profit	None	-
Typhoons (wind damage only)		-	-
Rising temperatures		-	-
Financial impacts in the business as usual (BAU) scenario*3		Total	--

Financial impacts matrix*4

Impact Classification	Ratio to Consolidated Ordinary Profit	Amount / Year
Large	30% or higher	JPY 40 billion or more
Medium	15% or higher, less than 30%	JPY 20 billion or more, less than JPY 40 billion
Small	5% or higher, less than 15%	JPY 7 billion or more, less than JPY 20 billion
Minimal	Less than 5%	Less than JPY 7 billion

[Legend] Minimal: -/+, Small: --/+, Medium: ---/+++, Large: ----/++++

*1 The financial impacts from changes in policies, laws, technologies and markets due to the transition to a low-carbon society aimed at mitigating climate change.

*2 The impact on all portfolio was estimated based on the results of an analysis of the building portfolio (50 properties), which account for approximately 80% of operating revenue (leasing).

*3 The financial impacts caused by physical risks, such as the occurrence of natural disasters associated with climate change. Classified into acute risk due to individual weather events and chronic risk due to changing climate patterns

*4 We have set the criteria based on the results of consolidated ordinary profit: JPY137.4 billion in FY2023 and a forecasted JPY 144.0 billion in FY2024.

Building a Recycling-oriented Society

Fundamental Approach

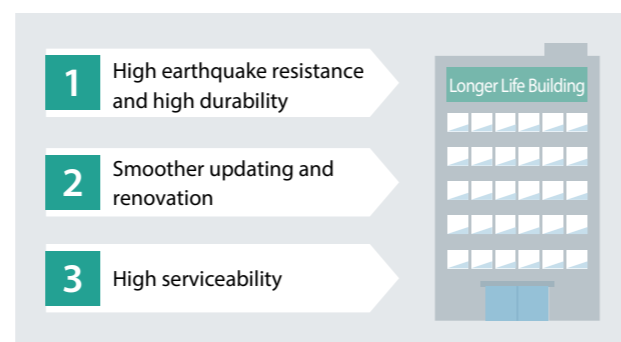
We are working to reduce waste and water consumption in cooperation with tenants and building management companies toward realization of a recycling-oriented society. When developing and reconstruction buildings, we reduce our environmental footprint through the adoption of longer life building designs that enable us to reduce waste significantly and to use resources more effectively.

Initiatives to Reduce Waste

We formulated the Hulic Guidelines for Longer Life Building (the Guidelines) in 2011 which are composed of three ideas, 1) high earthquake resistance and high durability; 2) smoother updating and renovation; and 3) high serviceability. We use only high-grade building frames that ensure the buildings are durable and used safely for over 100 years. At the same time, we make it possible to modify layouts to fit with diversifying work styles in the future. Furthermore, longer life buildings reduce waste generation and resources used for reconstruction by 50% or more, and reduce life cycle CO₂ by 6% compared with cases where buildings are conventionally reconstructed every 40 years (standard plans).

Based on this evaluation, we have introduced longer life designs as standard specifications in all development

and reconstruction completed or under construction since formulating the Guidelines in 2011.



Reduction of Plastic Waste at the Head Office Building

The in-house canteen at the Hulic head office building has stopped use of disposable plastic beverage containers,

straws, spoons and shopping bags and changed to paper items.

Initiatives to Reduce Water Consumption

Almost all water consumed in the Group is from the buildings owned or the buildings where we have offices, and the water flow starts from tap water and is discharged into sewers. To reduce water consumption in all buildings we own, we are sequentially renovating with new water-saving toilets and hand basins. In addition, we use LIMEX, a paper substitute made primarily from limestone, for the production of this integrated report as well as our business cards. When making

LIMEX, which uses almost no forest or water resources, the amount of water used in manufacturing was reduced by approximately 1,320,000 liters, the equivalent of roughly 2.64 million 500ml bottles of water, compared with the same amount of ordinary paper. Note that Hulic does not operate business activities in high water stress area where demand for water is tight.

Prevention of Pollution

We believes that minimizing environmental pollution due to business activities is indispensable to realize a recycling-oriented society. When planning buildings, we adopt construction methods to reduce pollutant emissions

to the extent possible in cooperation with design and construction companies. In addition, we compile data on air pollutants(Sox, Nox, VOC)generated in the development projects and disclose this information on our website.

Initiatives for wooden building and building with wood in materials

We have been developing fireproof buildings using wood that consumes less energy (low CO₂ emissions) during manufacturing and processing. In 2021, construction was completed for HULIC &New GINZA 8, Japan's first 12-story wooden fireproof commercial building (hybrid construction combining wood and steel). The building has been acclaimed, receiving many awards as a sophisticated example of urban wooden construction.

We are also planting trees based on the idea of planting to replace what we use. Trees absorb CO₂ in the air and provide a carbon dioxide fixing solution as they grow, so an abundance of trees in the nation's land and forest circulation can help cut down CO₂ levels. Furthermore, trees that are ready to be cut for timber have a reduced ability to absorb CO₂, so while we cut down trees as building materials, we also plant new trees to replace them. In this way, we are contributing to maintaining the proportion of young trees that absorb CO₂ well at a certain level. We continue

to consider about the use of wood in building construction and materials in our development projects.



HULIC &New GINZA 8

Examples of development projects, under planning to use of wood in materials in our development projects.



Miyazaki Prefecture Tokyo Building Redevelopment Project



Ginza Building Reconstruction Project

Initiatives for Biodiversity

Fundamental Approach

Hulic is carrying out initiatives that increase biodiversity in order to create urban spaces that are in harmony with nature.

Biodiversity Guidelines

We recognize the importance of biodiversity's impact on the living environment, and in order to contribute to biodiversity, we have created the Declaration of Biodiversity Conservation

(Hulic's Biodiversity Guidelines) which has been well communicated throughout our Group.

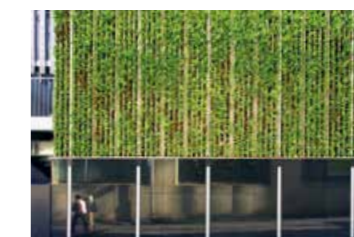
Use of JHEP Certification System

We are also working to ensure that we consider ways to conserve and restore local vegetation during development and reconstruction of properties from the standpoint of preserving biodiversity. We are using the JHEP certification

system issued by Ecosystem Conservation Society-Japan to quantitatively evaluate and promote biodiversity conservation initiatives. As of December 31, 2023, a total 11 properties (Hulic Group) have been certified.

Promotion of Greening of Surrounds, Rooftops and Walls

Our greening projects aim to create lush green urban spaces as well as to harmonize with nature with much consideration to biodiversity. When greening surrounds, we primarily select plants that are easy to care for and are resistant to strong winds so as to improve the scenery and appropriate for locational conditions.



Greening of Walls

Providing Safe, Secure Buildings and Spaces



Fundamental Approach

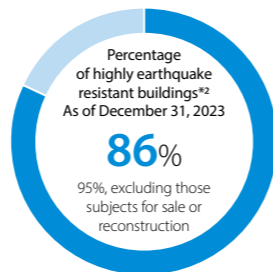
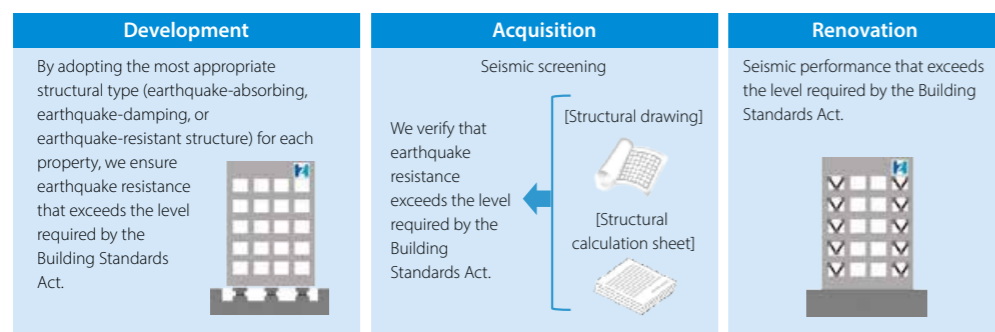
We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance and functionality. In addition, assuming various emergency and disaster scenarios, we have created structural as well as operational and managerial countermeasures and we are finetuning them.

Earthquake Countermeasures: Ensuring All Company-owned Buildings Can Withstand a Seismic Intensity of Level 7 by 2029

We believe it is our responsibility to provide earthquake-resistant building safety in order for the tenants to conduct social activities with peace of mind. We have therefore established our own earthquake resistance standards*1 that are stricter than the Building Standards Act, and we apply these standards to all the buildings that we develop

or reconstruct, and we conduct a seismic assessment at the time of acquisition. We are working to ensure that by 2029 all of our buildings can withstand earthquakes with a seismic intensity of level 7. (For buildings other than those being sold or reconstruction, we plan to achieve this target by the end of 2025.)

Initiatives during building development, acquisition, and renovation



*1 Hulic's earthquake-resistance standards are where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of level 7.

*2 Highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs with a seismic intensity of level 7.

Adopting Earthquake-Absorbing and Earthquake-Damping Structures

To protect human life and facility functions from large-scale earthquakes, we have applied high seismic capacity on newly constructed buildings. With the aim of protecting customers' lives and contributing to business continuity,

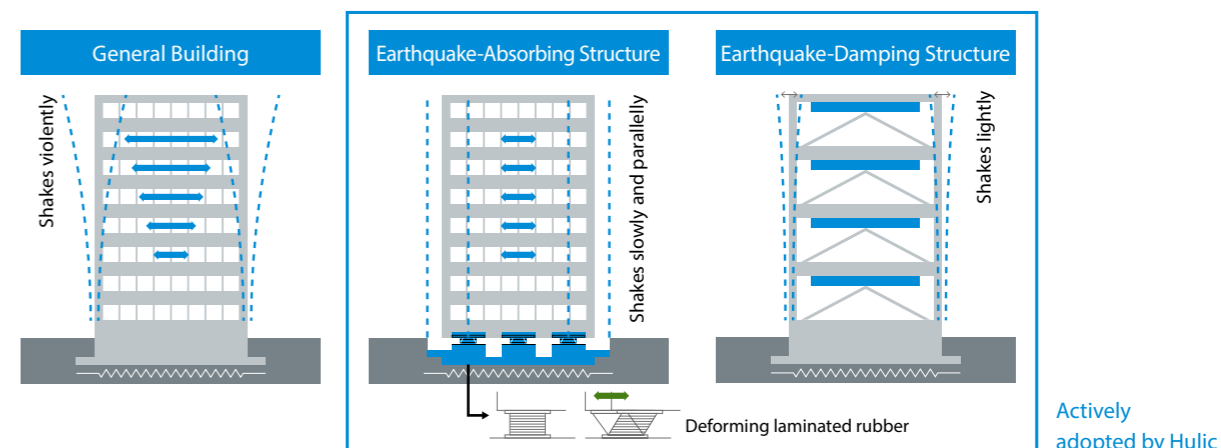
we have adopted an earthquake-absorbing or earthquake-damping structure which is effective at ensuring a high seismic resistance, in addition to other methods to improve the seismic resistance.

Earthquake-Absorbing Structures

These structures absorb seismic energy and dampen shaking by separating the building from the ground using a mechanism called an isolator. This reduces the shaking to about one-half to one-tenth that of conventional earthquake-resistant building structures.

Earthquake-Damping Structures

With earthquake-damping materials installed inside the building, internal seismic energy is absorbed to reduce the intensity of shaking from one-half to one-third compared with other general earthquake-resistant structures.



Earthquake-Resistance Diagnosis, Reinforcement Works and Confirming Structural Calculations

We diagnosed the earthquake resistance of all company-owned buildings* that were built before the new earthquake resistance standards were set out in the Building Standards

* Excluding buildings that will be demolished for reconstruction.

Act (revised in 1981). All buildings that did not meet these standards are undergoing seismic reinforcement.

Liquefaction Countermeasures

After the Great East Japan Earthquake, extensive regions including coastal areas in Tokyo suffered from liquefaction, which caused damage such as buildings leaning over and sinking. According to the liquefaction map issued by the government, four buildings owned by the Company were on

ground with possible liquefaction. However, we concluded that these buildings will not be significantly affected by liquefaction because the foundations for these buildings were carefully planned and constructed.

Measures Against Water Damage

When electric facilities are damaged by floodwater, the supply of power, which is essential for the use of a building, can stop for an extended period. We investigate the status of buildings with power receiving and transforming equipment and private power generators that are installed

in floors expected to be submerged in a flood, and examine application of flood control measures, in preparation for localized heavy rains caused by climate change and tsunamis caused by earthquakes.

Measures Against Ashfall from Possible Mt. Fuji Eruption

If Mt. Fuji erupted, the transportation infrastructure could be shut down and electricity and other utilities could be disrupted. Consequently, we are taking tangible action by developing equipment that prevents volcanic ash from entering pipes in storm drains and by installing this

equipment in company-owned buildings. In a less tangible way, we encourage tenants to return home early, organize a system, and install any necessary equipment for a quick recovery after an ashfall.

Collaborating with Business Partners and Local Communities



Fundamental Approach

To fulfill our corporate social responsibilities, we collaborate with business partners and local communities, to solve social issues and to build long-lasting, value-enhancing relationships.

Improving Customer Satisfaction

As office buildings, shops, and residences owned by the Company serve as the infrastructure for customer's social activities, we are constantly working to improve their quality under the philosophy of providing customers safety, peace

of mind and trust. In order to satisfy all customers using buildings including tenants and visitors to the buildings, we thoroughly undertake meticulous quality control, careful maintenance and security to protect assets.

● Customer Satisfaction Survey

We conduct an annual customer satisfaction survey for tenants of Hulic's properties. Survey items include matters concerning building hardware and software and things customers have noticed while using our buildings on a daily basis. We carefully go over the customer responses, and then take steps to identify customer needs and make improvements accordingly. In the survey conducted in 2023, we continued to receive high ratings with a satisfaction level

of 92.2%. We believe the results have mainly reflected our planned facility reinforcement and quick response to the matters requested by customers. Furthermore, the persons in charge responded or replied to customers' requests and opinions after the survey.

Customer Satisfaction Rate 2023 **92.2%**

● Initiatives for Providing Healthy and Comfortable Spaces

Hulic is undertaking the following initiatives to provide healthy and comfortable properties to our stakeholders.

- Verification of specifications of facilities introduced and interior materials, etc. for existing properties and properties being developed (Use of interior finishing materials and fittings that do not contain toxic substances)
- Greening of building surroundings, introduction of natural ventilation and lighting systems
- Introduction of an indoor air quality improvement system using composite ceramic functional materials
- Acquisition of CASBEE Wellness Office certification for developed office buildings as verifications for buildings that support the maintenance and improvement of the health and comfort of the people in the buildings
- Measurement of indoor environments and periodic measurements after completion
- Active upgrading to energy-saving equipment and other advanced equipment
- Conducting preventive maintenance before issues arise in buildings equipment
- Many of our owned properties are near stations, providing easy access to transportation

Relationships with Business Partners

Hulic stays in close communication with business partners, such as building management companies, construction companies, building maintenance contractors, real estate agents and property management companies, and works to build solid long-term relationships to ensure favorable business operations.

