We are committed to providing optimal products and services to customers, placing customer satisfaction as our top priority.

**Corporate Philosophy and Basic Stance**

**Corporate Philosophy**

Total commitment to our customers and the community.

**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.

**CSR Vision**

By putting our corporate philosophy into practice we're contributing to the betterment of society.
We take an honest approach to all our stakeholders. To this end:

1. We take compliance seriously, respect human rights, and transparently conduct business activities based on high ethical standards.
2. We strive to protect the local environment while contributing to local revitalization through our businesses.
3. By providing high value-added products and services, we are giving our customers security and laying the foundation for the future.

**Reporting Media**

- CSR report (Published edition and PDF) Reporting on initiatives considered to be of particular importance
- Website Comprehensive reporting on Hulic’s various CSR initiatives
- CSR Report 2016

**Environmental Performance Data/Boundary**

(Total floor area: m²)

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Floor Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyosu Prime Square</td>
<td>42,483</td>
</tr>
<tr>
<td>Hulic Osaka Building</td>
<td>30,353</td>
</tr>
<tr>
<td>Hulic Kudan Building</td>
<td>26,027</td>
</tr>
<tr>
<td>Hulic Harumi Building</td>
<td>20,582</td>
</tr>
<tr>
<td>Hulic Tokiwacho Building</td>
<td>19,036</td>
</tr>
<tr>
<td>Hulic Komaba Building</td>
<td>17,172</td>
</tr>
<tr>
<td>Ginza Wall Building</td>
<td>16,950</td>
</tr>
<tr>
<td>Takashimaya Center Building</td>
<td>16,859</td>
</tr>
<tr>
<td>Hulic Sapporo Building</td>
<td>14,254</td>
</tr>
<tr>
<td>Hulic Shiba Building</td>
<td>13,983</td>
</tr>
<tr>
<td>Hulic Fukuoka Building</td>
<td>12,646</td>
</tr>
<tr>
<td>Hulic Nakatsu Building</td>
<td>11,570</td>
</tr>
<tr>
<td>Hulic Sapporo Building</td>
<td>11,017</td>
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<tr>
<td>Hulic Shinjuku Building</td>
<td>9,781</td>
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<td>Hulic Namba Building</td>
<td>9,147</td>
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<tr>
<td>Hulic Kojimachi Building</td>
<td>8,526</td>
</tr>
<tr>
<td>Hulic Azabu Building</td>
<td>8,790</td>
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<tr>
<td>Hulic Ginza Building</td>
<td>8,579</td>
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<tr>
<td>Hulic Kita Building</td>
<td>8,354</td>
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<tr>
<td>Hulic Hamamatsu Building</td>
<td>7,779</td>
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<tr>
<td>Hulic Otemachi Building</td>
<td>7,688</td>
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<tr>
<td>Hulic Roppongi Building</td>
<td>7,442</td>
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<tr>
<td>KSK East Building</td>
<td>7,383</td>
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<tr>
<td>Hulic Shiba Building</td>
<td>7,163</td>
</tr>
<tr>
<td>Hulic Komaba Building</td>
<td>6,451</td>
</tr>
</tbody>
</table>

Our environmental accounting information is displayed on our website.

**Environmental Initiatives**

- Medium to Long-term Goal and Road Map
- Situation of Greenhouse Gas Emissions
- Promotion of Energy-saving
- Effective Use of Renewable Energy
- Reducing Waste through Longer Life Service
- Biodiversity Encouraging Greening

**Corporate Governance**

- Corporate Governance
- Risk Management
- Compliance

**CSR Promotion Systems**

**Consolidated Financial Statements**

**Third-party Assurance**
Overview of Our Businesses

As a corporation with a social presence, we aim to practice management that is linked to our business strategy and ESG initiatives, and to contribute to the realization of a sustainable society.

Hulic’s strength – A stable leasing business

 Approximately 90% in the Tokyo metropolitan area

Hulic currently owns 202 buildings. 90% of these properties are concentrated in the Tokyo metropolitan area, which experiences a continuous population influx as well as demand for buildings. There is a particularly strong concentration of properties in the heart of Tokyo (the five main wards).

Distribution of regions that office buildings are located in

- Concentrated in the heart of Tokyo: 79%
- Tokyo’s 23 wards: 4%
- Tokyo metropolitan area: 12%
- Keihanshin metropolitan area: 4%

(As of the end of Dec. 2015)

5 min walking distance from the nearest station

- 86%
- 39%
- 33%
- 14%
- 14%

(As of the end of Dec. 2015)

Concentration in the heart of Tokyo

Distribution of distance from the nearest station

- Approximately 90% in the Tokyo metropolitan area

Hulic currently owns 202 buildings. 90% of these properties are concentrated in the Tokyo metropolitan area, which experiences a continuous population influx as well as demand for buildings. There is a particularly strong concentration of properties in the heart of Tokyo (the five main wards).

Good accessibility is an important strength of Hulic’s properties. Of all the offices and commercial buildings owned by the Company, about 90% are within a walking distance of 5 minutes from the nearest station.

Vacancy rate

The vacancy rate of Hulic’s office buildings in Tokyo’s 23 wards is below 1%, ensuring a stable income for the Company.

Market average vacancy rate

4.0%

Hulic vacancy rate

0.9%

(As of the end of Dec. 2015)

Hulic’s growth strategy – Initiatives in the leasing business aimed at fulfilling the needs of society

Selection and concentration

We are continuously achieving significant growth by predicting future changes, and selecting and concentrating on our management resources.

- Return on office buildings
- Little competition
- Targeted at a wide range of tenants
- Low vacancy risk

Reconstruction business

We increase the leasing area by actively reconstructing our properties, thereby improving income.

- Increase in leasing area
- Rise in rent due to building renewal
- Expectation of significant income growth simply from rebuilding costs

Examples of investment properties in recent years

- Hulic New Kawasaki Building
- Hulic Shibuya Udagawacho Building

Investment business

We are working to strengthen our asset portfolio with a focus on the central part of Tokyo through active investments in properties with excellent locations.

- Examples of investment properties in recent years

3K businesses

We are exploring and strengthening new business domains in our 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)), with the aim of responding to various changes in the environment that Japan is faced with.
In the Aftermath of the 2016 Kumamoto Earthquake
We would like to use the occasion of publishing our CSR Report 2016 to express our most heartfelt sympathy to all victims of the 2016 Kumamoto Earthquake and to wish a speedy recovery of the affected regions. Hulic will expend even greater effort to prevent damage caused to buildings and critical infrastructure by natural disasters, and, being a disaster-resilient real estate company, will strive to deliver the feeling of safety and peace of mind to our building tenants and local communities.

Our Strengths and CSR Management
For more than half a century, Hulic has been operating a real estate leasing business with a focus on the building portfolios of offices in central Tokyo. Over this time we have developed strong relationships with many of our customers. Ever since our listing debut in 2008, our solid business foundation, based on the prime locations of properties, has allowed us to maintain a continued growth of profits and dividends even in the face of adversity, including the Lehman Brothers’ bankruptcy and the Great East Japan Earthquake. This has been possible due to our management, which incorporates a prediction of social demands and the needs of our customers in a mid- to long-term perspective, and a strategic approach to business segmentation that allowed our greater differentiation.

