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Notice on Formulation of New Medium- and Long-Term Management Plans

The Hulic Group is pleased to present an outline of its newly formulated long-term management plan (2020-2029) and medium-term management plan (2020-2022).

The plans are designed to develop and evolve the Group's business model around the focus of the real estate leasing business to achieve a further sustained increase in corporate value.

1. Summary of the Previous Long-term Management Plan (2014-2023) and Medium-term Management Plan (2018-2020).

Hulic has come close to achieving its goal of ¥85 billion in ordinary income 4 years ahead of schedule under the long-term management plan (to 2023) and 1 year ahead of schedule under the medium-term management plan (to 2020), and as such, has formulated new medium- and long-term management plans.

Performance under the Previous Long-Term Management Plan (2014-2023)

	FY ended Dec. 2013 (results)	FY ended Dec. 2019 (results)	Increase	(Billions of yen) 2023 Target (LTP)
Ordinary income	25.9	84.6	325.7%	85.0

Performance under the Previous Medium-Term Management Plan (2018-2020)

	FY ended Dec. 2017 (results)	FY ended Dec. 2019 (results)	Increase	(Billions of yen) 2020 Target (MTP)
Operating income	64.2	88.3	137.5 %	88.0
Ordinary income	61.8	84.6	136.8 %	85.0
Profit attributable to owners of parent	42.4	58.8	138.6 %	55.0
EBITDA	77.7	105.4	135.6 %	105.0
Ratio of interest-bearing debt to EBITDA*	10.6 times	10.1	0.5 improved	12.0 times or less
Net debt to equity ratio*	2.3 times	2.0 times	0.3 improved	3.0 times or less
ROE	11.9%	13.6 %	1.7 % increased	10% or more

*50% (75.0 billion yen) of hybrid finance (150.0 billion yen) is calculated as equity in 2019.

2. Outline of the New Long-Term Management Plan (2020-2029) and Medium-Term Management Plan (2020–2022)

Positioning of the plan

Aiming to realize a strategy of further growth, the new long-term management plan (2020-2029) has been formulated with the goal of achieving ordinary (recurring) income of ¥180 billion in 10 years by 2029, and will start with the new medium-term management plan (2020-2022) as the first phase.

Target profile in 10 years

With a focus on reform and speed, the Hulic Group will strive to continue realizing sustainable growth in corporate value through evolution by responding flexibly to changes in the environment.

Basic policy

While ensuring an excellent balance of growth, profitability, safety and productivity (efficiency), the Hulic Group will endeavor to realize dynamic change at exceptional speed and drive even greater growth.

Quantitative Plan

		(Billions of yen)	
		2022 1st phase End of MTP	2029 (in 10 years)
Growth	Ordinary income	110	180
Safety	Debt/EBITDA	12 times or less	12 times or less
	Net debt to equity ratio	3 times or less	3 times or less
Efficiency	ROE	10 % or more	10 % or more
Shareholder return	Dividend payout ratio	Approx. 40 %	

*Figures for financial indices takes into account the equity capital nature of hybrid finance.

Basic Strategy

(1) Innovate business model and recreate lease portfolio

- Innovate business model with a dual focus on stability and efficiency based on the leasing business.
- Recreate the lease portfolio with a fine balance of applications to meet market needs and a competitive edge.
- Reorganize portfolio and enhance the long-term leasing business ratio partially based on utilization of unrealized gains at low interest rates.

(2) Strengthen development business and value-added real estate business

- Enhance the lease portfolio and realize profit from development projects by promoting the development business based on efforts to establish medium- to long-term pipelines.
- Build up a portfolio of exceptional assets by accelerating development and rebuilding with excellent earthquake resistance and energy conservation.
- Generate stable profit on sales and reinforce structure as a growth driver by strengthening initiatives to secure large-scale value-added projects based on diverse methods aimed at boosting value.

(3) Create unique new business domains and enhance Group strengths

- Cultivate and drive success of new businesses offering new value creation.
- Leverage Group ties to secure opportunities for profit and pursue synergies to enhance overall Group strengths.

- Actively conduct mergers and acquisitions (M&A) and alliances as a means to quickly drive success in new businesses and improve Group capabilities.
- (4) Strengthen management foundations and thorough risk management
- Maintain solid financial foundations and secure diverse capital procurement methods.
 - Maintain an agile organizational structure enabling efficient operation and improve productivity by making effective use of diverse human resources.
 - Ensure thorough risk management associated with business diversification and provide thorough control over the balance sheet when the market changes.
- (5) Manage with an emphasis on sustainability to achieve co-creation and co-existence between society and corporation
- Resolve social issues through business management and value creation based on Environmental, Social, Governance (ESG) criteria and promote initiatives that link the creation of social value with corporate growth.
 - (Environmental) Promote initiatives aimed at realizing a low-carbon society through building projects.
 - (Social) Advance projects with a focus on earthquake resistance to help build a more resilient society.
 - (Governance) Aim for balanced management while paying close attention to Group governance.

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