In terms of our relationship with building management companies, we regularly hold management status report briefings and assess the quality of management companies in order to maintain and improve the quality of the buildings we own.

● Energy-Saving Initiatives for Existing Buildings

We believe that customer engagement is important for responding to climate change, we created and distributed a leaflet calling on our customers (tenants) to help save energy. We also had individual meetings with some

In the event of a disaster, we have introduced an Internet-based safety confirmation system for swift confirmation of the state and to share information with building management companies. We also concluded contingency agreements with the construction company concerning restoration and recovery, enabling collaboration and cooperation in the event of a disaster.

In addition, we have formulated a CSR purchasing policy for procurement and purchasing. We ask business partners to cooperate with this policy as we pursue sustainable purchasing across the entire value chain.

tenants to have a dialogue about energy-saving measures. Going forward, we will continue to work with tenants to help save energy.

Social Contribution Activities

Policy for Social Contribution Activities

Basic Philosophy

Hulic actively and broadly engages in various social contribution activities including but not limited to our business fields as a good corporate citizen. Through these activities we wish to contribute to the sustainable development of the entire society.

Policy for Activities

- Actively engage in activities with particular emphasis on the three major fields of global environment protection, sharing value with local communities and responding to social needs.
- Strongly support social contribution activities of employees.
- Place an emphasis on securing transparency in implementing activities and facilitate communications and cooperation with society.

Support for Culture and the Arts

● Establishment and Sponsorship of the Hulic Cup Hakurei Championships and Women's Rank-deciding Shogi Competition

In 2020, Hulic together with the Japan Shogi Association established a new rank-deciding Shogi competition for women, the Hulic Cup Hakurei Championships, with the aim of expanding opportunities for female professional Shogi players. (The competition is co-sponsored by Hulic and the Japan Shogi Association.)

Beyond supporting the arts and culture, we are supporting professional female Shogi players from the perspective of empowering women.

In 2023, the Hulic Cup 3rd Hakurei Championship, the title was contested in a seven-match series was held from September to October, and Ms. Tomoka Nishiyama won the championship with four wins and three losses to take

the title of "Hakurei". Ms. Tomoka Nishiyama was reinstated as "Hakurei" for the second time since the first Hakurei Championship.



● **Special Sponsorship of the Hulic Cup Kisei Championships**

We have been a special sponsor of the Kisei Championships (sponsors: Japan Shogi Association and Sankei Shimbun) since 2018. The Kisei Championship, established in 1962, is an official championship with history.

In the 94th Hulic Cup Kisei Championship, Mr. Sota Fujii defended his title yet again to win his fourth consecutive title.



Connection with Local Communities

● **Hosting Summer Festivals and Donating of a Portable Shrine**

In October 2012, the head office of Hulic was moved to Nihonbashi, Odenma-cho. As part of our efforts to introduce ourselves to the community, we have held the Hulic Odenma Summer Festival at our head office building since 2013 every year. In 2017, as part of our community contribution activities, we donated a portable shrine to the Odenma-cho Ninobu Neighborhood Association to which we belong. We hope that carrying this portable shrine at the festival will lead to further revitalization and prosperity in the area.



● **Established Collaborative Social Courses with the University of Tokyo**

In April 2023, Hulic, together with the University of Tokyo, initiated a course for creating an inclusive nature experience learning system. By harnessing information and communication technologies, this course aims to enable children to experience and learn nature with a sense of independence, even remotely, regardless of their environmental or personal circumstances. In August 2023, a nature-based learning session "School for Everyone Learning from Nature" with participation of more than 100 elementary and junior high school students was held in Myoko Kogen, Niigata Prefecture. Online participants watched the activity in the Metaverse space and experienced the sensation of stone by using a body-sharing device.



Social Welfare

● **Support for the Japan Service Dog Association**

As part of our initiative to give more support to people with disabilities, we have been sponsoring the Japan Service Dog Association since 2022.

Especially among people with disabilities, being unaware of service dogs is a major issue. Service dogs, like guide dogs, are one type of assistance animal. We will continue to provide support so that more people can learn about service dogs.



● **Donated Emergency Food Stockpiles**

In the course of inspecting and replacing the emergency food stockpile at our headquarters building, we donated food approaching its expiration date, previously disposed of as waste, to Second Harvest Japan, an authorized nonprofit organization. We will continue to donate our emergency food stockpiles in the future.



Health, Medicine and Sports

● **Support for Japan Para-Badminton Federation**

We concluded an Official Gold Partner Agreement with the Japan Para-Badminton Federation in 2016 and have provided support for para-badminton. We have been offering our Nishi Kasai Center Building gym (Hulic Nishikasai Gym) to the Federation as a practice gym for players since 2017. Hulic was a special sponsor of HULIC DAIHATSU JAPAN PARA BADMINTON INTERNATIONAL 2023 held at Yoyogi National Stadium 1st Gymnasium in November 2023.



Billboard advertising

Academic and Research Support

● **11th Hulic Students Idea Competition: Temptation of Architecture**

As a real estate company, we started this competition with the aim of providing students with opportunities to present urban development and construction ideas. We received 121 entries for the 11th Hulic Student Idea Competition under the theme of "Temptation of Architecture" with "Shinjuku" as the target site.

In the second round of judging, held at Hulic's Head Office, the students enthusiastically presented their ideas and answered questions from the judges. Following discussions among the judges, two grand prize winners, three excellence award winners and five honorable mention award winners were selected.



Main Social Contribution Activities in 2023

- Special sponsorship of the Hulic Cup Kisei Championships
- Organizer of the Hulic Cup Hakurei Championship and women's rank-deciding competition
- Special sponsorship of the Ministry of Education, Culture, Sports, Science and Technology Cup: Elementary and Junior High School Shogi Team Championships
- Relocation of Tokyo Shogi Hall
- Artwork created by artists with disabilities displayed on temporary construction site fencing
- Supported Japan Para-Badminton Federation
- Donated to Keidanren Nature Conservation Fund
- Supported environmental studies at Kyoto University
- Established collaborative social courses with the University of Tokyo
- Organized students' idea competition
- Supported Nezu Foundation
- Provided Hulic Scholarship Program for training of welfare caretakers
- Donated used postal stamps
- Supported single-parent households
- Contributed through employee match gift program
- Donated to Japanese Red Cross Society
- Supported Mainichi Shimbun's campaign to assist Fukushima
- Supported New National Theatre, Tokyo
- Opened onsite childcare nursery facility to local community members
- Hosting Summer Festivals and participating in carrying a portable shrine
- Supported employees' social contribution activities
- Donated emergency food stockpiles
- Supported Naruto Sumo Stable Supporters' Association
- Supported the Japan Service Dog Association
- Tree planting
- Donated to the General Incorporated Association Yoyogi National Gymnasium Steering Committee for World Heritage Nomination

<Employees' Social Contribution Activities>

- Donated to Japanese Red Cross Society
- Donated to the Carers Japan
- Monthly local cleanup drives, among others

Respect for Human Rights

Approach to Human Rights

We established the Hulic Human Rights Policy based on the United Nation's Guiding Principles on Business and Human Rights. Further, respect for human rights encompasses all fundamental human rights as required in the Constitution, the Labor Standards Act and the Universal Declaration of Human Rights.

The Hulic Human Rights Policy (excerpt)

1. Adherence to International Human Rights Standards
2. Scope of application: We expect training on our policy to be provided to all officers, employees, and business partners
3. Implementation of human rights due diligence
4. Correction and remedies
5. Review of Priority Themes Related to Human Rights

Focus Areas

- | | |
|---------------------------------|--|
| ① Prohibition of discrimination | ⑤ Respect for the right of freedom of association and right of collective bargaining |
| ② Prohibition of harassment | ⑥ Reduction of excessive working hours |
| ③ Prohibition of child labor | ⑦ Securing of health and safety of employees |
| ④ Prohibition of forced labor | ⑧ Payment of wages higher than minimum wage |

Implementation of Human Rights Due Diligence

We adhere to human rights due diligence, as outlined below.



Promoting Diversity and the Development of Professional Human Resources



Fundamental Approach

We aim to create a vibrant and productive organization by developing appropriate human resource strategies, including human resources development and organizational structure, so that diverse human resources can maximize their abilities.

Promoting Diversity

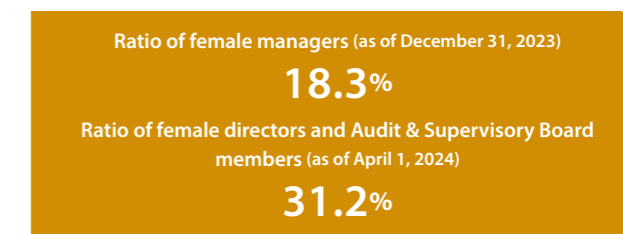
● Establishment of the Diversity Promotion Project Team

Hulic's basic approach is for employees to be aligned with their skill sets, aptitudes and personalities that enable individuals to perform at a maximum level and as a result the Company operates a high value-added business with a smaller workforce. To achieve this, we believe that it is essential to raise awareness on diversity and inclusion and enhance related frameworks. We established the diversity promotion project team which continues to engage in

regular activities based on such themes as improving work-life balance and career development. In addition, the Diversity Promotion Project Team holds meetings with the President, who is responsible for this team, to directly communicate employee opinions. In 2023, we discussed on creating a more flexible work environment and held a lecture event.

● Empowering Female Employees

Hulic has set target ratios for female managers with the aim of becoming a company in which women take on active roles. We provide follow-up training to employees to raise awareness of our approach. In support of the Keidanren's "Challenge for the ratio of female managers up to 30% by 2030", we have achieved this target.



Employment of Persons with Disabilities

We employ people with disabilities and has established the Hulic Suginami Office, a dedicated workplace, mainly for sending out direct mail, together with experienced supervisors.



Senior Citizen Employment Program

We have introduced a reemployment program for seniors in accordance with the Act on Stabilization of Employment of Elderly Persons. Under this program, we continue employing anyone who has reached the retirement age but who wishes to continue working until the age of 65. We offer staggered commuting and half-day leave for these employees and create a work environment comparable to active employees with leave and absence systems.

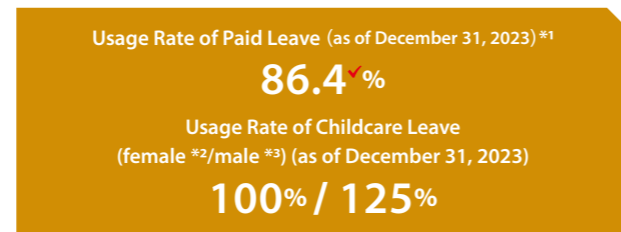
We expect the abundant knowledge and expertise that the senior rehires possess to be inherited through communication and interchange with younger employees. We also introduced a special short-term contract system in 2021 that extends the period of continuous employment until the age of 70 so that we have motivated and capable employees between the ages of 65 and 70.

Promoting Work-Life Balance

Promoting Work-Life Balance

To enable employees to maximize their abilities, we aim to realize diverse work styles, including staggered office hours and working from home (for employees who are raising children or caring for family members). We are implementing systems that prevent long working hours by encouraging employees to take paid leave and to accurately manage working hours by logging the length of time they spend on computers.

In addition, we are enhancing our next-generation nurturing support programs and ensuring a balance between work and childcare, nursing care by introducing a new hourly childcare and nursing care leave system.



*1 The number of days of paid leave taken in the current fiscal year is used as the numerator and the number of days granted in the current fiscal year as the denominator. The numerator and denominator do not include the amount carried over from the previous year.

*2 Number of employees who took maternity leave in the subject fiscal year / Number of employees who took maternity leave in the subject fiscal year

*3 Number of employees who took maternity leave in the subject fiscal year / Number of employees whose spouses gave birth in the subject fiscal year

Next Generation Nurturing Program: Examples

Job-return system	An employee who retired due to marriage, childbirth, childrearing, and nursing care, etc. can return to work under the same working conditions as at the time of retirement.
Celebration money on auspicious occasions (childbirth)	A special payment for childbirth is given to employees: 100,000 yen for the first child, 200,000 yen for the second child and 1,000,000 yen for the third child and thereafter.
Company daycare nursery inside the Hulic head office building	Hulic has established nursery facilities at its Head Office for employees. Employees using these services can drive to work and park their cars at the Head Office Building.
Child care leave	This program is available from when a female employee finds out she is pregnant until the end of the child's third year of elementary school and when is necessary for an employee (regardless of gender) to nurse a sick child or to participate in nursery school or elementary school events.
Next-Generation Support (Infertility Treatment)	<ul style="list-style-type: none"> • 50% subsidy for out-of-pocket expenses for medical treatment (after insurance coverage). • It is applicable for infertility treatment 10 days of special leave (paid) and can be taken in one-hour increments.
Babysitter Program	When an employee use services of a babysitting business operator which has a corporate contract, the entire enrollment and the annual fee as well as the monthly fee up to 15,000 yen are subsidized.
Subsidy for the expense of Kids' Club	Up to 50,000 yen is paid per month for a child until the end of his/her third year of elementary school.

Health and Productivity Management

We believe that the well-being of employees goes hand in hand with productivity improvement and the growth of the Company. Hulic has been certified of six consecutive years, since 2019, as a Health & Productivity Management Outstanding Organization.

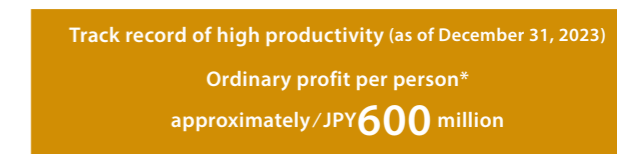
Important matters related to the promotion of health management, such as the status of overtime work and medical checkups, are reported to the Risk Management Committee, chaired by the president, and action is taken as necessary.

Human Capital Initiatives

Talent Development Strategy

To achieve sustainable growth in Japan, where the working population is declining, we believe it is important to achieve high performance with a limited number of employees. Our goal is for every one of us to strive to provide high quality value as a professional. To ensure we remain a group of productive professionals, we place emphasis on employment and human resources development, and work to develop

systems and environments that enable employees with diverse backgrounds and skills to play an active role.

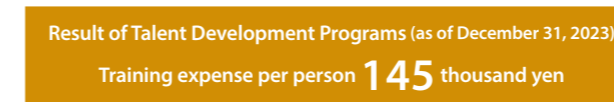


*Ordinary profit (non-consolidated)/number of employees (non-consolidated)

Strategy for Talent Development and Employment

To create an organization that can flexibly respond to environment change, we employ a diverse workforce. We target hiring 50% of new graduates who are female. We provide opportunities for employees to proactively develop their career visions through periodic meetings (at least twice a year) with their supervisors and meetings (once a year) with the Human Resources Department.

In terms of training, in addition to mandatory training for first to third year employees or according to the position of employees, we offer elective training and e-Learning based on everyone's career path, as well as a system for sending employees to graduate schools and outside companies through a nomination system. We have been encouraging employees to obtain qualifications, and our professional staff includes first-class architects, real estate appraisers, lawyers, certified accountant and others.