Another element that has supported Hulic’s sustainable growth is our Corporate Social Responsibility (CSR) management, integrated with our Environmental, Social, and Governance (ESG) initiatives. In our corporate philosophy, we uphold the following values: “Total commitment to our customers and the community. Creating productive environments. Creating amenity. Creating peace of mind.” Based on this philosophy, we strive to contribute to a sustainable society by maintaining a constructive dialogue with our stakeholders and by aligning our management strategy with ESG initiatives.

Our Performance in 2015
In accordance with our medium-term management plan (2014-2016), we have been focusing on a further growth of earnings in the leasing business and on fostering the real estate development business. Furthermore, anticipating changes in Japanese society in the next decade, we have started to develop new projects in the 3K businesses, i.e. Kōreisha (senior citizens), Kankō (tourism) and Kankyō (environment), which are expected to support our business foundation in the future. In 2015, we completed some of our property development and renovation projects, including the Hulic Toranomon building and Hulic Ashikusa Edō-dōri building, as well as one PPP project - the Shinagawa Season Terrace (Shibaura Water Recycling Center rebuilding project). These projects have contributed to the growth of earnings in our leasing business segment.

We also succeeded in expanding and strengthening our portfolio by purchasing shares and acquiring Simplex Investment Advisors Inc. In order to strengthen the 3K businesses, we continued to develop and acquire senior housing properties and established a joint venture to develop the next-generation healthcare centers. In the “tourism” business, we kept acquiring luxury Japanese-style inns and tested a new growth strategy by establishing a joint company to manage our hotel real estate. As a result of these efforts, compared to previous year, our ordinary income grew by 8.2 billion to 42.5 billion yen, enabling us to meet the goal set in the medium-term management plan (2014-2015) one year ahead of schedule.

New Medium-term Management Plan and CSR Strategy
In 2016 we formulated a new medium-term management plan (2016-2018) oriented toward the further growth of our company. With the focus on the leasing business, we are going to further develop Hulic’s unique business style and grow the company by bringing innovation that will meet arising needs of society. Taking into consideration strong societal demand for commercial facilities and hotels, we will further expand our leasing portfolio, explore new domains of the real estate business with the focus on the 3K businesses, and foster our business foundation. At the same time, we will keep enhancing ESG initiatives that underpin our business activities.

Material CSR Issues and Our Progress
Hulic believes that well-developed CSR management and strong social raison d’être of the company, as well as its contribution to sustainable development of the society, directly relate to its corporate value. Therefore, in regard to the environment, we have identified CO₂ emissions reduction as one of our material CSR issues and have established a long-term goal to cut CO₂ emissions generated by our building portfolio. Specifically, we apply design standards in accordance with the Hulic Guideline for Longer Life Service to ensure that building frames can last at least 100 years. Furthermore, we take measures to minimize the volume of generated waste and CO₂ emissions. We establish and monitor social KPIs, including earthquake-resilience measures for our buildings, the ratio of employees using childcare leave, the ratio of employees with disabilities, and indicators related to our social contribution activities. In particular, we actively support the participation of women in the workforce and have formulated the Action Plan with the goal to increase the ratio of women in management positions to 20% of the total workforce. To this end, we have set up Hulic’s onsite childcare facilities and started to implement other childcare assistance measures that are recognized as one of the most advanced in Japan. Furthermore, we have built a corporate governance system with fully adequate functions in risk management, compliance, and internal controls. In line with our newly formulated Corporate Governance Guidelines, we are committed to being fully accountable for our business conduct. We will continue to set goals that reflect changes in the surrounding business environment and come up with initiatives that enable us to meet arising societal needs.

To Our Stakeholders
We believe that the source of our growth lies in our responsiveness to the needs of society and in the harmonious integration of business activities and CSR strategy. All employees of Hulic will continue to maintain and strengthen communication with our stakeholders and will ceaselessly work to meet your expectations. We sincerely appreciate your continued support.
Changes in Major Consolidated Management Index, etc.

<table>
<thead>
<tr>
<th>Unit</th>
<th>FY12/11</th>
<th>FY12/12</th>
<th>FY12/13</th>
<th>FY12/14</th>
<th>FY12/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue (Net Sales)</td>
<td>Million yen</td>
<td>74,278</td>
<td>94,319</td>
<td>108,444</td>
<td>212,791</td>
</tr>
<tr>
<td>Segment Earnings</td>
<td>Million yen</td>
<td>68,094</td>
<td>84,346</td>
<td>95,716</td>
<td>199,910</td>
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<tr>
<td>Real estate business</td>
<td>2,388</td>
<td>2,417</td>
<td>2,631</td>
<td>2,886</td>
<td>3,260</td>
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<td>Insurance agency business</td>
<td>4,253</td>
<td>7,555</td>
<td>10,087</td>
<td>9,994</td>
<td>10,057</td>
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<td>Other</td>
<td>19,841</td>
<td>22,571</td>
<td>29,314</td>
<td>36,032</td>
<td>42,002</td>
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<tr>
<td>Ordinary Income</td>
<td>Million yen</td>
<td>16,896</td>
<td>20,033</td>
<td>25,983</td>
<td>34,314</td>
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<tr>
<td>Net Income</td>
<td>Million yen</td>
<td>9,336</td>
<td>11,857</td>
<td>15,979</td>
<td>22,952</td>
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<tr>
<td>Total Assets</td>
<td>Billion yen</td>
<td>476,244</td>
<td>677,019</td>
<td>720,344</td>
<td>773,601</td>
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<tr>
<td>Net Assets</td>
<td>Billion yen</td>
<td>104,356</td>
<td>149,895</td>
<td>177,280</td>
<td>205,421</td>
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<tr>
<td>Consolidated Cash Flow</td>
<td>Billion yen</td>
<td>20,459</td>
<td>8,472</td>
<td>11,114</td>
<td>84,123</td>
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<tr>
<td>Cash Flowed by operating activities</td>
<td>20,459</td>
<td>8,472</td>
<td>11,114</td>
<td>84,123</td>
<td>36,272</td>
</tr>
<tr>
<td>Cash Flowed by investing activities</td>
<td>23,667</td>
<td>30,554</td>
<td>(45,548)</td>
<td>(83,815)</td>
<td>(284,580)</td>
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<tr>
<td>Cash Flowed by financing activities</td>
<td>7,511</td>
<td>20,884</td>
<td>42,841</td>
<td>4,192</td>
<td>257,934</td>
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<tr>
<td>Cash and cash equivalents at end of period</td>
<td>Billion yen</td>
<td>117,735</td>
<td>121,646</td>
<td>16,600</td>
<td>21,729</td>
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<tr>
<td>Equity Ratio (1) (%)</td>
<td>21.6</td>
<td>23.2</td>
<td>24.4</td>
<td>26.1</td>
<td>28.6</td>
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<tr>
<td>EBITDA (2) (Billion yen)</td>
<td>26,493</td>
<td>30,092</td>
<td>37,809</td>
<td>44,870</td>
<td>54,678</td>
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<td>Interest Bearing Debt to EBITDA Ratio (3) (Times)</td>
<td>11.7</td>
<td>13.8</td>
<td>12.2</td>
<td>10.5</td>
<td>12.0</td>
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<tr>
<td>Net D/E Ratio (4) (%)</td>
<td>3.0</td>
<td>2.8</td>
<td>2.8</td>
<td>2.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Interest Coverage Ratio (5) (Times)</td>
<td>4.6</td>
<td>1.7</td>
<td>2.0</td>
<td>18.5</td>
<td>8.2</td>
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<tr>
<td>Return on Equity (6) (%)</td>
<td>9.3</td>
<td>9.1</td>
<td>9.8</td>
<td>11.8</td>
<td>13.0</td>
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<tr>
<td>Net Income per Share (Yen)</td>
<td>54.6</td>
<td>22.3</td>
<td>27.0</td>
<td>37.7</td>
<td>52.7</td>
</tr>
<tr>
<td>Dividend per Share (7) (Yen)</td>
<td>3.6</td>
<td>4.5</td>
<td>6.5</td>
<td>10.5</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Changes in Real Estate Business Related Index