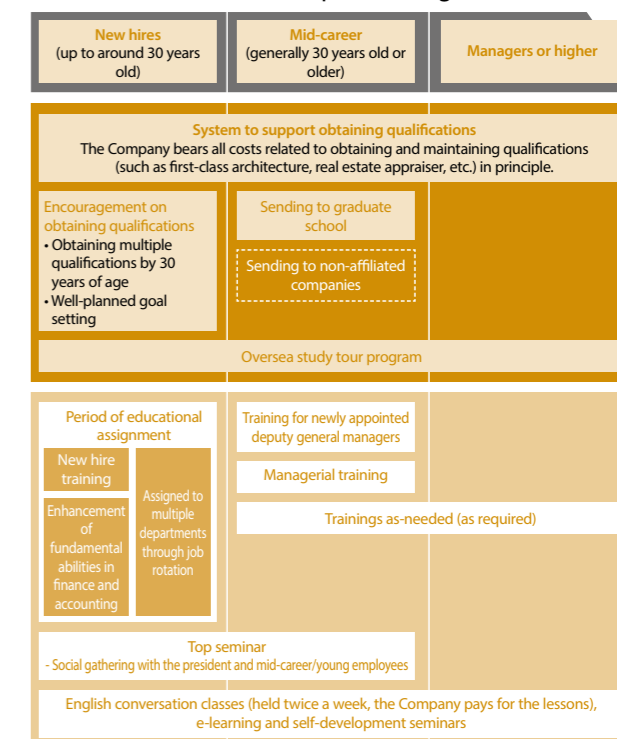


Improving Working Environment and Well-designed Fringe Benefits

Hulic has a small workforce, which enables a distinctively close distance between each employee, as well as between top management and employees, making it easy to communicate within the Company.

Furthermore, we continuously improve the workplace environment through a President Survey (twice a year) and a Top Seminar, a social gatherings of mid-career and young employees, where all employees have the opportunity to make suggestions directly to the president regarding business and work styles. We also strive to give back to our

Overview of Talent Development Programs



Maintaining and Improving Governance Trusted by Stakeholders



Corporate Governance

Fundamental Approach

The Group considers that it is a critically important management matter to build a corporate governance system with fully functioning internal controls, risk management, compliance and disclosure control. We intend to faithfully execute business and fulfill accountability to our stakeholders.

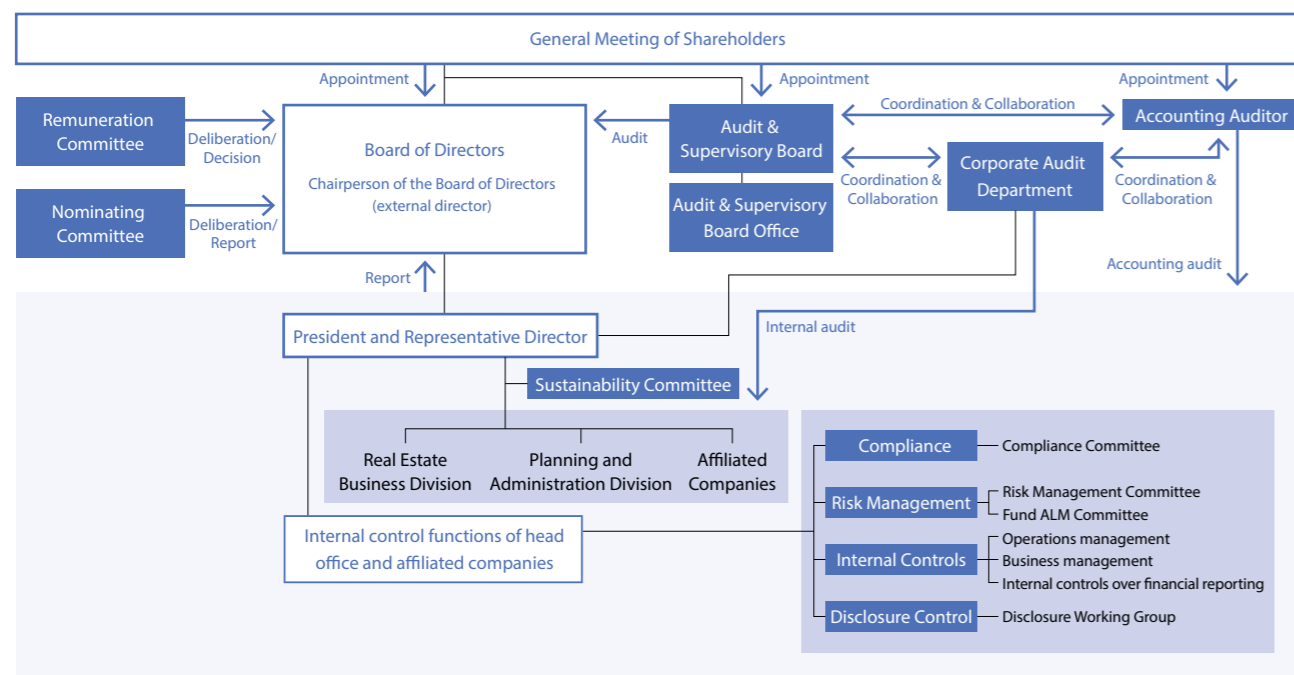
Corporate Governance Mechanism

Hulic understands its responsibilities towards all of its stakeholders including shareholders, and makes a point of carrying out corporate management in a transparent and sincere manner, while striving to enhance corporate governance through formulation of the Corporate Governance Guidelines.

The Board of Directors (the Board), which is comprised of directors elected at the General Meeting of Shareholders, holds regular meetings once a month in principle and is convened when necessary, and resolves matters specified

in laws and the Articles of Incorporation and important matters related to business execution in accordance with the Board of Directors Rules. The Board also oversees the overall execution of duties by managing officers who were appointed by the Board and are responsible for business execution. The Board of Directors comprises 11 directors (six are external directors). More than half are external directors, and all of these are independent external officers. In addition, an external director serves as the chairperson of the Board of Directors (as of April 1, 2024).

Diagram of Hulic's Corporate Governance (as of April 1, 2024)



Nominating Committee and Remuneration Committee

We have established "discretionary committees" following the enactment of the Corporate Governance Code, effected on

June 1, 2015. These committees consist entirely of members that are independent external directors.

Nominating Committee

Deliberates and reports on the nomination of candidates for Board of Directors and Audit & Supervisory Board member.

[Status of Activities and Specific Matters Considered in FY2023]

- Number of meetings: 2 times
- Matters considered: Candidates for director to be presented at the General Meeting of Shareholders next year; promotion of directors with executive titles, etc. and chairpersonship of the Board of Directors; appropriateness of executive directors; and succession plan

Remuneration Committee

Deliberates and decides on the specific amount of directors' compensation within the range resolved by the General Meeting of Shareholders.

[Status of Activities and Specific Matters Considered in FY2023]

- Number of meetings: 3 times
- Matters considered: Consideration and determination of base pay for each director, consideration and determination of performance-linked variable compensation for each executive director and consideration of factors determining performance-based compensation

The Members of the Board of Directors, Audit & Supervisory Board and Committees

The Company's Board of Directors, Audit & Supervisory Board, Nominating Committee and Remuneration Committee include the following members. As of April 1, 2024, the Board

of Directors and Audit & Supervisory Board included 11 male and five female members, bringing the ratio of female directors and Audit & Supervisory Board members to 31.2%.

Title	Name	Board of Directors	Audit & Supervisory Board	Nominating Committee	Remuneration Committee
Representative Director, Chairman	Saburo Nishiura	○	—	—	—
Representative Director, President	Takaya Maeda	○	—	—	—
Director, Vice President	Hajime Kobayashi	○	—	—	—
Director, Vice President	Tadashi Nakajima	○	—	—	—
Director, Senior Executive Managing Officer	Hiroshi Hara	○	—	—	—
External Director, Chairperson of the Board of Directors	Tsukasa Miyajima	◎	—	◎	○
External Director	Hideo Yamada	○	—	○	◎
External Director	Atsuko Fukushima	○	—	○	○
External Director	Shinji Tsuji	○	—	○	○
External Director	Kiyomi Akita	○	—	—	—
External Director	Yuko Takahashi	○	—	—	—
Full-Time Audit & Supervisory Board Member	Masahiro Okamoto	—	◎	—	—
Full-Time Audit & Supervisory Board Member	Mie Tanaka	—	○	—	—
External Auditor	Nobuyuki Kobayashi	—	○	—	—
External Auditor	Noriko Koike	—	○	—	—
External Auditor	Masao Aratani	—	○	—	—

The chairpersons are indicated with ◎.

Executive Officer Nominations

● Policy on Nominating Board of Director and Audit & Supervisory Board Member Candidates

When nominating candidates for the Board of Directors or the Audit & Supervisory Board, in addition to having excellent character and insight and appropriately fulfilling the duty of care, candidates are selected based on their professional experience and expertise as well as the contribution they

are expected to make improvements to the corporate value from an unbiased perspective. Efforts are made with regard to Audit & Supervisory Board candidates in particular, to appoint at least one candidate with extensive accounting knowledge.

● Procedure for Nominating Board of Director and Audit & Supervisory Board Member Candidates

When nominating candidates for the Board of Directors or the Audit & Supervisory Board, reports are submitted to the Board of Directors after deliberation by the Nominating Committee, which is comprised entirely of independent

external directors. The reasons for nominating each candidate are included in Reference Documents for General Meeting of Shareholder.

Director Skill Matrix

To achieve our Medium- and Long-Term Management Plan, we have defined the skills we consider necessary for directors as those related to (1) corporate management, (2) sustainability and ESG, (3) finance and accounting, (4) legal affairs and compliance, (5) risk management, (6) personnel

and labor affairs and human resources development, and (7) the real estate business.

We appoint directors with the right skills for these requirements, and their skills are shown in the table below.

Name	Title	Corporate management	Sustainability and ESG	Finance and accounting	Legal affairs and compliance	Risk management	Personnel and labor affairs and human resources development	Real estate business
Saburo Nishiura	Representative Director, Chairman	◎	○	○	○	○	○	○
Takaya Maeda	Representative Director, President	◎	○	○	○	○	○	◎
Hajime Kobayashi	Director, Vice President	○	○	◎	○	○	○	○
Tadashi Nakajima	Director, Vice President	○	○	○	○	○	○	◎
Hiroshi Hara	Director, Senior Executive Managing Officer	○	○	○	◎	○	○	○
Tsukasa Miyajima	External Director, Chairperson of the Board of Directors	○	○	○	◎	○	○	○
Hideo Yamada	External Director	○	○	○	◎	○	○	○
Atsuko Fukushima	External Director	○	◎	○	○	○	○	○
Shinji Tsuji	External Director	◎	○	○	○	○	○	○
Kiyomi Akita	External Director	○	○	○	○	○	◎	○
Yuko Takahashi	External Director	○	○	◎	○	○	○	○

* ◎ in a director's skill matrix means the director has particularly outstanding skills in that particular area.
 * The above list is not intended to be an exhaustive list of the knowledge and experience possessed by each director.

External Directors and External Auditors

We appointed independent external directors and independent external auditors who have fulfilled Hulic's criteria for assessing the independence of independent external directors/auditors (disclosed in the Company's

Corporate Governance Guidelines) in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange. The expertise and reasons for appointment of the external directors and external auditors are as follows.

External Director

Name	Attendance at Board of Directors meetings in FY2023	Occupation/affiliation, etc.	Reason for appointment	Independent Director
Tsukasa Miyajima	12 of 12 (100%)	Professor Emeritus of Keio University, Lawyer, Professor of Law and Graduate, School of Law of Asahi University	Mr. Miyajima has extensive experience and insight as a person of academic standing and the Company believes that he leverages this expertise in the management of the Group.	○
Hideo Yamada	12 of 12 (100%)	President of Yamada Ozaki Law Office	Mr. Yamada, a lawyer for many years, has refined views as a legal expert as well as experience leading such organizations as the Bar Association (as president), and the Company believes that he will leverage this expertise for the management of the Group.	○
Atsuko Fukushima	12 of 12 (100%)	Journalist, Councillor of Forestry Policy Council, Ministry of Agriculture, Forestry and Fisheries	Ms. Fukushima has been active in the media industry for years and has extensive experience, so the Company believes she can reflect her wide range of perspectives in areas including socio-economics, environment, culture and diversity in the management of the Group.	○
Shinji Tsuji	12 of 12 (100%)	Advisor, Sompo Holdings, Inc.	Mr. Tsuji has extensive experience and broad insight as the top management of a major non-life insurance company, and the Company believes that he leverages this expertise in the management of the Group.	○
Kiyomi Akita	8 of 9*1 (88%)	Professor Emeritus of the University of Tokyo, Professor of Gakushuin University	Ms. Akita has a high level of expertise in pedagogy (teaching), having served as a university professor and as an officer of a public interest incorporated foundation, and the Company believes that she will leverage this expertise for the management of the Group.	○
Yuko Takahashi	9 of 9*1 (100%)	Yuko Takahashi Certified Public Accountants Office	Ms. Takahashi has expertise in corporate accounting and a wealth of experience as a member of management at a major advertising agency, and the Company believes she leverages this expertise in the management of the Group.	○

External Auditor, Audit & Supervisory Board Member

Name	Attendance at meetings in FY2023		Occupation/affiliation, etc.	Reason for appointment	Independent Director
	Board of Directors	Audit & Supervisory Board			
Nobuyuki Kobayashi	12 of 12 (100%)	15 of 15 (100%)	Director of Kobayashi Certified Public Accountants Office	Mr. Kobayashi has specialized knowledge in accounting and taxation as a certified public accountant and tax accountant, so the Company expects him to be able to audit management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○
Noriko Koike	9 of 9*1 (100%)	10 of 10*1 (100%)	Koike Certified Public Accountants Office	Ms. Koike has extensive experience and specialized knowledge in accounting, so the Company expects that she will be able to audit management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○
Masao Aratani*2	—	—	Director, Meiji Yasuda Life Insurance Company (Full-time Audit & Supervisory Committee Member)	Mr. Aratani has extensive experience and broad insight as executives of a leading life insurance company, so the Company expects that he will be able to audit management objectively and from a neutral position.	○

*1 The number of meetings attended in FY2023 since being appointed on March 23, 2023.
 *2 Appointed on March 26, 2024

Criteria for Assessing the Independence of Independent External Officers

1. The person himself/herself does not, or has not, at present or in the past three years, fall under the following categories:

- (1) Related parties of the Company
The Company regards persons that fulfill the following requirements to be related parties.
 - (a) An executor of business of a company in which the Company's executor of business*1 assumes an executive position
 - (b) A major shareholder or executor of its business that has 10% or more of the voting rights of the Company directly or indirectly
 - (c) A partner of the Company's financial auditor or its employee who performs audits of the Company
- (2) An executor of business of the Company's major lender*2
- (3) An executor of business of a major counterparty*3 of the Company
- (4) A person who receives remuneration in an amount exceeding 10 million yen annually besides officer's remuneration from the Hulic Group

(5) A person who executes the business of an organization that receives a donation*4 exceeding a certain amount from the Company

2. Spouse, relatives within the second degree of kinship or persons living together with person himself/herself do not fall under the following categories at present (except for a person who is not significant)

- (1) An executor of a business of the Hulic Group
- (2) Persons who fall under the categories listed above in 1. (1)-(5)

Note that when a person is deemed to be independent, although the above-mentioned requirements are not fulfilled, the Company may acknowledge the person to be independent by disclosing the basis for such decision.

*1 Executor of business refers to a director with executive authority over operations and an important employee.