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<tr>
<th>Unit</th>
<th>FY12/11</th>
<th>FY12/12</th>
<th>FY12/13</th>
<th>FY12/14</th>
<th>FY12/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate (8) (%)</td>
<td>0.3</td>
<td>0.6</td>
<td>0.4</td>
<td>0.7</td>
<td>0.9</td>
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<tr>
<td>Average Rent (Yen)</td>
<td>20,571</td>
<td>20,024</td>
<td>19,817</td>
<td>20,759</td>
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<tr>
<td>Tokyo central 5 wards (Yen)</td>
<td>26,753</td>
<td>24,420</td>
<td>23,714</td>
<td>25,147</td>
<td>24,510</td>
</tr>
<tr>
<td>Number of Properties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Building)</td>
<td>131</td>
<td>143</td>
<td>141</td>
<td>148</td>
<td>182</td>
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<tr>
<td>Tokyo metropolitan area (Building)</td>
<td>131</td>
<td>143</td>
<td>141</td>
<td>148</td>
<td>182</td>
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<tr>
<td>Other (Building)</td>
<td>18</td>
<td>11</td>
<td>20</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Rentable Area (Building)</td>
<td>492,422</td>
<td>723,924</td>
<td>679,672</td>
<td>774,615</td>
<td>931,229</td>
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<tr>
<td>Tokyo metropolitan area (Building)</td>
<td>393,191</td>
<td>533,333</td>
<td>537,582</td>
<td>633,918</td>
<td>771,049</td>
</tr>
<tr>
<td>Other (Building)</td>
<td>99,231</td>
<td>170,591</td>
<td>142,090</td>
<td>140,696</td>
<td>160,179</td>
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</table>

Main Financial Indicators

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<th>Unit</th>
<th>FY12/11</th>
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<td>94,319</td>
<td>108,444</td>
<td>212,791</td>
<td>169,956</td>
</tr>
<tr>
<td>Operating Income (yen)</td>
<td>749</td>
<td>934</td>
<td>1,083</td>
<td>2,127</td>
<td>1,699</td>
</tr>
<tr>
<td>Net Income (yen)</td>
<td>93</td>
<td>114</td>
<td>169</td>
<td>223</td>
<td>336</td>
</tr>
<tr>
<td>EBITDA (yen)</td>
<td>943</td>
<td>1,225</td>
<td>2,917</td>
<td>4,126</td>
<td>4,209</td>
</tr>
<tr>
<td>EBITDA (50,000 yen)</td>
<td>218</td>
<td>299</td>
<td>257</td>
<td>355</td>
<td>347</td>
</tr>
<tr>
<td>Dividend per Share (yen)</td>
<td>3.6</td>
<td>4.5</td>
<td>6.5</td>
<td>10.5</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Main Non-Financial Indicators

Hulic’s Vision and Strategy

Further evolve Hulic’s distinctive business model to achieve a high rate of growth

Hulic achieved the goal set out in our medium-term management plan (2014-2016), launched in fiscal year 2014, one year ahead of schedule. As a result, we newly formulated a long-term plan called “Hulic 10 Years from Now (2014-2023)” and a new medium-term management plan for 2016 to 2018 as the second step in this vision. In fiscal year 2016 as well, we will inject thorough efforts to innovate and accelerate our initiatives, and strive to maintain and develop our business foundation for the early attainment of the goals set out in the new medium-term plan (2016-2018).

New Long-term Plan “Hulic 10 Years from Now (2014-2023)”

We will establish a business structure whereby the leasing business secures stable profits and balances profit growth with consistent and stable earnings, while growing earnings in segments related to the leasing business. This includes expanding the development business, management business and CRE business. Furthermore, we will develop and expand our business domain in growing fields tied to current needs, with a primary focus on businesses for seniors, businesses for tourism and businesses for the environment (the 3K businesses).

Numerical Target

We will aim to reach ordinary income of 85 billion yen by 2023.

Basic Policy on Business Expansion

We will establish a business structure whereby the leasing business secures stable profits and balances profit growth with consistent and stable earnings, while growing earnings in segments related to the leasing business. This includes expanding the development business, management business and CRE business. Furthermore, we will develop and expand our business domain in growing fields tied to current needs, with a primary focus on businesses for seniors, businesses for tourism and businesses for the environment (the 3K businesses).

We will earn highly positive trust from the markets by carefully monitoring financial stability and business risk.

We will further expand our CSR management and become a company with a solid presence in society. We will strive to be a company where female workers can thrive professionally and where females make up 20% of management positions by 2020.

New Medium-term Management Plan (2016-2018)

Target Profile

While retaining leasing as its main business focus, the Group will pursue innovation that anticipates today’s needs to achieve high rates of productivity and growth.

The new medium-term management plan is the second phase of the long-term plan “Hulic 10 Years from Now,” and will smooth the way for its early fulfilment.

Basic Policies

- Expand portfolio of assets under management in leasing business including REITs
- Link with value-added real estate businesses to combine growth with capital efficiency
- Consolidate 3 main future growth businesses as basis for opening up new real estate-related business domains
- Enter into alliances with external players to expand earning opportunities
- Control appropriately the various risks accompanying expansion of business domains
- Ensure balanced management for sustained growth

Business Strategy

- Building of Solid Lease Portfolio
  - Steady progress with reconstruction to improve portfolio quality
  - Strategic sourcing of corporate real estate (CRE) and other assets for steady portfolio expansion
  - Strategic and plan-based asset management operations to maximize earnings opportunities

- Promotion of Value-added Real Estate Businesses
  - Promote development business based on high-quality properties in prime locations of appropriate scale for the Hulic business model
  - Respond to diverse needs with projects based on acquisition, value enhancement, and resale (e.g. property repackaging)
  - Strengthen support to Hulic REIT in line with sponsor support agreement
  - Reinforce leasing operations to develop strengths in commercial as well as office property

Consolidation of 3 Main Future Growth Businesses and Opening Up of New Business Domains

- Open up new real estate-related business domains in response to changing social structures e.g. combination businesses, seed businesses

- Synergies from Combined Group Strength
  - Increase Group synergies and enter flexibly into alliances and merger and acquisition deals with external players

- Comprehensive Risk Management
  - Ensure sound financial practice through financial control and subject Group businesses to comprehensive risk management

- Implementation of Balanced Management for Sustained Growth
  - Promote balanced management by addressing environment, social, and governance (ESG) issues and taking other initiatives to create value responsive to social needs
Creating Shared Value

Realizing a Society Filled with Peace of Mind and Trust

The Hulic Group provides buildings with excellent safety, environmental performance, and convenience that match the needs of society today (opportunities and risk) through a fusion of management and CSR, creating new added value in the process.

Social Issues Requiring Solutions

- Prevention of global warming
- Measures to address aging in Japan
- Measures to prepare for natural disasters
- Reconstruction from the Great East Japan Earthquake

Hulic’s Contributions to Solutions for Social Issues

- Use of natural ventilation and natural lighting systems, and standardization of long-life buildings
- Development and investment in senior, nursing care and medical facilities
- Adoption of environmentally friendly technologies
- Make efforts in developing senior housing in step with the growing senior population
- Investment in mega solar projects in Fukushima
- Received the real estate industry’s first highest rating of DBJ BCM

Responding to Opportunities and Risks in Social Issues

- Initiatives for Opportunities (Business Development)
  - Standardize long-life building designs
  - Upgrade equipment at existing buildings to highly energy efficient equipment
  - Adopt environmentally friendly technologies
  - Make efforts in developing senior housing in step with the growing senior population
  - Develop, hold and invest in hospitals and long-term care facilities
  - Proactively adopt seismically-isolated and earthquake-damping structures
  - Introduce the latest technologies and equipment at newly constructed buildings
  - Increase earnings of existing properties through rebuilding projects
  - Launch publicly offered J-REITs and improve asset management business
  - Engage in tourism business centered on hotels

- Preparations for Risks (Infrastructure Reinforcements)
  - Prioritizing business domains based on changes in social structure
  - Establishing a business continuity plan (BCP) and conducting BCP training
  - Establishing BCP based on collaborative structures with pertinent organizations and developing and commercializing building and facility earthquake resistance services
  - Improving the earthquake resistance of company-owned buildings
  - Rebuilding with a focus on seismically-isolated and earthquake-damping structures
  - Liquefaction countermeasures and measures against flood damage
  - Real estate portfolio centered on downtown Tokyo

Business Opportunities

- Demands from society for eco-friendly buildings
- Rising demand for renewable energy
- Growing market for seniors following advancements in aging societies
- Boost demand for safe and secure buildings
- Spurring on the real estate market through the 2020 Tokyo Summer Olympics, the increase in the number of tourists to Japan, and urban revitalization

Business Risks

- Market changes caused by changes in social structure
- Risk of earthquake occurring in Tokyo where our portfolio is concentrated
- Risk of deteriorating real estate market conditions due to a prolonged downturn in Japanese economy
- Risk of rising financing costs caused by turbulent financial markets

Value for Society

- Improve the conditions of global environment
- Realize a society where seniors live in peace
- Help achieve safe and comfortable lifestyles
- Help revitalize disaster-hit economies, etc.

Value for the Hulic Group

- Enhance earnings power
- Fortify financial soundness
- Capture market share
- Enhance brand value
- Enhance building technologies
- Secure stable profits
- Enhance expertise of personnel
- Co-exist with local communities
- Achieve business continuity, etc.

Creating Shared Value with Society

Creating amenity. Promoting peace of mind. Creating shared values with society and sustainably developing
Based on the matters of concern for stakeholders, we identified the material issues that we should continue to put effort into in order to continue achieving sustainable growth.

Hulic identifies material CSR issues that we should continue to focus on, in order to meet the needs and expectations of our stakeholders, and contribute to society while achieving sustainable growth. In fiscal year 2015, we reviewed the material CSR issues that we have uncovered to date and further identified four new themes as material issues. Amidst the diversification of social issues and matters of concern for stakeholders, we will continue to focus our efforts on such priority issues and ensure the effective promotion of CSR activities.

Communication with stakeholders

The Hulic Group is committed to realizing a sustainable society by delivering environmental, social and economic value through interactive communication with all of its stakeholders.

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**Material CSR Issues**

We were highly appraised by various external institutions as a result of the proactive efforts that we put into the ESG (Environment, Society, and Governance) issues that stakeholders place emphasis on.

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**Process to Identify Material Issues**

1. **Issue identification**

   Based on international CSR guidelines including the GRI’s, (Global Reporting Initiative) G4 Sustainability Reporting Guidelines and ISO26000, 60 CSR issues that should be reviewed were identified.

2. **Evaluation of materiality from the perspective of stakeholders**

   The materiality of the issues identified in Step 1 was evaluated separately for Hulic’s seven stakeholders. In conducting the evaluation, scores were allocated based on feedback from external experts, obtained through sources such as the behavioral guidelines of our major customers, OECD Guidelines for Multinational Enterprises, ESG surveys from institutional investors and NGOs, various survey reports, press reports, the Environmental Advisory Council, and third-party opinions in the CSR Report.

3. **Evaluation of materiality from Hulic’s perspective**

   The materiality of the issues identified in Step 1 was evaluated from the perspective of their impact on Hulic’s management. In conducting the evaluation, scores were allocated based on factors such as the business strategy, significant risks and management issues, and strengths identified and set forth in the new 3-year medium-term management plan.

4. **Combining the evaluation of materiality from the two perspectives and finalizing the material issues**

   The 17 issues with a high level of materiality for both stakeholders and Hulic’s management were identified, and organized into four candidate material issues. After interviews and coordination with the relevant internal departments, and approval from the directors in charge of CSR, these four material issues were finalized.

Going forward, we will continue to review, as necessary, the material CSR issues that have been identified, and ensure the effective promotion of CSR activities.

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**Identified Material CSR Issues**

**Environmental**

- Energy
- Renewable energy
- Compliance (environment)
- Overall environment

**Society**

- Marketing communication
- Advanced technology/ research and development
- Secure products and services
- Compliance (society)
- Local communities
- Diversity and equal opportunities, etc.

**Governance**

- Risk evaluation/ Risk management
- Anti-competitive practices
- Corruption prevention

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**Corporate Social Responsibility Report**
We have established key performance indicators (KPI) and targets for each issue for the effective promotion of CSR management.

Items marked with * are items with target values set as KPI, while figures marked with ** are those that have been assured by an independent assurance provider. Items in blue have been newly established as material issues for this fiscal year.

### Material Issues
- **Key Performance Indicators (KPI)**
  - **Participation rate in the Board of Directors’ Meeting**
    - Fiscal year 2015:
      - **Fiscal year 2015:** 100%
      - **Fiscal year 2016:** 100%
    - **Performance Boundaries:**
      - **Fiscal year 2015:** 100%
      - **Fiscal year 2016:** 100%
  - **Amount of waste (t)**
    - Fiscal year 2015:
      - **Fiscal year 2015:** 1,145
      - **Fiscal year 2016:** 1,127
    - **Performance Boundaries:**
      - **Fiscal year 2015:** 1,145
      - **Fiscal year 2016:** 1,127
  - **Water consumption (㎥)**
    - Fiscal year 2015:
      - **Fiscal year 2015:** 164,037
      - **Fiscal year 2016:** 164,037
    - **Performance Boundaries:**
      - **Fiscal year 2015:** 164,037
      - **Fiscal year 2016:** 164,037

### Environmental measures
- **Promotion of new investments for renewable energy**
  - Fiscal year 2015:
    - **Fiscal year 2015:** 3 investments
    - **Fiscal year 2016:** 4 investments
  - **Performance Boundaries:**
    - **Fiscal year 2015:** 3 investments
    - **Fiscal year 2016:** 4 investments

### Diversity and work-life balance
- **Promoting employment of the disabled**
  - Fiscal year 2015:
    - **Fiscal year 2015:** 1 project
    - **Fiscal year 2016:** 2 projects
  - **Performance Boundaries:**
    - **Fiscal year 2015:** 1 project
    - **Fiscal year 2016:** 2 projects