*2 Major lender refers to a lender from which the Company has borrowed funds in an amount exceeding 2% of its consolidated total assets.

*3 Major counterparty refers to a counterparty whose transactions with the Hulic Group exceed 2% of annual consolidated net sales of the said counterparty for the most recent fiscal year.

*4 Donation exceeding a certain amount refers to a donation to an organization in an amount exceeding the larger of 10 million yen per year or 2% of the most recent total revenue of the said organization.

Assessment of the Effectiveness of the Board of Directors

The Board of Directors implements an annual self-assessment to continuously ensure its effectiveness, implementing

pertinent revisions to Board management based on these evaluations.

Assessment Details

The FY2023 assessment concluded that corporate governance was functioning effectively as the analysis and assessment showed that external directors with diverse expertise comprise the majority, with 30% now being female. In addition, the Board is fostering a culture so that officers can express their opinions, and appropriate risk-taking and risk management in being carried out.

However, the following points were confirmed as ongoing issues for the Board to work on.

- Continue to ensure that the meetings proceed more efficiently by requesting materials that have clear discussion points, and practice more extensive deliberations and discussions on important resolutions, including ESG and medium- and long-term management policy.
- Indicate a wide range of risks involved in business and further enhance the effective level of risk evaluation through categorization and by sorting risks.

External directors/auditors said that the explanation and management of materials and agenda were efficient and well-balanced, that the composition of the Board has become

much more diverse, and that a wide range of comments are accepted and that opinions are exchanged from various perspectives.

Auditing Mechanism and Status

Hulic is a company with an Audit & Supervisory Board, which comprises five Audit & Supervisory Board members (two are full-time auditors and three are External Auditors). In audits conducted by the Audit & Supervisory Board members, the members investigate the status of execution of duties by directors, managing officers and each division in accordance with the audit basic policy and the audit basic plan formulated by the Audit & Supervisory Board. These audits consist of attending meetings of the Board of Directors as well as other meetings and internal committees when required, interviewing directors and managing officers on the execution of duties, and reviewing important documents and accounting documents, etc. The Audit & Supervisory Board Office has been established to support the duties of Audit & Supervisory Board members.

Ernst & Young ShinNihon LLC conducts audits of the financial statements and internal controls as an independent accounting auditor.

The Corporate Audit Department works independently from other business activities and carries out internal audits of the Company and Group companies. Specifically, the Corporate Audit Department systematically conducts internal audits following the internal audit basic plan, which is determined by the Board. The department also provides advice, guidance and recommendations for improvements to help resolve issues. The results of internal audits of the Company and Group companies conducted by the Corporate Audit Department are reported to the Board every quarter.

Matters Pertaining to Policies for Determining the Amount and Means of Calculating Executive Officer Compensation, etc.

● Policy for Determining Executive Officer Compensation, etc.

The compensation for directors (excluding external directors) consists of a base (fixed) compensation, determined by their position within the Hulic Group and their responsibilities, as well as performance-based compensation, which is linked to the performance of corporate earnings and their personal contribution to those earnings.

In accordance with a resolution at the 86th General Meeting of Shareholders, a portion of performance-based compensation is allocated to a share-based payment plan designed to give incentives for performing duties, in order

to achieve the sustainable growth of the Company and to enhance corporate value from the shareholders' perspective.

However, compensation for external directors and Audit & Supervisory Board members consists solely of base compensation in consideration of their roles and responsibilities.

Moreover, a resolution pertaining to the method for determining executive officer compensation was passed at a Board of Directors meeting held on February 18, 2021.

● General Meeting of Shareholders Resolution Details, Determination of Specific Compensation Related to Executive Officer Compensation, etc.

At the 92nd General Meeting of Shareholders, it was resolved that the annual amount for Board of Director monetary compensation is up to JPY1,000 million. (Of this amount, up to JPY120 million can be paid to external directors.) Additionally, a resolution at the 85th General Meeting of Shareholders stipulates an annual amount of up to JPY150 million for Audit & Supervisory Board member monetary compensation.

A resolution at the 94th General Meeting of Shareholders specifies a change in Board Benefit Trust (BBT) to a maximum of 400,000 points per fiscal year with respect to share-based payments for directors (excluding external directors).

When determining compensation, the Remuneration Committee, which consists entirely of independent external directors authorized by the Board of Directors, deliberates and decides on the amount of individual director compensation within the scope determined by the General Meeting of Shareholders. Further, Audit & Supervisory Board member compensation is determined as a separate system from director compensation within the scope of compensation determined by the General Meeting of Shareholders, in consultation with the Audit & Supervisory Board.

● Performance-based Compensation

Director compensation (excluding external directors) includes performance-based compensation, which consists of bonus payments and stock compensation, and basic compensation. Performance-based compensation accounts for 40 to 50% and basic compensation accounts for 50 to 60% of total director remuneration. Hulic uses the percentage of change in the preceding fiscal year consolidated ordinary profit as an indicator for performance-based compensation. Our business performance is concisely represented by consolidated ordinary profit as it takes into account interest expenses and other non-operating profit, thus we decided to use the percentage of change in consolidated ordinary profit as it is

considered to represent a medium- to long-term sustainable increase in shareholder value.

Moreover, the total amount of performance-based compensation for directors will not change if the percentage change in the preceding fiscal year's consolidated ordinary profit doesn't reach at a certain level. The ratio of performance-based compensation in the form of bonuses (monetary portion) to share-based compensation (BBT) is 1:1, and a clawback mechanism is in place that will revoke share-based compensation granted in the past if any misconduct occurs.

Directors/Auditors' Compensation

FY2023

Post	Total amount of compensation (JPY million)	Total amount by type of compensation (JPY million)				Number of directors/auditors
		Fixed compensation	Performance-based compensation (in stock)	Performance-based compensation (bonus)	Of these amounts, non-monetary compensation	
Directors (excluding External Directors)	1,098	509	294	294	294	6
Auditors (excluding External Auditors)	72	72	—	—	—	3
External Directors/Auditors	148	148	—	—	—	9

*1 The amount of stock compensation is provision to reserves for stock benefits posted as the portion for the current fiscal year, for performance-based compensation system.
 *2 The total non-monetary compensation to directors (excluding external directors) consists of JPY294 million in performance-based compensation (in stock).

Risk Management

Fundamental Approach

Pursuant to the Basic Rules of Risk Management, we manage various risks related to the Group's businesses including operational, market, liquidity and credit risk, among others.

Risk Management Mechanism

Hulic recognizes that appropriately managing risks of the Company and its affiliates is one of its most important management challenges, and has set up a structure with the Board of Directors at the top while working to make improvements. The department responsible for a particular risk stripe formulates risk management method, then appropriately monitor and control risk. The status of risk management is reported to the Risk Management Committee and Fund ALM Committee regularly and as required by the department in charge with its recommendations. The Risk Management Committee and Fund ALM Committee, which convene regularly, examine the reports and recommendations provided by the departments in charge of risk management, assess overall risks and discuss appropriate

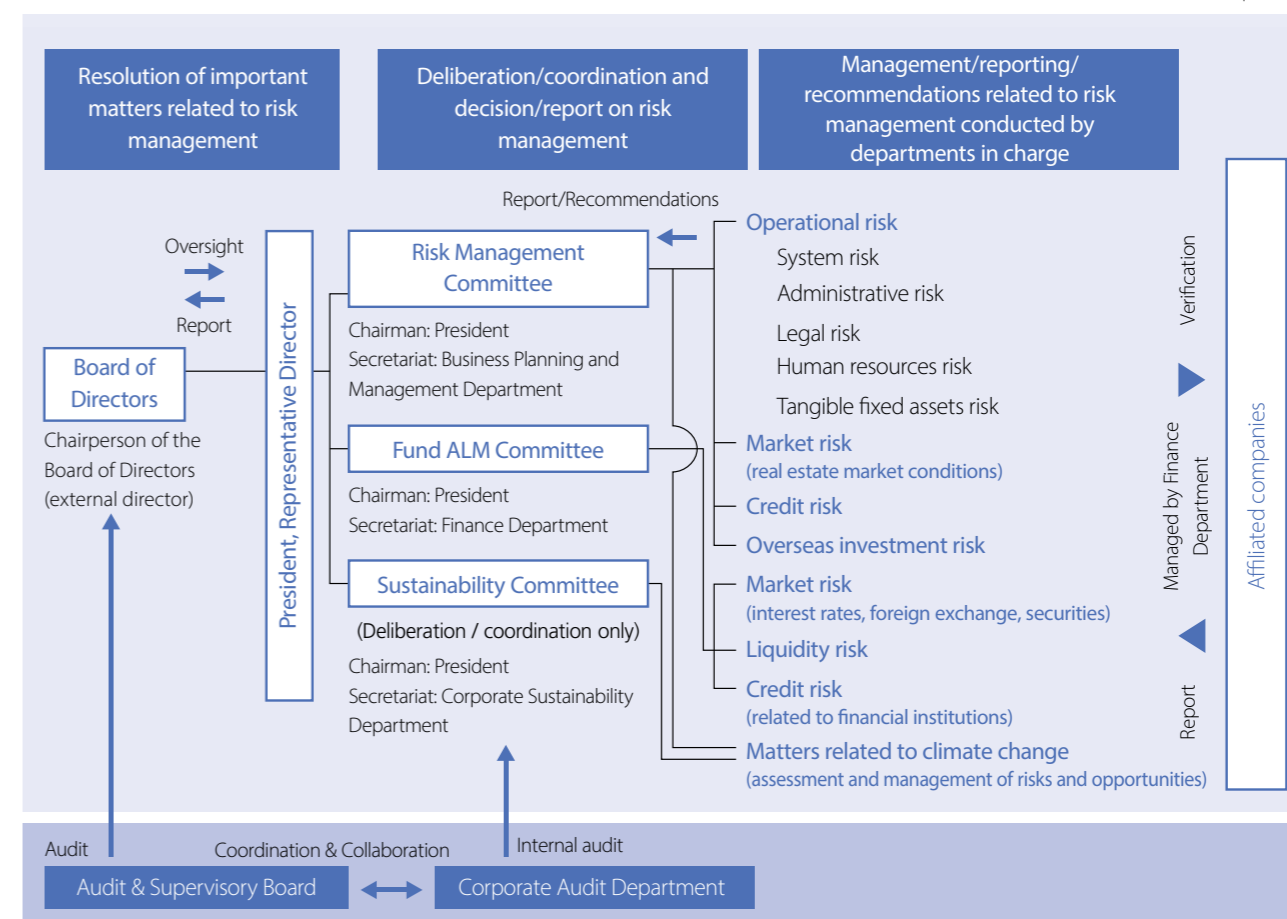
responses before reporting to the Board of Directors. The Board of Directors resolves important matters related to risk management upon receiving reports from the Committees. We also verify that our affiliated companies are implementing appropriate risk management by requiring them to submit accurate and pertinent reports. In these ways, the Board of Directors has an oversight of risk management of our Group.

Furthermore, the Corporate Audit Department conducts internal audits periodically. Risk stripes will be reviewed and added as necessary.

In 2023, the Fund ALM Committee held four special meetings in addition to regular monthly meetings in order to closely monitor interest rates, securities and other market risks, in an effort to flexibly respond to each risk scenario.

Diagram of Risk Management Mechanism

As of April,1 2024



Business Continuity Initiatives for Emergencies (BCPs)

Our Basic Plan for Business Continuity (BCP) defines the framework and method for continuing important business functions while minimizing damage to Hulic executives, employees and their families and damage to Company facilities in the event of an emergency. We have also created a BCP manual outlining specific response procedures and have thoroughly communicated the contents to executives and employees. In addition, a disaster response training drill is conducted at least once a year. The drill tests processes of establishing an emergency response headquarters, verifies operation of the safety confirmation system, and provides training on communication and information gathering

among other things. This serves to reaffirm the importance of business continuity for executives and employees as well as standards of behavior related to disaster countermeasures. Furthermore, we analyze and evaluate the issues identified in the drill, and work to build a more practical BCP system by reflecting these issues in a revised BCP manual.

Being a real estate company that develops and owns numerous properties, Hulic needs to prepare measures against a disaster strike. In addition to measures from a structural perspective such as building structure, we are taking various steps on operational and managerial fronts as well, which are reviewed when required.

Compliance

Fundamental Approach

We strive to fulfill Hulic's corporate social responsibilities and prove ourselves worthy of all of our stakeholders' trust including but not limited to our customers. Each and every employee fully complies with applicable laws and in-house rules as well as engages in business activities based on a high ethical standards.

Compliance Promotion Mechanism

Hulic's basic policy positions compliance as one of the most important management matters, with absolute adherence to all applicable laws and rules, and to faithfully and fairly perform corporate activities that are in line with social norms. Compliance-related matters are set forth in the Compliance Manual, which is shared throughout the Group to ensure that daily operations are always performed with a high level of ethical standards. We have established a company-wide management mechanism for compliance composed of the Board of Directors at the top. The Compliance Committee assesses and manages compliance-related risk by monitoring the status of compliance including information management, and the status of implementation of compliance program. The Committee reports regularly to the Board of Directors, which in turn resolves important matters related to compliance based on these reports. There were neither internal compliance breaches nor violations of laws, etc. / imposed fines in FY2023.

Compliance Manual

The Compliance Manual stipulates the following in accordance with Our Code of Conduct.

1. Respect human rights and prohibit discrimination and harassment
2. Comply with laws and rules
3. Conduct business in a faithful and fair manner
4. Manage information appropriately
5. Adhere to insider trading regulations
6. Avoid involvement with anti-social forces
7. Be considerate of environmental conservation
8. Maintain and encourage the best communication possible
9. Respect intellectual property rights
10. Prohibit bribery, and rules concerning gifts and entertainments
11. Ensure transparency and reasonableness of transactions

Compliance Trainings

We provide trainings on themes corresponded with Compliance Manual including prohibiting bribery and handling of gifts and entertainments, intellectual property right, insider trading and severing all relations with antisocial forces on a regular basis to raise awareness of compliance among all employees including temporary employees.

Compliance Hotline

Our employees are encouraged to report directly to the internal or external compliance hotline when they consider it unlikely that appropriate corrective actions will be implemented after they consult with the compliance officers of their departments on matters involving compliance issues, or when they are uncomfortable consulting with compliance officers due to the nature of the issues involved. The target of the Compliance Hotline are the matters which executive officers, employees of the Company, retirees and employees of our business partners are involved, when there is concern on harassments, etc. When a report is made, we investigate the facts and respond promptly while giving due consideration to the protection of the reporter.

Information Security Management

For effective information security, Hulic has established a management system based on information management rules, and we are implementing sound operations. Specifically, considering the expansion of cloud use, comprehensive measures including connection control of devices and network, and monitoring of use logs are promoted at both inside and outside of the Company.

In addition, we are strengthening every employee's awareness of the importance of information management and information security on our systems through compliance training and other programs. As well, on top of conducting internal audits to monitor compliance with Company rules on information management, we also have security specialists conduct technical audits, as necessary, to maintain an effective management system.

Initiatives for Our Shareholders and Investors

Fundamental Approach

We strive to ensure appropriate and timely information disclosure, and actively conduct briefing sessions on financial results. These represent our efforts to achieve diverse forms of mutual communication.

Information Disclosure Policy

In accordance with the Disclosure Policy, we are aiming at fair, timely and accurate information disclosure for shareholders and investors in order for them to make investment decisions.