### Strengthening the business strategy toward resolving social issues
- **Improvement of systems to develop women’s careers**
  - Fiscal year 2015:
    - **Fiscal year 2015:** 2 projects
    - **Fiscal year 2016:** 3 projects
  - **Performance Boundaries:**
    - **Fiscal year 2015:** 2 projects
    - **Fiscal year 2016:** 3 projects

### Strengthening corporate governance and risk management
- **Participation rate in the Board of Directors’ Meeting**
  - Fiscal year 2015:
    - **Fiscal year 2015:** 100%
    - **Fiscal year 2016:** 100%
  - **Performance Boundaries:**
    - **Fiscal year 2015:** 100%
    - **Fiscal year 2016:** 100%

In order to improve while objectively assessing CSR activities, we have established key performance indicators (KPI) and targets for each material CSR issue. For non-priority issues, we have adopted an assessment indicator that helps us monitor the results of the implementation of initiatives. This fiscal year, we received assurance from an independent assurance provider concerning the following six items: power and gas consumption, CO₂ emissions and CO₂ emissions intensity (Scope 1, Scope 2), number of green projects, usage rate of paid leave, employment rate of the disabled, and percentage of employees who received medical checkups.
Initiatives for Our Tourism Business

Hulic takes the lead in capturing the needs of the times and promotes the creation of social and economic value.

Special Feature

Case study 1: Developing THE GATE HOTEL brand

THE GATE HOTEL KAMINARIMON by HULIC / THE GATE HOTEL TOKYO by HULIC (provisional name)

THE GATE HOTEL KAMINARIMON by HULIC, which opened in August 2012, was the first hotel to be directly operated by Hulic. The hotel is located right in front of Kaminarimon in Asakusa, an area that is well frequented by many foreign tourists. From the planning stages for this hotel, we have paid attention to providing a comfortable space for both hotel guests and all people in the local community, in line with our thematic concept of “Intimate.” In the management aspects, we have taken care to provide not only comfort in the hotel but also a wonderful journey to our customers. As a part of this commitment, the Asakusa Concierge, which comprises staff members with exhaustive knowledge of Asakusa, provides information about the local Asakusa area. Based on the principle of diversity among hotel employees, we have recruited a richly international team that is able to provide multilingual support for customers from different countries. For these initiatives and efforts, we have been rated with one pavilion in the Michelin Guide for four consecutive years since 2013 and placed 10th in the best hotel category as well as 8th in the service category in TripAdvisor’s Travelers’ Choice Award 2016. We also took a proactive stance in prolonging the lifespan of the building and ensuring its environmental performance and were selected as a CO₂ Reduction Leading Project by the Ministry of Land, Infrastructure, Transport and Tourism. THE GATE HOTEL TOKYO by HULIC (provisional name), which we are currently working on, is the second hotel in Hulic’s proprietary hotel business. The area that we are developing is within the Ginza/Yurakucho districts, positioned as a priority area by Hulic, and close to the Sukiyabashi intersection. This is an excellent location facing Harumi-dori. Taking advantage of the potential of this development, we have positioned this hotel as a “flagship development” of the Company’s tourism business. In the aspects of management and building, we aim to create a hotel that is highly appraised by everyone, as THE GATE HOTEL, KAMINARIMON by HULIC is, and hope to provide a solution to what is perceived as a growing problem in Japan.

Case study 2: Acquiring and developing luxury hot spring inns

Hakone Suishoen, Atami Fufu, ATAMI Kai-Ho-Rou / Lake Kawaguchi Fufu Plan (provisional name)

Foreign tourists to Japan have traditionally traveled in group tours. However, there is now growing demand for independent travel to match personal interests and preferences. Moreover, travel has been ranked as the top need among senior citizens in Japan, who are the new leaders of consumption, and trends show that they prefer traveling at high unit costs. In light of such trends among domestic and foreign travelers, one of the issues that confronts the country is the provision of accommodation facilities that can match the increasingly diversifying needs. By acquiring and developing luxury Japanese-style inns, Hulic seeks to contribute to tackling this issue. We acquired Hakone Suishoen and Atami Fufu in April 2015, and ATAMI Kai-Ho-Rou in February 2016. We have also begun work on the Lake Kawaguchi Fufu Plan (provisional name), for which construction is scheduled to be completed in 2018. Going forward, our policy is to develop/acquire about 10 luxury hot spring inns in hot spring resort areas located about two hours away from the heart of the Tokyo.

In March 2016, the Government of Japan held the “Council for the Development of a Tourism Vision to Support the Future of Japan,” which represents its new vision for the sector. During this meeting, it established the goals of welcoming 40 million foreign visitors to Japan by 2020 and 60 million foreign visitors to Japan by 2030.

In the Medium-Term Management Plans formulated in 2014 and 2016, the Company established the 34 businesses (Koresha (seniors), Kanko (tourism), and Kankyo (environment)) as priority sectors. In 2014, we established a specialized tourism department, the Tourism Business Development Department, as part of our efforts for the various problems confronting the tourism sector in Japan, promote businesses that meet the needs of customers, and explore new areas.

Inadequate accommodation facilities in Japan, and there is a need to address this problem as soon as possible. Furthermore, there are also calls for a wider range of accommodation facilities to match the needs of diverse travelers from Japan and overseas. Based on these social trends, Hulic recognizes that the tourism industry, and particularly the area of tourism accommodations, is a rapidly growing sector. In order to contribute to the resolution of various social issues, and at the same time, anticipate business growth for Hulic, we have established the four pillars shown on the left in order to focus our efforts on developing our business in the tourism sector (particularly the accommodations sector).

Social issues

Developing THE GATE HOTEL brand, a business directly managed by Hulic

Investment in and development of other hotels

Financing other hotels

Acquiring and developing luxury hot spring inns

Hakone Suishoen, Atami Fufu, ATAMI Kai-Ho-Rou

Efforts, including easing visa regulations in Japan and the nationwide campaign to draw visitors to Japan, have been successful, resulting in a rapid increase in the number of foreign tourists visiting Japan today. In 2015, the number of foreign visitors to Japan reached 19.73 million, close to the goal of 20 million people established by the government for 2020. At the same time, in March 2015, the Government of Japan announced its target of welcoming 60 million visitors to Japan by 2030. In tandem with this growth in the number of foreign tourists, there has also been rising demand in travel needs among the new consumption leaders in Japan, which comprise the wealthy class, senior citizens, and baby-boomers. This has brought about a shortage in existing accommodation facilities in Japan, and there is a need to address this problem as soon as possible. Furthermore, there are also calls for a wider range of accommodation facilities to match the needs of diverse travelers from Japan and oversees. Based on these social trends, Hulic recognizes that the tourism industry, and particularly the area of tourism accommodations, is a rapidly growing sector. In order to contribute to the resolution of various social issues, and at the same time, anticipate business growth for Hulic, we have established the four pillars shown on the left in order to focus our efforts on developing our business in the tourism sector (particularly the accommodations sector).

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We have formulated an environmental policy that embodies our CSR vision, and practice management that gives consideration to the environment.

**Hulic Environmental Policy**

1. **Environmental Compliance**
   - We strive to create a sustainable society while conforming to environmental laws and regulations.