Not only to comply with relevant laws and regulations, we actively disclose management strategies and financial information, etc. so that investors are able to understand more of our business activities.

Enhancement of Various IR Tools

In addition to shareholder newsletter issued semiannually (only in Japanese), we post the latest topics through the Investor Relations site of our website in a timely manner.

E-mails are also sent to allow investors to receive information in more timely manner. Every time news about the Company is released, we send registrants by E-mail. (Only in Japanese)



Shareholder Incentives

As our appreciation to shareholders for their continued support, we annually present the gift of a gourmet catalog to shareholders with 300 shares or more from which they can choose an item equivalent to JPY3,000. For those with more than three years holding, we double the gift to two items worth JPY6,000 in total from a catalog.

* We decided to change the part of shareholder incentives system from the record date, December 31, 2025. Detailed information is on our HP (News Release, "Notice of change the part of shareholder incentives system", /August 29, 2023/ only in Japanese)

Shareholder Returns

We consider appropriate returning to our shareholders as a management matter. Our basic policy is to provide stable dividends payment based on our business performance trend. We are targeting a dividend payout ratio 40% or higher during current Medium-Term Management Plan (2023-2025).

Briefing Sessions for Investors

We ensure that all shareholders and investors develop a deep understanding of our activities. Briefing sessions on financial results are held semiannually (at the 2nd quarter and fiscal year ends) by the Company's top management primarily for institutional investors. In addition, we also provide numerous one-on-one meetings with mainly institutional investors both in Japan and abroad.

External Evaluations of IR Activities

Hulic's website discloses timely and detailed information on our various activities. In 2023, our website was selected as the "excellent website in all markets ranking" in Nikko Investor Relations Co., Ltd's All Japanese Listed Company Website Ranking 2023. In addition, our website won the silver prize in Gomez IR Site Ranking.



Directors, Auditors and Managing Officers (as of April 1, 2024)

Board of Directors



**Representative Director,
Chairman
Saburo Nishiura**

April 1971 Joined The Fuji Bank, Limited
August 2000 The Fuji Bank, Limited, Managing Executive Officer, Head of Corporate Group and General Manager of Corporate Development Division
April 2002 Mizuho Bank Ltd., Managing Executive Officer
April 2004 Mizuho Bank, Ltd., Deputy President
March 2006 Joined Hulic Co., Ltd., Representative Director, President
March 2016 Hulic Co., Ltd., Representative Director, Chairman (to date)
May 2022 Riso Kyoiku Co., Ltd., Director (Non-executive) (to date)



**Director, Vice President
Hajime Kobayashi**

April 1980 Joined The Fuji Bank, Limited
May 2003 Mizuho Bank Ltd., General Manager of Hamamatsu Branch
April 2004 Mizuho Bank Ltd., General Manager of Gotanda Station Branch
August 2006 Joined Hulic Co., Ltd., Managing Officer, General Manager of Corporate Planning Department
April 2010 Hulic Co., Ltd., Executive Managing Officer, General Manager of Corporate Planning Department
February 2013 Hulic Co., Ltd., Senior Executive Managing Officer, General Manager of Corporate Planning Department
March 2013 Hulic Co., Ltd., Director, Senior Executive Managing Officer, and General Manager of Corporate Planning Department
April 2022 Hulic Co., Ltd., Director, Vice President, General Manager of Human Resources Department
January 2023 Hulic Co., Ltd., Director, Vice President (to date)



**Director, Senior Executive Managing Officer
Hiroshi Hara**

April 1988 Joined The Fuji Bank, Limited
April 2012 Mizuho Bank, Ltd., General Manager of Ueno Branch and General Manager of Ueno Branch Division 1
May 2015 Hulic Co., Ltd., General Manager in charge of Real Estate Planning Department
August 2017 Hulic Co., Ltd., General Manager of Real Estate Planning Department
April 2019 Hulic Co., Ltd., Managing Officer, General Manager of Real Estate Planning Department
April 2021 Hulic Co., Ltd., Executive Managing Officer, General Manager of Real Estate Planning Department
January 2023 Hulic Co., Ltd., Executive Managing Officer, General Manager of Business Planning and Management Department, General Manager of Human Resources Department
March 2024 Hulic Co., Ltd., Director, Senior Executive Managing Officer, General Manager of Business Planning and Management Department
April 2024 Hulic Co., Ltd., Director, Senior Executive Managing Officer, General Manager of Business Planning and Management Department (to date)



**External Director
Hideo Yamada**

April 1984 Registered as a lawyer
May 1998 TAIYO CHEMICAL INDUSTRY CO., LTD., External Auditor (to date)
June 2004 SATO CORPORATION, External Director
March 2006 Lion Corporation, External Director
June 2007 Ishii Food Co., Ltd., External Auditor
Mikuni Corporation, External Auditor
March 2009 Hulic Co., Ltd., External Director (to date)
March 2011 Seibu Lions, Inc., External Auditor
April 2014 Daini Tokyo Bar Association, President
Japan Federation of Bar Associations, Vice President
June 2015 SATO HOLDINGS CORPORATION, External Director (to date)
Akiko Tachibana Memorial Foundation, Chairman of the Board of Directors (to date)
June 2016 MIKUNI CORPORATION, External Director (to date)
June 2023 YOSHIMOTO KOGYO HOLDINGS CO., LTD., External Director (to date)



**Representative Director,
President
Takaya Maeda**

April 1984 Joined Taisei Corporation
October 2007 Joined Hulic Co., Ltd., Deputy General Manager of Real Estate Development Department 2
June 2008 Hulic Co., Ltd., General Manager of Real Estate Development Department 2
March 2009 Hulic Co., Ltd., Director, Managing Officer, General Manager of Real Estate Development Department 2
October 2010 Hulic Co., Ltd., Director, Managing Officer, General Manager of Business Planning Department
April 2013 Hulic Co., Ltd., Director, Managing Officer, General Manager of Real Estate Planning Department
April 2014 Hulic Co., Ltd., Director, Executive Managing Officer, General Manager of Real Estate Planning Department
January 2015 Hulic Co., Ltd., Director, Executive Managing Officer, General Manager of Real Estate Development Department 1
April 2020 Hulic Co., Ltd., Director, Senior Executive Managing Officer
April 2021 Hulic Co., Ltd., Representative Director, Vice President
March 2022 Hulic Co., Ltd., Representative Director, President (to date)



**Director, Vice President
Tadashi Nakajima**

April 1980 Joined Nomura Real Estate Development Co., Ltd.
April 2012 Nomura Real Estate Development Co., Ltd., Director, Managing Executive Officer
May 2012 Nomura Real Estate Holdings, Inc., Executive Officer
April 2013 Nomura Real Estate Development Co., Ltd., Director, Senior Managing Executive Officer, General Manager of Commercial Property Development & Management Division
April 2014 Nomura Real Estate Development Co., Ltd., Representative Director, Senior Managing Executive Officer, General Manager of Commercial Property Development & Management Division
April 2016 Nomura Real Estate Development Co., Ltd., Advisor
August 2016 Joined Hulic Co., Ltd., Executive Managing Officer, General Manager of Real Estate Development Department 3
April 2017 Hulic Co., Ltd., Executive Managing Officer, General Manager of Value-add Business Department, General Manager of Development Solution Department
January 2019 Hulic Co., Ltd., Executive Managing Officer
March 2020 Hulic Co., Ltd., Director, Executive Managing Officer
April 2021 Hulic Co., Ltd., Director, Senior Executive Managing Officer
March 2024 Hulic Co., Ltd., Director, Vice President (to date)



**External Director,
Chairperson of the Board of Directors
Tsukasa Miyajima**

April 1990 Keio University Faculty of Law, Professor and Doctor of Law
April 2003 Registered as a lawyer
April 2004 General Insurance Rating Organization of Japan, Director
June 2007 Meiji Yasuda Life Insurance Company, Councilor
March 2009 Hulic Co., Ltd., External Director (to date)
October 2010 Japan Association of Private Law, Director
October 2013 Japan Railway Construction, Transport and Technology Agency, Asset Disposal Committee Chairman
June 2014 Dai Nippon Printing Co., Ltd., External Director (to date)
MIKUNI CORPORATION, External Auditor (to date)
June 2015 Mitsui Sumitomo Insurance Company, Limited, External Director
October 2015 Den-en Chofu Gakuen, Councilor
April 2016 Keio University, Emeritus Professor (to date)
Asahi University, Professor of School of Law / Graduate School of Law (to date)
June 2018 Daifuku Co., Ltd., External Auditor (to date)
July 2021 Japan Cooperative Insurance Association Incorporated, Committee Member of Examination Committee (to date)
March 2024 Hulic Co., Ltd., External Director, Chairperson of the Board of Directors (to date)



**External Director
Atsuko Fukushima**

April 1985 Joined CHUBU-NIPPON BROADCASTING CO., LTD.
April 1988 NHK contract presenter
October 1993 TBS contract presenter
April 2005 TV Tokyo economics program regular presenter
April 2006 Shimane University, Management Council Member
December 2006 Panasonic Corporation (currently Panasonic Holdings Corporation), Management Advisor
March 2012 Hulic Co., Ltd., External Director (to date)
June 2015 Nagoya Railroad Co., Ltd., External Director (to date)
Calbee, Inc., External Director (to date)
October 2017 The Resona Foundation for Future, Director (to date)
March 2020 Councilor of Forestry Policy Council, Ministry of Agriculture, Forestry and Fisheries (to date)
February 2022 Kewpie Corporation, External Director (to date)



**External Director
Shinji Tsuji**

April 1979 Joined The Yasuda Fire & Marine Insurance Co., Ltd.
April 2009 Sompō Japan Insurance Inc., Managing Executive Officer
June 2011 NKSJ Holdings, Inc. (currently Sompō Holdings, Inc.), Director, Managing Executive Officer
April 2014 NKSJ Holdings, Inc. (currently Sompō Holdings, Inc.), Representative Director, Deputy President and Senior Managing Executive Officer
April 2017 Sompō Holdings, Inc., Group CFO, Representative Director, Deputy President and Senior Executive Officer
June 2019 Sompō Holdings, Inc., Group COO, Director, Deputy President and Representative Executive Officer
March 2022 Hulic Co., Ltd., External Director (to date)
April 2022 Sompō Holdings, Inc., Director
June 2022 Sompō Holdings, Inc., Advisor (to date)



**External Director
Yuko Takahashi**

October 1992 Joined Century Audit Corporation (currently KPMG AZSA LLC)
April 1996 Registered as a certified public accountant
February 2001 Joined Dentsu Inc.
April 2010 Dentsu Inc., General Manager of Business Administration Department of Global Business Management Division
August 2014 Dentsu Inc., General Manager of Global Finance Department of Corporate Strategy Division
January 2017 Dentsu Inc., Managing Director of Finance & Accounting Office Division
January 2020 Dentsu Group Inc., Executive Officer
July 2021 Established Yuko Takahashi Certified Public Accountants Office
January 2022 17LIVE Inc., External Auditor (to date)
March 2022 Dentsu Group Inc., Director (Non-executive)
March 2023 Hulic Co., Ltd., External Director (to date)
June 2023 Microwave Chemical Co., Ltd., External Director (Audit and Supervisory Committee Member) (to date)

Audit & Supervisory Board Members



**Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member
Masahiro Okamoto**

April 1985 Joined The Fuji Bank, Limited
April 2008 Mizuho Bank, Ltd., General Manager of Iwaki Branch
October 2013 Mizuho Financial Group, Inc., General Manager of Legal Division, Mizuho Bank, Ltd., General Manager of Legal Division
July 2016 Nippon View Hotel Co., Ltd., Full-time Statutory External Auditor
March 2021 Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)
Nippon View Hotel Co., Ltd., Auditor
TOKYO SOIR CO., LTD., External Director and Audit and Supervisory Committee member (to date)



**External Auditor, Audit & Supervisory Board Member
Nobuyuki Kobayashi**

March 1991 Registered as a certified public accountant
December 1995 Established the Kobayashi Certified Public Accountants Office
March 2005 Registered as a tax accountant
April 2007 National Institute for Environmental Studies, Japan, Auditor
March 2009 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
April 2010 Nagoya University of Commerce & Business (graduate school), Professor (to date)
October 2011 Japan Arts Council, Auditor
July 2017 The Japan Institute for Labour Policy and Training, Auditor
October 2017 Tokyo District Court, Adviser (to date)
June 2019 The Japanese Institute of Certified Public Accountants Tokyo Chapter, Deputy Chairman (to date)
July 2022 The Japanese Institute of Certified Public Accountants, Director (to date)
April 2023 Shinshu University, Faculty of Economics and Law, Part-Time Lecturer



**External Auditor, Audit & Supervisory Board Member
Masao Aratani**

April 1983 Joined Meiji Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
April 2015 Meiji Yasuda Life Insurance Company, Managing Executive Officer
April 2017 Meiji Yasuda Life Insurance Company, Senior Managing Executive Officer
June 2019 The Yamaguchi Bank, Ltd., Outside Director, Audit and Supervisory Committee Member (Part-time) (to date)
July 2019 Meiji Yasuda Life Insurance Company, Director, Deputy President, Executive Officer, Chief Executive of Investment Division
April 2021 Meiji Yasuda Life Insurance Company, Director, Deputy President, Executive Officer, Executive Officer in charge of Investment Division
April 2022 Meiji Yasuda Life Insurance Company, Director, Deputy President, Representative Executive Officer, Executive Officer in charge of Investment Division
March 2024 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
April 2024 Meiji Yasuda Life Insurance Company, Director, Full-time Audit & Supervisory Committee Member (to date)



**External Director
Kiyomi Akita**

April 1980 Joined The Fuji Bank, Limited
April 2004 The University of Tokyo Graduate School of Education, Professor
April 2005 The Open University of Japan, Visiting Professor
July 2015 The University of Tokyo Graduate School of Education, Founding President of The Center for Early Childhood Development, Education, and Policy Research
April 2018 The University of Tokyo, Dean of Graduate School of Education and Faculty of Education
April 2021 Gakushuin University, Professor of Department of Education in Faculty of Letters (to date)
June 2021 The University of Tokyo, Professor Emeritus (to date)
March 2023 Hulic Co., Ltd., External Director (to date)
April 2023 Children and Families Agency, Chairperson of Child and Families Council (to date)
Ministry of Education, Culture, Sports, Science and Technology, Central Council for Education, Chairperson of Teacher Training Committee (to date)
October 2023 Ministry of Education, Culture, Sports, Science and Technology, Central Council for Education, Vice Chairperson of Education Curriculum Committee (to date)



**Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member
Mie Tanaka**

December 2010 Registered as a lawyer
January 2011 Joined Akamatsu & Yonezu Law Office
September 2011 Joined Tamuracho Sogo Law Office
December 2011 Registered as a tax accountant
December 2015 Joined Tairaka Law Offices
October 2016 Joined Hulic Co., Ltd.
October 2017 Hulic Co., Ltd., Assistant Manager of Corporate Planning Department
July 2018 Hulic Co., Ltd., Deputy General Manager of Corporate Planning Department
April 2020 Hulic Co., Ltd., Deputy General Manager of Legal & Compliance Department
November 2020 Hulic Co., Ltd., Deputy General Manager of Business Planning and Management Department
March 2023 Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)



**External Auditor, Audit & Supervisory Board Member
Noriko Koike**

October 1989 Joined Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)
April 1993 Registered as a certified public accountant
September 1994 Joined Yamada & Partners Accounting Office (currently Yamada & Partners Tax Co.)
January 1997 Established Koike Certified Public Accountants Office
June 2015 The Higashi-Nippon Bank, Limited, External Auditor
June 2020 Matsumotokiyo Holdings Co., Ltd. (currently MatsukiyoCocokara & Co.), Outside Auditor (to date)
March 2023 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)

Managing Officers

Vice President	Executive Managing Officer	
Yasuki Yakabi	Kazuhiro Noguchi	Yasushi Umeda
	Mikio Morikawa	Miki Kurobe
	Yoshikazu Nagatsuka	Yoshito Nishikawa
Managing Officer		
Ken Ohta	Yuuji Mutagamihigashi	Hiroyuki Iijima
Mayumi Naruse	Keiko Yoshinaga	Yasuhiro Kinoshita

Message from the Chairperson of the Board of Directors



Tsukasa Miyajima

External Director, Chairperson of the Board of Directors

Hulic's unrelenting corporate governance

Hulic's initiatives to improve corporate governance began with a unique commitment long before Japan's Corporate Governance Code came into force in June 2015. To be more specific, Hulic achieved direct listing on the First Section of the Tokyo Stock Exchange in 2008. At that stage, there was already a strong awareness of the significance of being a public company and Hulic appointed two external directors, though it was not a legal requirement then. Further, we established a Management Advisory Committee consisting of four external officers to receive explanations on certain transactions and personnel matters as well as to provide advice and oversight. For ensuring diversity, Hulic also made it a point to have a higher proportion of female employees than other companies. In 2012, before the establishment of the Corporate Governance Code, the Company set up a management structure suited to the actual situation, including appointing one female external director. Even before the public began to take notice of corporate governance with the Code being adopted, the Company had been considering the significance of external directors and diversity in management, then we took action. In this way, the Company has demonstrated making substantial headway on corporate governance, similar to our progress and swift business expansion.