2. **Environmental Management System**
   - With environmental targets set, we make continuous efforts for improving them while contributing to the conservation of the global environment.

3. **Environmental Performance**
   - We reduce as much of our environmental load as possible by introducing eco-friendly design from the planning stage of development in order to increase environmental efficiency.

4. **Recycling Society**
   - We contribute to the creation of a recycling society, promoting 3R, “Reduce, Reuse, Recycle,” through a life cycle of building.

5. **Environmental Awareness and Education for Employees**
   - We work on environmental education and awareness activities in order to enable each employee to voluntarily act toward the improvement of environmental performance.

6. **Environmental Communication**
   - We widely disclose information on Hulic’s environmental contribution activities, and communicate with stakeholders including local communities in order to expand the circle of global environmental conservation.

**Consideration for Sustainability in Real Estate Development and Investment**

Hulic is committed not only to sustainable real estate investment in accordance with the Basic Principles of Corporate Conduct and our Code of Conduct, but has also formulated separate regulations on managing real estate purchases and development. When conducting an investigation of the acquisition of real estate, Hulic always carries out statutory regulations and conducts studies on natural environment, specified hazardous substances, and the presence of underground obstacles. In negotiations with communities, we are fully mindful of impacts that our business will have on the surrounding living environment and strive to maintain a positive relationship with the community, especially with regards to sunlight issues, noise, safety, wind damage, privacy, interference with radio waves and view. When outsourcing design or project management, in principle, we only hire design offices with the right technologies, credibility, and track record. As for construction work, depending on the use, scale, and the degree of difficulty of the construction, in principle, we outsource the construction to companies that meet the same conditions as above.

**Environmental Management System**

Hulic Group is smoothly executing the PDCA Cycle with its unique Environmental Management System (EMS) built based on the “Hulic Environmental Policy.” This system is operated cooperatively with Group Companies, according to targets set by the environmental project team headed directly by the President. In order to monitor the progress in environmental activities of Hulic Group, we use evaluations by the “Risk Management Committee” for internal matters and by the “Environmental Advisory Council” for external ones. The result is reported to the CSR Committee and reflected in reviewing the environmental promotion system and setting targets.

**Environmental Advisory Council**

We have an Environmental Advisory Council in place to assess Hulic’s environmental activities. Frank opinions and advice provided by external experts with knowledge concerning environmental issues and objective viewpoints are reflected in medium- and long-term environmental plans.

**Medium to Long-term Goal and Road Map**

We aim to reduce total CO₂ emissions by 25% from 1990 to 2020.

**Promoting reconstruction with energy-saving designs**

We have actively pushed ahead with reconstruction projects. Being able to incorporate various energy-saving technologies at the stage of design, new buildings can significantly reduce CO₂ emissions with overwhelmingly excellent energy efficiency.

**Energy-saving renovations**

We have used the natural energy system (natural ventilation and natural lighting) jointly researched with the Massachusetts Institute of Technology (MIT) to fundamentally improve the energy efficiency of lighting and air conditioning and reduce CO₂ emissions by curbing the energy consumption of buildings.
Indirect Greenhouse Gas Emissions Related to Business Activities (Scope 3)

The Hulic Group calculates not only its own emissions (Scope 1 and Scope 2), but also indirect emissions related to its business activities (Scope 3) to broadly understand and lower greenhouse gas emissions from across the entire value chain. For this reason, we have calculated the greenhouse gas emissions including the entire value chain based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2. Published by the Ministry of the Environment. The scope of this calculation includes carbon dioxide (CO₂) produced and emitted from business activities at the Hulic Head Office Building.

Activities to Promote Energy-saving Cooperation with Building Management Companies

Hulic has established an energy management contract with the property management companies in charge of its properties in order to rigorously manage the progress of its energy conservation efforts. This indicator has been created in order to promote more efficient energy conservation activities at our company-owned lease properties and it serves as a guideline for the management, measurement, recording, maintenance, and inspections related to the rationalization of energy usage based on building type and size. This indicator is applied to all forms of energy, including electricity, gas, and water, used at our company-owned lease properties and the Hulic Head Office Building. Under the supervision of the Real Estate Planning Department, this indicator is used to manage facility operations, measurements and recording, and maintenance inspections through the property management companies and building maintenance companies for our company-owned lease properties in order to rationalize energy use.

Energy Conservation Promotion Facilities Management Organizational Diagram

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Effective Use of Renewable Energy

**Natural Ventilation System**
If the load from air conditioning can be lessened by making the maximum use of natural energy to curb energy consumption, CO₂ emissions can be reduced significantly. To introduce a natural ventilation system, joint research with MIT was conducted, in which the flow of air and other factors were meticulously simulated. The natural ventilation used in the Hulic Head Office Building is not simply an auxiliary system for mechanical air conditioning. It was actually used to successfully cool the entire building during seasonal intervals. A silencer chamber is also used for the intake opening, which worked to realize the use of a natural ventilation system in a dense urban area with high-level noise.

**Natural Lighting System**
Our natural lighting system uses specially shaped natural lighting anidolic louvers co-developed with MIT to capture constantly changing sunlight on the ceiling of rooms during changing seasons and times (elevation and orientation) without the use of power. Highly reflective metal panels are used for interior ceilings, which supply a consistent amount of pleasant natural light to the top of office desks. This system has been installed at the Hulic Head Office Building as well as at the Hulic Shinjuku Building and other buildings. We currently have a patent pending for this natural lighting system.

**Mega Solar Power Project**
With environmental issues becoming more serious, in November 2014, Hulic decided to invest and become involved in a mega solar power plant project located in Hirono Town, Fukushima Prefecture, in order to address society’s need for such facilities and to strengthen its efforts toward environmental management, which represents one aspect of its 3K businesses. The other goal of our involvement is to provide assistance to the rebuilding effort in the aftermath of the Great East Japan Earthquake. We expanded the initiative to Ogyoama Town in Kasama City, Ibaraki Prefecture in 2015, and to Yokoshibaibashi Town in Sanbu District, Chiba Prefecture in 2016. Using the solar power plants in the three locations mentioned above, we are also working toward the achievement of ZEB. ZEB is an acronym for zero energy building. ZEB means that a building uses zero net primary energy annually thanks to improvements made in the energy efficiency of the building and its facilities as well as the use of renewable energy.

**Effects of Mega Solar Power Project**
- **Effect ❶** Reduce GHG through the Use of Renewable Energy
- **Effect ❷** Electricity Sales Income and Acquisition of Maintenance Business Know-How
- **Effect ❸** Contribution to the Great East Japan Earthquake Recovery Effort

**Installation of Solar Heat Panels**
Hulic’s hotels, multi-unit apartments and buildings that require large amounts of hot water adopt a solar water heating system, which uses solar panels to collect the sun’s heat. Water created using this system is supplied to residential units, dormitories and kitchens, among other facilities inside a building.

**Installation of Solar Heat Panels**
Hulic’s solar water heating system was partially funded by the grant to support measures for speeding up the use of renewable heat sources and the grant to projects to promote the introduction of solar heating for multi-unit buildings in Tokyo in fiscal year 2014.

**Amount of Electricity Generated by Solar Power (designated value)**
- Hulic Head Office Building: Approx. 9,400 kWh per year
- Hulic Asakusabashi Building (PPP project): Approx. 15,850 kWh per year
- Hulic Osaka Building: Approx. 10,000 kWh per year
- Hulic Ginza Building: Approx. 6,550 kWh per year
- Hulic Kyobashi Building: Approx. 4,700 kWh per year
- Hulic Anyama Building: Approx. 4,000 kWh per year
- Hulic Court Yukigaya: Approx. 28,500 kWh per year
- Hulic Residence Nishi Os: Approx. 23,100 kWh per year
- Sunny Life Funabashi: Approx. 16,800 kWh per year
- Sunny Life Tokyo Shinjuku: Approx. 5,000 kWh per year
- Charm Suite Shukkujien: Approx. 5,800 kWh per year
- Hulic Residence Chuo Shibasaki: Approx. 5,200 kWh per year

**Photovoltaic Generation System**
When a photovoltaic cell module is installed on the rooftop of a building, the power generation status and the amount of CO₂ reduced are indicated on a “power generation display panel.” The display panel is installed at a place where building users can easily see it to practically visualize CO₂ emissions. On the rooftop of Hulic Shimura-sakae, completed in 2015, a 10 kW photovoltaic generation system with a capacity to generate upwards of 10,000 kWh of electricity every year has been installed.

**Installation of Photovoltaic Panels on an Exterior Wall**
The Hulic Ogikubo Building is open to a major arterial road on its south side, providing ideal conditions for sunlight exposure. Capitalizing on this, we used a unique and extremely thin photovoltaic panel that is sandwiched between glass panes to create a building material for the facade (front of the building). The panels form part of a 3.5 kW system capable of generating upwards of 1,500 kWh of electricity annually.

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**Effects of CO₂ Reduction**
<Calculations at the Hulic Head Office Building>
CO₂ can be effectively reduced by introducing such top-level environmental technologies. In CASBEE (Comprehensive Assessment System for Built Environment Efficiency), BEE scored 3.3, corresponding to a rank S.

- **PAL**: 225 Mj/year m² - Standard value of office buildings minus 25%
- **ERR**: 35% - The highest class in the energy-saving performance standard of Tokyo metropolitan government
- **CO₂ emissions reduction**: 40% reduction compared to an average office building in the Tokyo Metropolitan Government’s energy efficiency performance standards.
- **CO₂ emissions**: 1,352 Mj/m² per year

**Planned building**
- Primary energy consumption: 1,352 Mj/m² per year
- CO₂ emissions: 59 kg CO₂/m² per year (432 t CO₂ per year)

**Improvement in energy efficiency**
- Improvement in outer coat: -11% (-79 t CO₂)
- Natural lighting: -12% (-80 t CO₂)
- Natural ventilation: -8% (-58 t CO₂)
- High efficiency air conditioning: -6% (-36 t CO₂)
- High efficiency lighting: -4% (-29 t CO₂)

**Solar heat collection panels (Hulic Setagaya)**
- Solar elevation and orientation change depending on times and seasons.
- Anidolic louver unit
- Wooden blind
- Exterior
- Office
- Light-reflecting surface on the ceiling

**Hirono Town Solar Power Plant**
- OGyama Town Solar Power Plant

**Hulic Residensce Chofu Shibasaki: Approx. 5,200 kWh per year**
**Hulic Aoyama Building: Approx. 4,000 kWh per year**
**Hulic Kyobashi Building: Approx. 4,700 kWh per year**
**Hulic Shimura-sakae, completed in 2015, a 10 kW photovoltaic generation system with a capacity to generate upwards of 10,000 kWh of electricity every year has been installed.**
Biodiversity/Encouraging Greening

Creating a New Standard of Buildings that Last 100 Years
“Hulic Guideline for Longer Life Service” is composed of three ideas: 1) high earthquake resistance and high durability; 2) smoother updating and renewal; and 3) ease of maintenance. High-grade building frames are ensured so as to continue to be used for over 100 years in safety, and on the other hand we have created the possibility to reform a building’s exterior to be up-to-date through a flexibly modified layout.

Hulic Guideline for Longer Life Service

1) High quake resistance and high durability
Structural frames shall be robust so they can be safely used over 100 years.
- Ensure the grade of quake resistance as high as hospitals and disaster prevention bases.
- Thoroughly control the quality of works by designating details of design conditions for concrete and construction materials

2) Smoother updating and renovation
We adopt a design capable of responding flexibly to future needs, and establish plans of updating and renewal without the need to make tenants move out.
- Flexibly respond to future changes in use purposes and layout, with spare ceiling height room and floor loading capacity, as well as a flexible partition wall and a system ceiling.
- Ensure the space to install spare pipes and equipment and prepare backup facilities, etc. so as to continue business even during the period of works for updating and renewal.
- Especially in commercial buildings, adopt the interchangeable facade system capable to meet needs, in order to avoid the building exterior to become obsolete.

3) Ease of maintenance
We formulate plans enabling timely and meticulous maintenance in order to keep sophisticated building specifications and optimal building functions constantly.
- Use gondola for maintenance, including the cleaning of window glass and inspections of the building exterior.
- Install an elevator reaching the rooftop to carry materials there.

Adoption of the PC Method
From the standpoint of a business owner, we proactively adopt the PC method, which can significantly reduce the amount of waste. This method, which can shorten a construction period and minimize impacts on surrounding environments during a period of construction, is highly appreciated in terms of longer service life. In recent years, the PC method was used for Hulic Residence Chofu (Shibasakai).

Environmental Advantages of Longer Life Buildings

<table>
<thead>
<tr>
<th>Amount of Resources Input</th>
<th>LCCO₂ (Life-Cycle CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard proposal</td>
<td>263.26 kg-CO₂/yr²</td>
</tr>
<tr>
<td>Longer life building proposal</td>
<td>247.95 kg-CO₂/yr²</td>
</tr>
</tbody>
</table>

Target for comparison
- Standard proposal: The case of construction once in 40 years
- Longer life building proposal: The comparison of a longer life building which can be renovated without the need to move tenants out

Effects
As 3/4 of LCCO₂ is CO₂, that accompanied energy consumption, the effect of a reduction in CO₂ emissions thanks to extended service life is underestimated. However, the amounts of resources injected and waste generated are reduced 52% or more.

Approaches to JHEP Certification
Hulic carries out efforts to conserve and restore local vegetation as part of its reconstruction projects for company-owned properties from the standpoint of safeguarding biodiversity. Our approach to biodiversity and many projects have received high praise within the JHEP certification scheme operated by the Ecosystem Conservation Society of Japan.

Case Study/ Hulic Setagaya Construction Project
This initiative was a reconstruction project for approximately 7,200m² (total floor area) that was carried out at Taishido, Setagaya Ward in Tokyo from 2013. In line with the concept of achieving harmonious design between a residential facility and aanking branch, native species such as oak trees, Japanese privet shrubs, rhododendron, and lily turf were planted all over the building. In order for this project to fulfill the accreditation criteria, the shortfall in points was complemented by the Grand Gaugeidaigaku project that was accredited in May 2013. As a result, this project was successfully accredited. While the property is located in the commercial area in front of a station, greening initiatives have been adopted on the rooftop and walls of the building as a part of efforts to improve biodiversity.

Greening Initiatives
We have put emphasis on greening which can effectively ease the heat-island phenomenon as a part of our measures against global warming. Proactively planting trees and plants on premises, we provide places where people living in the town can relax, for example, in the shade of a tree providing comfort in the summer. Our greening project aims to create lush green urban spaces and to harmonize with nature while considering biodiversity.