This became even clearer beginning in 2022. Since then, Hulic's exceptional sense of speed has been demonstrated for corporate governance restructuring. Previously, the representative director and president served as chairperson of the Board of Directors. However, the Company switched to a structure where a non-executive director assumes the role. On top of that, the criteria for submitting proposals to the Board of Directors was reviewed, substantially transferring authority to the executives, with the aim of improving the function of the Board of Directors as a monitoring board. Although this structure is commonly found in companies with a nominating committee governance structure where the functions of the Board of Directors are required, the implementation is extremely rare of such a structure in companies with a conventional Board of Company Auditors. The depth of Hulic's corporate governance does not stop there. In 2023, two more female external directors were added to the Board, bringing the percentage of external directors to 50% and further advancing the Board toward a monitoring model. In addition, one female Audit & Supervisory Board member was appointed from inside and one from outside the Company, bringing the percentage of female directors and Audit & Supervisory Board members to 30%, in this way improving diversity as well.

In 2024, to further enhance corporate governance, the Company appointed me, an external director, as the chairperson of the Board of Directors. For the management team, the transition to the Board chaired by an external director will likely make it more difficult to manage the Board than it has in the past. However, this may have been a natural step for Hulic, given the Company's vision of pursuing better returns for all stakeholders, including shareholders and employees, and always staying one step ahead of societal trends.

It will probably be far more challenging than I imagined to fulfill my responsibilities in the conflicting positions of chairperson and external director. This is because being a chairperson requires complete impartiality when presiding over the proceedings, and being an external director requires me to represent shareholders and other stakeholders. However, because I have been with Hulic as an external director since we went public, I am in a position to know the direction in which the Company should go. For this reason, I intend to contribute in whatever small way I can to Hulic's further development by drawing on my long experience with the Company.

Messages from an External Director and an External Auditor



Yuko Takahashi

External Director

Expertise in corporate accounting and wide-ranging management experience at a major advertising agency. External Director since 2023

Corporate management grows more complex and uncertain by the day. Companies face one unprecedented challenge after another. Today, when peacetime can turn into an emergency at any moment, the value of corporate governance is increasingly being put to the test. This makes me feel that it is essential for the Board of Directors to exchange frank opinions on important management issues as well as risks from various perspectives every day and to ratify the company's plans and approach. Hulic's Board of Directors is composed of members with diverse backgrounds and expertise. I think that there are frank and open discussions on a wide range of management issues, including ESG.

The relationship between external directors/auditors and executives is based on the principle of striving for harmony, not uniformity. The goal is to contribute to the interests of stakeholders and society through the sustainable growth of the company. I believe that the role of external directors/auditors is to contribute to Hulic's sustainable growth by bringing diverse knowledge to the table that will provide a new understanding, while making certain that the strategies and their execution by the executives are on the right pass. At the same time, some things are difficult to notice for people inside the company. For example, if there is a problem with the organizational culture, people on the inside tend not to notice, but sometimes that problem is obvious when looking in from the outside. I believe one of our roles is to increase our sensitivity as those "outside eyes" to provide effective awareness.

Real estate business is new knowledge for me, I am reminded that this is dynamic work and that this industry has tremendous significance in building a sustainable and prosperous society. It makes me very happy to be involved in a company like this. At the same time, as an external director, I am committed to fulfilling my responsibility to contribute to Hulic's growth.



Noriko Koike

External Auditor, Audit & Supervisory Board Member

Extensive business experience and expert insight as a certified public accountant. External Auditor since 2023

Hulic has worked to strengthen corporate governance since going public. Today, the majority of both the Board of Directors and the Audit & Supervisory Board are from outside the Company. In fact, an external director has been appointed as chairperson of the Board of Directors. Including those with management experience and those who are university professors, the external directors/auditors are experts in their respective fields. The Board of Directors exchanges opinions from a broad range of perspectives. The Audit & Supervisory Board improves effectiveness by collaborating with the accounting auditor responsible for financial audits and the Corporate Audit Department, responsible for internal control audits.

The Company is diverse: women account for 30% of the Board of Directors and the Audit & Supervisory Board (five out

of 16 members). One of the female officers was appointed from within the Company. There are also outstanding women among the Company's managing officers, so I believe the advanced initiatives to promote diversity are bearing fruit.

The role of an external auditor is to conduct fair and objective audits, both financial and operational, from an independent standpoint. At the same time, it is important to work with the Company to improve corporate value. The word *audit* comes from the Latin *auditus*, which, like the word *audio*, is derived from the concept of listening. I hope to continue providing constructive insights by listening carefully and then examining the situation from a different perspective and approach.

Hulic's growth has been achieved by earning the trust of stakeholders through business activities that are supported by excellent employees as well as a stable and sound financial base. In recent years, the Company has set high goals for environmental responsiveness and has been promoting initiatives for a sustainable society, such as switching to renewable energy and reducing waste.

I hope Hulic will continue to promote these initiatives while taking all necessary risks to address long-term changes in the environment and short-term changes in economic conditions, pursuing what only Hulic can do while continuing to grow flexibly.

Financial Information

Financial Analysis

Business Results

Operating revenue

Operating revenue for FY2023 amounted to ¥446,383 million, decreased ¥77,040 million from FY2022. This was due to a stable rent income from properties completed and acquired in FY2022 and FY2023, as well as stable sales from real estate for sale.

Operating profit

Operating profit for FY2023 amounted to ¥146,178 million, increased ¥20,031 million from FY2022. This was due to a stable rent income from properties completed and acquired, as well as higher gross sales margin from real estate for sale.

Ordinary profit

Ordinary profit for FY2023 amounted to ¥137,437 million, increased ¥14,214 million from FY2022. This was due to the above-mentioned increase in operating profit, while non-operating profit decreased as a result of lower income related to termination of lease contracts.

Profit attributable to owners of parent

Profit attributable to owners of parent for FY2023 was ¥94,625 million, increased ¥15,474 million from FY2022. This was due to the above-mentioned increase in ordinary profit, an increase in extraordinary income resulting from an increase in compensation income, a decrease in extraordinary losses resulting from a decrease in losses related to reconstruction, as well as an increase in taxes.

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 250 buildings and properties (excluding

real estate for sale), amounting to approximately 1,380,000 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 environment, 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 FY2023 included Shimachu Fuchu Store (Fuchu-shi, Tokyo), ROOM DECO Makuhari Shin-Toshin (Chiba-shi, Chiba), Hulic Shibuya Mitake-dori 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), Grand scape IKEBUKURO (land) (Toshima-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, Sagami-hara-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) Misato Logistics Development Project I (Misato-shi, Saitama), (tentative name) Ginza Building Reconstruction Project (Chuo-ku, Tokyo), (tentative name) Sapporo Reconstruction Project II (Chuo-ku, Sapporo-shi), (tentative name) Shinsaibashi Project (Chuo-ku, Osaka), (tentative name) Misato Logistics Development Project II (Misato-shi, Saitama), Ginza Core (Chuo-ku, Tokyo), and (tentative name) Shinjuku 318 Development Project (Shinjuku-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.

As for real estate for sale, properties including Hulic Akihabara Chuo-dori Building (Chiyoda-ku, Tokyo), Sagami-hara land (partial) (Chuo-ku, Sagami-hara-shi), Hulic Shinjuku 5-chome building, etc. were sold.

As described above, the segment business progressed as planned because rent income from real estate was firm and stable due to completion of properties as well as acquisition of properties in FY2022 and FY2023. In addition, sales of real estate progressed steadily during FY2023. As a result, operating revenue in this business segment totaled ¥408,599 million (decreased ¥84,543 million or 17.1% year on year) and operating profit was ¥154,432 million (increased ¥14,652 million or 10.4% 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 ¥3,646 million (increased ¥30 million or 0.8% year on year) and the operating profit was ¥1,087 million (increased ¥47 million or 4.5% 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, "View Hotel" brand hotel series, and HULIC FUFU Co., Ltd. manages "FUFU" ryokan series.

In FY2023, both occupancy rates and ADR (Average Daily Rates) remained at high levels reflecting favorable tourism demand from both domestic and overseas customers, since COVID-19 was downgraded to the class 5 (common infectious disease).

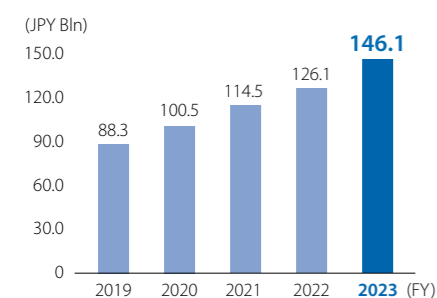
As a result, operating revenue was ¥37,351 million (increased ¥9,716 million or 35.1% year on year) and operating profit was ¥1,026 million (¥5,099 million loss same period of FY2022).

Others

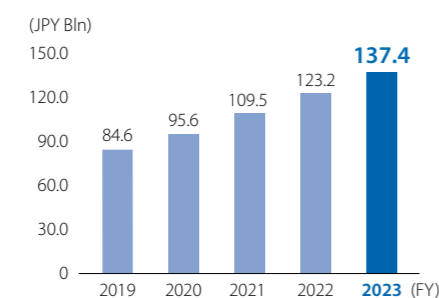
Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders of repair constructions, constructions of refurbishment at the end of lease contracts and interior fit-outs at the beginning of lease contracts from the Company's existing properties.

As a result, operating revenue was ¥6,550 million (decreased ¥1,076 million or 14.1 % year on year) and operating profit was ¥511 million (decreased ¥96 million or 15.8% year on year).

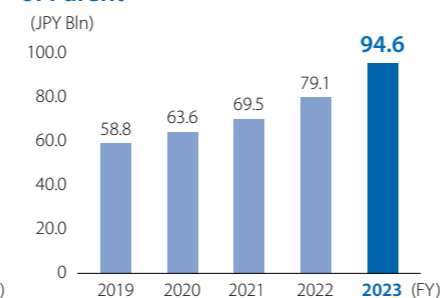
Operating profit



Ordinary profit



Profit Attributable to Owners of Parent



Financial Position

Assets

Total assets at the end of FY2023 was ¥2,480,472 million, increased ¥160,135 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 Group 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 its assets under management.

Changes in amount of major items were as follows

- Cash and deposits: ————— Decreased ¥55,521 million
- Real estate for sale: ————— Increased ¥172,319 million
(Transfer from non-current assets, acquisition and sale of properties, etc.)
- Land: ————— Decreased ¥58,103 million
(Acquisition of properties, transfer to real estate for sale, etc.)
- Investment securities: ————— Increased ¥43,757 million
(Acquisition and sales of investment securities, and an increase in valuation difference on available-for-sale securities, etc.)

Liabilities

Total liabilities at the end of FY2023 was ¥1,711,172 million, increased ¥77,988 million from the end of FY2022. This was mainly attributable to financing carried out for capital investment and the like.

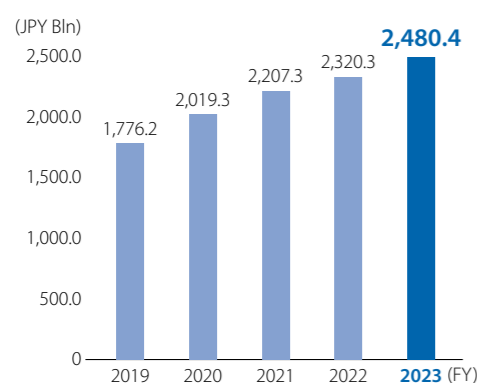
The balance of borrowings was ¥1,034,029 million, which included ¥31,144 million non-recourse borrowings owed by a consolidated SPC. Financing from financial institutions was operated stably at low cost thanks to the credit strength on the back of the Group's high earnings level.

Net Assets

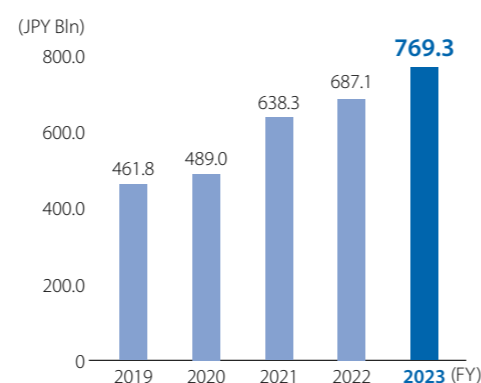
Total net assets at the end of FY2023 was ¥769,300 million, increased ¥82,146 million from the end of FY2022. Total shareholders' equity was ¥706,794 million, increased ¥60,324 million from the end of FY2022, due mainly to an increase of retained earnings in profit attributable to owners of parent and a decrease of retained earnings in the cash dividend payment.

Total accumulated other comprehensive income was ¥58,862 million, increased ¥18,603 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 of ¥26,742 million in unrealized gains on marketable securities.

Total Assets



Net Assets



Cash Flows

In FY2023, cash and cash equivalents (hereinafter "cash") amounted to ¥82,763 million at the end of FY2023 as a result of an increase of ¥270,819 million through operating activities, a decrease of ¥298,330 million through investing activities and a decrease of ¥28,024 million through financing activities.

Cash flows in each activities and the major contributing factors in FY2023 were as follows.

Cash flows from operating activities

Net cash of operating activities was ¥270,819 million (increased ¥4,710 million year on year). This was mainly attributable to ¥136,698 million in profit before income taxes with the main factors of rent income from real estate and sales of real estate for sale as well as ¥16,307 million of depreciation and a decrease of ¥145,984 million in real estate for sale.

Cash flows from investing activities

Net cash of investing activities was negative ¥298,330 million (decreased ¥47,005 million year on year). This was mainly attributable to portfolio reshuffling, development and reconstruction, from the perspective of constructing a competitive leasing portfolio that addresses the changing environment.

Cash flows from financing activities

Net cash of financing activities was negative ¥28,024 million (decreased ¥39,465 million year on year). This was mainly attributable to financing for above-mentioned development and reconstruction projects and acquisitions of new properties, as well as cash dividend paid.

Leasing Properties and Investment

Hulic and some of consolidated subsidiaries own office buildings, rental condominiums and retail commercial facilities in Tokyo and other major cities in Japan with the aim of obtaining rental revenue. A portion of these leased office buildings are used by Hulic and some consolidated subsidiaries and therefore have been classified as real estate that includes portions used as investment and rental properties.

The amount on the consolidated balance sheets, the increase/decrease during year, and the fair value of such investment and rental properties and real estate that includes portions used as investment and rental properties are shown below.

(JPY million)

	FY2022	FY2023
Rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	1,376,282	1,448,145
Increase/decrease during year	71,863	(57,689)
Balance at the end of year	1,448,145	1,390,455
Fair value at the end of year	1,753,289	1,705,239
Real estate including portions used as rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	131,821	134,571
Increase/decrease during year	2,749	15,012
Balance at the end of year	134,571	149,583
Fair value at the end of year	205,259	219,746

Notes: 1. The amount on the consolidated balance sheets represents the acquisition cost less the aggregate amounts of depreciation and impairment loss.
 2. Of the increase/decrease during the year, the key increase/decrease during FY2022 was the increase due to real estate acquisitions (JPY275,842 million) and the decrease due to transfer to real estate for sale (JPY151,075 million). The key increase/decrease during FY2023 was the increase due to real estate acquisitions (JPY284,909 million) and the decrease due to transfer to real estate for sale (JPY313,494 million).
 3. For main properties, the fair value at the end of the fiscal year is the amount calculated by the Company based on the Real Estate Appraisal Standards. For other main properties, the fair value at the end of the year is the amount calculated by the Company using indicators and others believed to appropriately reflect market prices, while for certain properties, the fair value at the end of the fiscal year is the amount determined by an outside real estate appraiser based on a real estate appraisal report. If there have been no critical changes to certain assessment values or indicators believed to appropriately reflect market prices since the time that a property was acquired from a third party or since the most recent assessment, the fair value at the end of the fiscal year is the amount determined after making an adjustment using said assessment value or indicators. For properties newly acquired during the fiscal year, the fair value is the amount on the consolidated balance sheets due to the fact that the change in the fair value is believed to be negligible.

The profit/loss for rental properties and investment as well as real estate including portions used as rental properties and investment is shown below.

(JPY million)

	FY2022	FY2023
Rental properties and investment		
Rental revenue	67,710	66,414
Rental cost	29,772	29,475
Difference	37,937	36,939
Other profit (loss)	(3,285)	2,150
Real estate including portions used as rental properties and investment		
Rental revenue	4,065	4,609
Rental cost	5,015	5,058
Difference	(950)	(448)
Other profit (loss)	(1,286)	(2,148)

Notes: 1. Real estate including portions used as rental properties and investment includes the portions used by the Company and/or some consolidated subsidiaries as services provided and management. Therefore, rental revenue for these portions is not posted. In addition, such real estate related costs (depreciation and amortization, repair costs, insurance premiums, taxes and public dues, etc.) are included in the rental cost.
 2. Other profit or (loss) for FY2022 mainly included loss on reconstructions of buildings and loss on retirement of non-current assets posted under "Extraordinary losses". For FY2023, other profit or (loss) included compensation income posted under "Extraordinary income", impairment losses and loss on retirement of non-current assets posted under "Extraordinary losses".

Major Financial Information for the Last 11 Years

Fiscal Year ended December 31		2013	2014	2015	2016	2017	2018* ¹	2019	2020	2021	2022* ²	2023
	Operating Revenue (JPY million)	108,444	212,791	169,956	215,780	289,618	287,513	357,272	339,645	447,077	523,424	446,383
	[Operating Revenue for each segment]* ³											
	Real estate business (JPY million)	95,726	199,910	137,544	182,883	258,597	256,322	332,564	311,695	422,340	487,627	401,428
	Insurance agency business (JPY million)	2,631	2,886	3,260	3,191	3,479	4,056	2,989	2,966	3,159	3,616	3,646
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	16,402	17,653	16,349	27,332	37,127
	Staffing business (JPY million)	—	—	19,094	19,023	18,620	17,955	—	—	—	—	—
	Others (JPY million)	10,087	9,994	10,057	10,681	8,921	9,178	5,315	7,330	5,229	4,847	4,182
	Operating profit (JPY million)	29,114	36,032	42,002	53,377	64,249	75,564	88,353	100,596	114,507	126,147	146,178
	[Operating profit for each segment]											
Fiscal Year	Real estate business (JPY million)	31,448	38,519	44,185	57,353	69,208	81,065	95,711	115,374	131,245	139,779	154,432
	Insurance agency business (JPY million)	631	747	987	898	1,077	1,596	619	667	792	1,040	1,087
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	(0)	(7,492)	(7,995)	(5,099)	1,026
	Staffing business (JPY million)	—	—	515	353	335	360	—	—	—	—	—
	Others (JPY million)	655	696	822	911	790	356	597	1,157	809	607	511
	Elimination or corporate (JPY million)	(3,620)	(3,929)	(4,507)	(6,140)	(7,162)	(7,814)	(8,574)	(9,110)	(10,344)	(10,180)	(10,878)
	Ordinary profit (JPY million)	25,983	34,314	42,534	51,432	61,870	72,530	84,645	95,627	109,581	123,222	137,437
	Profit attributable to owners of parent (JPY million)	15,970	22,352	33,628	34,897	42,402	49,515	58,805	63,619	69,564	79,150	94,625
	Capital expenditure (JPY million)	66,802	92,396	288,720	107,140	198,260	256,037	381,623	327,144	212,917	293,644	301,615
	Depreciation and amortization (JPY million)	6,873	7,411	8,929	11,299	11,736	11,942	14,172	15,866	15,939	16,253	16,307
	Total assets (JPY million)	720,344	773,401	1,091,266	1,133,994	1,352,137	1,525,979	1,776,272	2,019,336	2,207,325	2,320,337	2,480,472
	Current assets (JPY million)	123,371	86,188	160,261	128,007	164,913	187,404	183,941	248,290	328,931	250,901	372,973
	Real estate for sale (JPY million)	90,116	37,124	86,587	63,510	111,458	143,901	116,967	135,970	109,777	90,770	263,089
	Non-current assets (JPY million)	596,931	687,182	930,507	1,005,707	1,187,157	1,338,114	1,591,697	1,768,862	1,876,031	2,067,114	2,105,731
	Interest-bearing debts (JPY million)* ⁴	462,028	473,297	658,213	665,375	826,697	975,145	1,146,079	1,360,188	1,394,487	1,440,986	1,445,029
	Net assets (JPY million)	177,280	205,421	317,045	341,087	378,855	404,135	461,856	489,043	638,332	687,153	769,300
	Equity (JPY million)	176,007	202,337	312,937	336,903	375,405	400,738	459,093	486,487	637,799	686,728	765,656
Information per Share	Net income per share (EPS) (yen)	27.01	37.72	52.75	53.00	64.38	75.18	88.93	95.23	101.09	104.00	124.36
	Net assets per share (BPS) (yen)	297.24	341.40	474.90	511.68	570.02	608.49	687.01	728.31	836.89	902.70	1,006.19
	Dividends per share (yen)	6.50	10.50	15.50	17.00	21.00	25.50	31.50	36.00	39.00	42.00	50.00
Cash Flow Information	Cash flows from operating activities (JPY million)	11,114	84,123	36,272	108,407	45,724	130,973	231,180	202,304	291,736	266,108	270,819
	Cash flows from investing activities (JPY million)	(49,548)	(83,815)	(284,580)	(111,018)	(189,088)	(258,127)	(358,334)	(343,137)	(286,943)	(345,335)	(298,330)
	Cash flows from financing activities (JPY million)	42,841	4,192	257,934	(5,715)	148,483	131,010	141,523	187,388	106,588	11,441	(28,024)
Major Indicators	Equity ratio (%) * ⁵	24.4	26.1	28.6	29.7	27.7	31.1* ⁶	30.0* ⁶	32.7* ⁶	36.8* ⁶	37.1* ⁶	37.9* ⁶
	Return on equity (ROE) (%) * ⁷	9.8	11.8	13.0	10.7	11.9	12.7	13.6	13.4	12.3	11.9	13.0
	Return on assets (ROA) (%) * ⁸	3.8	4.5	4.5	4.6	4.9	5.0	5.1	5.0	5.1	5.4	5.7
	EBITDA (JPY million) * ⁹	37,809	44,870	54,678	66,403	77,785	89,462	105,454	119,250	135,270	148,858	165,457
	Debt/EBITDA ratio (times) * ¹⁰	12.2	10.5	12.0	10.0	10.6	10.0* ⁶	10.1* ⁶	9.9* ⁶	9.0* ⁶	8.5* ⁶	7.6* ⁶
	Net debt to equity ratio (times) * ¹¹	2.8	2.6	2.2	2.1	2.3	1.9* ⁶	2.0* ⁶	1.7* ⁶	1.3* ⁶	1.3* ⁶	1.3* ⁶
	Dividend payout ratio (%)	24.0	27.8	29.3	32.0	32.6	33.9	35.4	37.8	38.5	40.3	40.2
	Number of issued shares (including treasury stock) (share)	595,731,471	596,279,271	662,561,871	662,914,071	663,062,271	663,062,271	673,907,735	673,907,735	767,907,735	767,907,735	767,907,735
	Employees (consolidated) (people)	461	753	784	836	862	936	1,878	1,934	1,496	1,347	1,357
	Employees (non-consolidated) (people)	125	116	128	149	156	166	181	184	189	202	222

(Note) Unless otherwise noted, all the data are calculated on a consolidated basis.

*1 The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, dated February 16, 2018) from FY2019. The figures for FY2018 were adjusted retrospectively to reflect the aforementioned changes.

*2 The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, dated March 31, 2020), etc. since the beginning of FY2022. The figures for FY2022 onward have been calculated using this standard.

*3 Operating Revenue of each segment omitted inter-segment Operating Revenue and the balance of book-entry transfers.

*4 Excluded lease liabilities

*5 Equity ratio = Equity / Total assets

*6 In FY2018 and FY2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as such in and after FY2020.

*7 Return on equity (ROE) (%) = Profit attributable to owners of parent / Equity (average balance)

*8 Return on assets (ROA) (%) = Ordinary profit / Total assets (average balance)

*9 EBITDA = Ordinary profit - Equity in earnings / Share of loss of entities accounted for using equity method + Interest expenses + Depreciation and amortization

*10 Debt/EBITDA ratio = Interest-bearing debts / EBITDA

*11 Net debt to equity ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits) / Shareholders' equity

Consolidated Financial Statements

Consolidated Balance Sheets

	(JPY million)	
	FY2022	FY2023
Assets		
Current assets		
Cash and deposits	138,400	82,878
Trade accounts receivable and contract assets	7,097	8,992
Merchandise	21	24
Real estate for sale	90,770	263,089
Real estate for sale in process	4,355	2,871
Costs on construction contracts in progress	21	39
Supplies	371	373
Other	9,870	14,707
Allowance for doubtful accounts	(7)	(4)
Total current assets	250,901	372,973
Non-current assets		
Property, plant and equipment		
Buildings and structures	303,251	305,967
Accumulated depreciation	(69,776)	(70,638)
Buildings and structures, net	233,474	235,329
Machinery, equipment and vehicles	11,373	14,894
Accumulated depreciation	(2,483)	(2,902)
Machinery, equipment and vehicles, net	8,890	11,991
Land	1,374,904	1,316,801
Construction in progress	16,207	42,755
Other	15,669	16,228
Accumulated depreciation	(4,696)	(5,701)
Other, net	10,972	10,527
Total property, plant and equipment	1,644,449	1,617,405
Intangible assets		
Goodwill	4,795	4,164
Leasehold interests in land	81,233	70,695
Other	2,199	3,079
Total intangible assets	88,228	77,938
Investments and other assets		
Investment securities	284,706	328,463
Guarantee deposits	37,545	47,384
Deferred tax assets	856	947
Net defined benefit asset	493	752
Other	10,865	32,838
Allowance for doubtful accounts	(31)	(0)
Total investments and other assets	334,436	410,387
Total non-current assets	2,067,114	2,105,731
Deferred assets		
Business commencement expenses	22	15
Share issuance costs	404	210
Bond issuance costs	1,895	1,542
Total deferred assets	2,321	1,768
Total assets	2,320,337	2,480,472

	(JPY million)	
	FY2022	FY2023
Liabilities		
Current liabilities		
Short-term borrowings	660	1,774
Current portion of long-term borrowings	161,577	103,109
Current portion of bonds payable	50,000	30,000
Accrued expenses	3,843	4,523
Income taxes payable	11,531	18,760
Advances received	6,543	6,510
Provision for bonuses	377	532
Provision for bonuses for directors (and other officers)	340	382
Other	10,883	19,715
Total current liabilities	245,757	185,306
Non-current liabilities		
Bonds payable	371,000	381,000
Long-term borrowings	857,748	929,145
Deferred tax liabilities	53,532	73,210
Provision for share awards	2,846	3,238
Net defined benefit liability	1,634	1,706
Long-term guarantee deposits	88,287	93,307
Other	12,376	44,257
Total non-current liabilities	1,387,426	1,525,865
Total liabilities	1,633,183	1,711,172
Net assets		
Shareholders' equity		
Share capital	111,609	111,609
Capital surplus	137,741	137,731
Retained earnings	401,090	461,214
Treasury shares	(3,971)	(3,760)
Total shareholders' equity	646,469	706,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,267	58,943
Deferred gains or losses on hedges	(261)	(436)
Foreign currency translation adjustment	0	—
Remeasurements of defined benefit plans	252	355
Total accumulated other comprehensive income	40,258	58,862
Non-controlling interests	424	3,643
Total net assets	687,153	769,300
Total liabilities and net assets	2,320,337	2,480,472

Consolidated Statements of Income

	(JPY million)	
	FY2022	FY2023
Operating revenue	523,424	446,383
Operating costs	350,854	249,875
Operating gross profit	172,569	196,508
Selling, general and administrative expenses	46,422	50,329
Operating profit	126,147	146,178
Non-operating income		
Interest income	10	72
Dividend income	3,131	3,511
Share of profit of entities accounted for using equity method	1,033	—
Termination of lease contracts	4,303	446
Subsidies for employment adjustment, etc.	352	12
Other	470	815
Total non-operating income	9,301	4,858
Non-operating expenses		
Interest expenses	10,415	11,576
Share of loss of entities accounted for using equity method	—	136
Other	1,810	1,887
Total non-operating expenses	12,225	13,599
Ordinary profit	123,222	137,437
Extraordinary income		
Gain on sale of investment securities	2,380	21
Gain on investments in silent partnership, etc.	132	58
Subsidies for employment adjustment, etc.	14	—
Contribution received for construction	6	—
Compensation income	10	3,351
Other	7	295
Total extraordinary income	2,552	3,727
Extraordinary losses		
Loss on retirement of non-current assets	3,387	1,880
Loss on reconstructions of buildings	4,080	803
Loss on sale of investment securities	12	—
Impairment losses	430	1,693
Other	386	88
Total extraordinary losses	8,296	4,466
Profit before income taxes	117,478	136,698
Income taxes - current	26,666	30,753
Income taxes - deferred	11,661	11,224
Total income taxes	38,328	41,978
Profit	79,150	94,719
Profit attributable to non-controlling interests	0	94
Profit attributable to owners of parent	79,150	94,625

Consolidated Statements of Comprehensive Income

	(JPY million)	
	FY2022	FY2023
Net income before non-controlling interests	79,150	94,719
Other comprehensive income		
Valuation difference on available-for-sale securities	2,963	18,510
Deferred gains or losses on hedges	(206)	(175)
Remeasurements of defined benefit plans, net of tax	64	120
Share of other comprehensive income of entities accounted for using equity method	(1,105)	147
Total other comprehensive income	1,715	18,603
Comprehensive income	80,866	113,323
Comprehensive income attributable to		
Owners of parent	80,866	113,228
Non-controlling interests	0	94

Consolidated Statements of Changes in Equity

(JPY million)

FY2022	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	111,609	137,759	352,351	(2,464)	599,256
Cumulative effects of changes in accounting policies			254		254
Restated balance	111,609	137,759	352,606	(2,464)	599,511
Changes during period					
Dividends of surplus			(30,666)		(30,666)
Profit attributable to owners of parent			79,150		79,150
Purchase of treasury shares				(1,530)	(1,530)
Disposal of treasury shares		0		23	23
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(18)			(18)
Net changes in items other than shareholders' equity					
Total changes during period	—	(18)	48,484	(1,507)	46,958
Balance at end of period	111,609	137,741	401,090	(3,971)	646,469

FY2022	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	38,401	(54)	—	195	38,542	533	638,332
Cumulative effects of changes in accounting policies							254
Restated balance	38,401	(54)	—	195	38,542	533	638,587
Changes during period							
Dividends of surplus							(30,666)
Profit attributable to owners of parent							79,150
Purchase of treasury shares							(1,530)
Disposal of treasury shares							23
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Change in ownership interest of parent due to transactions with non-controlling interests							(18)
Net changes in items other than shareholders' equity	1,866	(206)	0	56	1,715	(108)	1,607
Total changes during period	1,866	(206)	0	56	1,715	(108)	48,566
Balance at end of period	40,267	(261)	0	252	40,258	424	687,153

FY2023

(JPY million)

FY2023	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	111,609	137,741	401,090	(3,971)	646,469
Changes during period					
Dividends of surplus			(34,499)		(34,499)
Profit attributable to owners of parent			94,625		94,625
Change in scope of consolidation in entities accounted for using equity method			(1)		(1)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				211	211
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(9)			(9)
Net changes in items other than shareholders' equity					
Total changes during period	—	(9)	60,123	210	60,324
Balance at end of period	111,609	137,731	461,214	(3,760)	706,794

FY2023	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	40,267	(261)	0	252	40,258	424	687,153
Changes during period							
Dividends of surplus							(34,499)
Profit attributable to owners of parent							94,625
Change in scope of consolidation in entities accounted for using equity method							(1)
Purchase of treasury shares							(0)
Disposal of treasury shares							211
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							(9)
Net changes in items other than shareholders' equity	18,675	(175)	(0)	102	18,603	3,218	21,822
Total changes during period	18,675	(175)	(0)	102	18,603	3,218	82,146
Balance at end of period	58,943	(436)	—	355	58,862	3,643	769,300

Consolidated Statements of Cash Flows

(JPY million)

FY2022	FY2023	Cash flows from operating activities	
		FY2022	FY2023
Profit before income taxes	117,478	136,698	
Depreciation	16,253	16,307	
Increase (decrease) in allowance for doubtful accounts	214	(33)	
Increase (decrease) in provision for bonuses	25	154	
Increase (decrease) in provision for bonuses for directors (and other officers)	(10)	41	
Increase (decrease) in provision for share awards	637	603	
Increase (decrease) in net defined benefit asset and liability	114	11	
Interest and dividend income	(3,141)	(3,583)	
Interest expenses	10,415	11,576	
Share of loss (profit) of entities accounted for using equity method	(1,033)	136	
Loss on retirement of non-current assets	3,387	1,880	
Loss (gain) on sale of non-current assets	(2)	(127)	
Loss (gain) on sale of investment securities	(2,368)	(21)	
Loss (gain) on investments in silent partnership, etc.	(132)	(58)	
Decrease (increase) in trade receivables	(1,203)	(1,869)	
Decrease (increase) in real estate for sale	166,066	145,984	
Decrease (increase) in guarantee deposits	(8,651)	(8,585)	
Increase (decrease) in guarantee deposits received	5,714	4,662	
Decrease (increase) in other assets	(804)	(4,929)	
Increase (decrease) in other liabilities	(4,780)	2,045	
Subtotal	298,178	300,893	
Interest and dividends received	4,053	5,323	
Interest paid	(10,195)	(11,613)	
Income taxes paid	(26,020)	(23,864)	
Income taxes refund	92	80	
Cash flows from operating activities	266,108	270,819	

(Continuing to upper right)

FY2022	FY2023	Cash flows from investing activities	
		FY2022	FY2023
Payments into time deposits	(100)	(115)	
Proceeds from withdrawal of time deposits	120	100	
Purchase of property, plant and equipment	(291,108)	(257,237)	
Proceeds from sale of non-current assets	16	1,034	
Purchase of intangible assets	(2,125)	(7,397)	
Purchase of investment securities	(71,594)	(17,025)	
Proceeds from sale of investment securities	5,943	169	
Proceeds from redemption of investment securities	13,289	602	
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	574	—	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,228)	
Loan advances	(3)	(104)	
Proceeds from collection of loans receivable	4	4	
Other, net	(350)	(17,133)	
Cash flows from investing activities	(345,335)	(298,330)	
Net increase (decrease) in short-term borrowings	—	1,114	
Net increase (decrease) in short-term bonds payable	7	(63)	
Proceeds from long-term borrowings	42,000	174,500	
Repayments of long-term borrowings	(73,076)	(161,570)	
Proceeds from issuance of bonds	75,346	39,855	
Redemption of bonds	—	(50,000)	
Proceeds from sale of treasury shares	0	—	
Purchase of treasury shares	(1,530)	(0)	
Dividends paid	(30,666)	(34,499)	
Proceeds from share issuance to non-controlling interests	—	3,125	
Dividends paid to non-controlling interests	(4)	—	
Other, net	(635)	(484)	
Cash flows from financing activities	11,441	(28,024)	
Net increase (decrease) in cash and cash equivalents	(67,785)	(55,535)	
Cash and cash equivalents at beginning of period	206,086	138,300	
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(1)	
Cash and cash equivalents at end of period	138,300	82,763	

Key Stock Information (as of December 31, 2023)

Number of Authorized Shares	1,800,000,000
Number of Shares Issued	767,907,735

Major Shareholders (as of December 31, 2023)

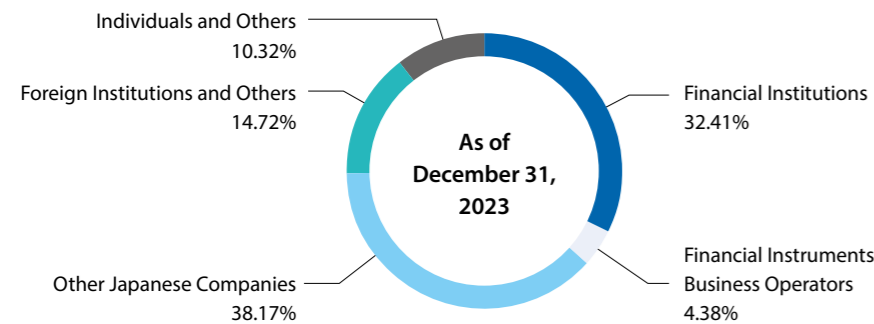
Name	Number of shares	Shareholding ratio (%) to the number of issued shares (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trustee account)	66,697,900	8.69
Meiji Yasuda Life Insurance Company	47,617,077	6.21
Sompo Japan Insurance Inc.	42,248,800	5.51
Tokyo Tatemono Co., Ltd.	40,749,033	5.31
Fuyo General Lease Co., Ltd.	40,695,306	5.30
Yasuda Real Estate Co., Ltd.	30,789,331	4.01
Oki Electric Industry Co., Ltd.	28,631,000	3.73
Yasuda Logistics Corporation	28,431,800	3.70
Mizuho Capital Co., Ltd.	25,533,900	3.33
Custody Bank of Japan, Ltd. (Trust account)	23,741,000	3.09

*1 Treasury shares excluded from the above issued shares do not include 3,316,400 shares held by Custody Bank of Japan, Ltd. (Trust E Unit) as trust assets of the Board Benefit Trust (BBT).

*2 The shares held by Fuyo General Lease Co., Ltd. include 420,000 shares contributed as trust assets of a retirement benefit trust of Fuyo General Lease Co., Ltd. (The name on the shareholder registry is Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Fuyo General Lease Account Trustee Custody Bank of Japan, Ltd.)

*3 The shares held by Oki Electric Industry Co., Ltd. include 12,631,000 shares contributed as trust assets of a retirement benefit trust of Oki Electric Industry Co., Ltd. (The name on the shareholder registry is Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Oki Electric Industry Account Trustee Custody Bank of Japan, Ltd.)

Composition of Shareholders



Stock Price (Tokyo Stock Exchange)

(yen)	FY2019	FY2020	FY2021	FY2022	FY2023
Stock price at the end of period	1,316	1,133	1,092	1,040	1,476.5
Stock price range in period (closing price basis)	844-1,339	905-1,372	1,071-1,403	986-1,172	1,012.0-1,520.5

Corporate Overview

Corporate Name	Hulic Co., Ltd.
Established	March 1957
Business Outline	Real estate holding, leasing, sales and brokerage
Share Capital	JPY111,609 million (as of December 31, 2023)
Business Year	From January 1 to December 31
Listing	Tokyo Stock Exchange, Prime Section
Securities Code	3003
Headquarters	7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, Japan
Number of Employees	222 (Non-consolidated) / 1,357 (Consolidated) (as of December 31, 2023)



Hulic Head Office Building

Major Hulic Group companies (as of December 31, 2023)

Name	Address	Share Capital (JPY million)	Major Business
Hulic Building Management Co., Ltd.	Chuo-ku, Tokyo	10	Property management, consulting of lease property management operations and management and operation of lease properties
Hulic Reit Management Co., Ltd.	Chiyoda-ku, Tokyo	200	Asset management operations through Hulic Reit, Inc.
Hulic Real Estate Investment Advisors Co., Ltd. *1	Chuo-ku, Tokyo	100	Asset management operations through Hulic Private Reit, Inc. etc.
Hulic Property Solution Co., Ltd.	Chuo-ku, Tokyo	50	Planning, designing, assessment, order, supervision and consulting of construction works, Electricity retail business
HULIC Biz Frontier Co., Ltd.	Chuo-ku, Tokyo	20	Offering rental offices and related
Porte Kanazawa Co., Ltd.	Kanazawa-shi, Ishikawa	200	Property management of Porte Kanazawa
Hulic Insurance Service Co., Ltd.	Taito-ku, Tokyo	350	Insurance agency
Hulic Hotel Management Co., Ltd.	Chuo-ku, Tokyo	6,500	Hotel management and operations
HULIC FUFU Co., Ltd.	Chuo-ku, Tokyo	1,500	Management and operation of ryokans (Japanese style luxury inn), consulting of ryokan management
Hulic Build Co., Ltd.	Chuo-ku, Tokyo	90	Construction-related business, office business, real estate leasing business
HULIC Agri Co., Ltd.	Chuo-ku, Tokyo	100	Management and holding stock of an agricultural company in Vietnam
Hulic Advance Energy Co., Ltd.	Chuo-ku, Tokyo	100	Maintenance and management of power plants
Hulic Proserve Co., Ltd.	Chuo-ku, Tokyo	50	Business for individual customers including Hulic Dream Association and interior products, food services, membership club management, contracting works to provide shared services for the Group

* Name as of April 1, 2024

External Evaluations

Praised for our sustainability initiatives, Hulic has been selected for inclusion in the following ESG indices or received the following external evaluations and awards.

FTSE4Good Index Series	S&P/JPX Carbon Efficient Index
FTSE Blossom Japan Index	Morningstar Japan ex-REIT Gender Diversity Tilt Index
FTSE Blossom Japan Sector Relative Index	"A-" in CDP climate change 2023 survey
MSCI Japan ESG Select Leaders Index	Received four stars in the Nikkei SDGs Management survey (2023)
MSCI NIHONKABU ESG Select Leaders Index	2024 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)
MSCI Japan Empowering Women Index (WIN)	Certified as Platinum Kurumin



FTSE4Good ^{*1}



FTSE Blossom Japan ^{*2}



2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX ^{*3}

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX ^{*3}

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) ^{*3}



^{*1} Disclaimer: FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Hulic Co., Ltd. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

^{*2} Disclaimer: FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Hulic Co., Ltd. has been independently assessed according to the FTSE Blossom Japan Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

^{*3} Disclaimer: The inclusion of Hulic Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Hulic Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

^{*4} Disclaimer: Morningstar, Inc., and/or one of its affiliated companies (individually and collectively, "Morningstar") has authorized Hulic Co., Ltd. to use of the Morningstar Japan ex-REIT Gender Diversity Tilt Logo ("Logo") to reflect the fact that, for the designated ranking year, Hulic Co., Ltd. ranks in the top quintile of companies comprising the Morningstar Japan ex-REIT Gender Diversity Tilt IndexSM ("Index") on the issue of gender diversity in the workplace.

Disclaimer Regarding Forward-Looking Statements

The forward-looking statements, including forecasts of performance of Hulic and its Group companies, contained in the Report are based on information currently available to the Hulic management and on certain assumptions deemed reasonable. Such forward-looking statements do not represent any guarantee by the management of its future performance and are subject to risks, uncertainties and assumptions. Actual future performances and results may vary substantially due to various factors.

Inquiry

Hulic Co., Ltd.

Corporate Sustainability Department
Phone: +81-3-5623-8102

Third-party Assurance

With the aim of enhancing the credibility of our Integrated Report, a set of selected environmental and social performance indicators for FY2023 that are disclosed in this Report have been assured by the third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. (Indicators that have been assured are marked with "✓") We will continue our efforts in providing quality information on both financial and non-financial areas.

Independent Assurance Report

To the President, Representative Director of Hulic Co., Ltd.

We were engaged by Hulic Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with an ✓ (the "Indicators") for the period from January 1, 2023 to December 31, 2023 included in its Integrated Report 2024 (the "Report") for the fiscal year ended December 31, 2023.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report and the Website.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's ASAKUSA VIEW HOTEL selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report and the Website.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kenichiro Sato
Kenichiro Sato, Partner
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
June 17, 2024

Notes to the Reader of the Independent Assurance Report:

This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.