Greening on Rooftops and Premises
It is possible to achieve energy-saving effects such as reducing air conditioning loads and improving heat insulation performance by blocking sunlight with roof greening to prevent heat accumulation in concrete. As for greening of office buildings, we take the improvement of scenery, the condition of the location, ease of repairs, and vegetation that can withstand strong winds as our main considerations when selecting a plant.

Green Wall
Covering a building exterior with plants, wall greening can be a countermeasure against the heat-island effect by utilizing the transpiration effect. In addition, it improves the amenities of the building, soothing effects for people walking on the street are also expected.

Initiatives at Shinagawa Season Terrace (Joint Project)
Shinagawa Season Terrace is a joint project involving Hulic, NTT Urban Development Corporation, Taisei Construction Corporation, and Tokyo City Development Co., Ltd. The creation of extensive green space spreading to the approximately 3.5 hectare site for generating communication and an active community has earned a great deal of praise. It received certification in fiscal year 2014 from the Organization for Landscape and Urban Green Infrastructure’s Social and Environmental Green Evaluation System (SEGES) as a development project that contributes to society and the environment through greenery conservation and creation (SEGES urban development).

Corporate Social Responsibility Report
Thorough Implementation of an Earthquake Resistance Diagnosis and Seismic Reinforcement

As Japan is one of the countries where earthquakes most frequently occur, Hulic, a real estate business operator, regards earthquake countermeasures as one of the top priorities in its CSR initiatives. We believe it is our responsibility to strive to ensure earthquake-proof building safety, in order to enable tenants to conduct social activities with ease.

Earthquake Resistance Diagnosis, Reinforcement Works, and Confirmation of Validity of Structural Calculation

We diagnosed the earthquake resistance of all Hulic’s properties that were built before the new earthquake resistance standards were established 14, and almost all buildings that did not meet the earthquake resistance standards underwent seismic reinforcement. In relation to the office buildings which were determined to require reinforcement 14 although constructed after the new earthquake resistance standards, we also rechecked their structural calculations to confirm the validity of their structural design.

Liquefaction Countermeasures

After the Great East Japan Earthquake, extensive regions including coastal areas suffered from the occurrence of liquefaction phenomena which caused leaning and sinking of buildings. According to the liquefaction map, it was found that 11 buildings owned by Hulic are located on the ground with a possibility of liquefaction. When designing those buildings, we carefully checked the possibility of liquefaction, and implemented preventive measures as needed. As they were also constructed on a pile foundation resistant to liquefaction, it can be considered that Hulic’s buildings would not be influenced by liquefaction.

Measures against Water Damage

When electric facilities, etc. are damaged by flood in a basement, the supply of power which is essential for the use of buildings may stop. We investigate the status of buildings with power receiving and transforming facilities and private power generators installed in the basement, and implement necessary flood control measures, in preparation for unexpected tsunamis.

Proactive Adoption of Earthquake-absorbing and Earthquake-damping Structures

In order to protect human life and functions of facilities from large scale earthquakes, we have imposed high seismic capacity on newly constructed buildings. With the aim of protecting customers’ lives and contributing to business continuity, we have proactively adopted an earthquake-absorbing or earthquake-damping structure which is effective at ensuring a high seismic capacity, in addition to other measures to improve the seismic capacity.

Earthquake-absorbing Structures

By separating the building from the ground with a mechanism called an isolator, seismic energy is absorbed to reduce the intensity of shaking to 10%–50% compared to other general earthquake-resistant structures. It is also a characteristic that there is hardly a difference in shaking between upper floors and lower floors. Sendai First Tower, a jointly developed building completed in Sendai where earthquakes frequently occur, is one of the few buildings with this earthquake-absorbing structure. This stance toward security has been highly admired.

Earthquake-damping Structures

With earthquake-damping materials (earthquake damper) installed inside the building, internal seismic energy is absorbed to reduce the intensity of shaking from half to one thirds compared with other general earthquake-resistant structures. In addition to the case of increasing the safety further by combining this with a earthquake-absorbing structure, we preferentially employ the earthquake-damping structure in the case that the earthquake-absorbing structure is physically unavailable due to constraints including land contours. Hulic has incorporated this method in many properties.

Providing a Comprehensive Package of Business Continuity Consulting

Hulic and Sampo Japan Nipponkoa Risk Management Inc. have concluded a business tieup agreement to develop and commercialize a service for jointly supporting the business continuity planning of companies that own office buildings and other business facilities and for providing consultations regarding building and facility earthquake resistance. This service will be provided in a comprehensive package of business continuity consulting solutions. This arrangement fully leverages the strengths of both Hulic and Sampo Japan Nipponkoa Risk Management to provide business continuity planning support to customers that must maintain a high degree of business continuity.

Quality Control of Office Buildings

While property management companies conduct management work for the buildings owned by Hulic, personnel from the Hulic Group responsible for buildings conduct visits to each of these property management companies once a year to inspect their management conditions. Items to be evaluated include legal compliance, inspection of building and facilities, risk management, management organization, and security. By providing feedback to the property management company about improvement plans, when needed, we are taking steps in all buildings to maintain high quality. Additionally, we systematically carry out maintenance and repair work in an effort to ensure preventive maintenance. However, when we receive complaints from customers due to a temporary breakdown in equipment and other troubles, not only personnel from the relevant property management company but also Hulic Group engineers with expertise quickly head to the customer’s site. Through our early response capabilities, we provide a full support for the comfortable life of customers.

Customer Satisfaction Survey

We conduct a customer satisfaction survey once a year to ensure tenants of Hulic’s office buildings (corporate tenants) are able to utilize the buildings comfortably. Survey items include matters concerning building hardware and software, and customer views on their everyday life. We check the responses of customers and then take steps to identify latent customer needs and make improvements. As a result of the survey in fiscal year 2015, some 95% of corporate tenants were satisfied overall. This has helped us earn a highly positive reputation for our quick response to troubles and facility reinforcement for resolving issues, such as eliminating odors, as well as our systematic approach to facilities improvement (upgrading of air-conditioning and parking facilities), which leads to even greater overall satisfaction for the building.

Proactive Adoption of Earthquake-absorbing or Earthquake-damping Structure

TOPICS:

- Hulic Uchikanda Building Receives Good Design Award 2015
- Hulic and Sampo Japan Nipponkoa Risk Management Inc. have concluded a business tieup agreement to develop and commercialize a service for jointly supporting the business continuity planning of companies that own office buildings and other business facilities
- Providing a Comprehensive Package of Business Continuity Consulting
- Quality Control of Office Buildings
- Customer Satisfaction Survey
- Hulic has incorporated this method in many properties.
The 3rd Hulic Odenma Summer Festival
In October 2012, Hulic moved its head office to Nihonbashi Odenma-cho. In July 2013, we held the “Hulic Odenma Summer Festival” at the Hulic Head Office Building, partly intending to introduce ourselves to the people in the community. Thanks to the overwhelmingly positive feedback, we decided to continue to hold the 3rd Odenma Summer Festival in July 2015. Various people came to the festival, including local children and workers in the neighboring area, thanks to the cooperation of the community association of Odenma-cho-Ninobu. We hope to be able to establish ties among people in the communities through such activities. In addition, we donated proceeds of 225,700 yen from sales at the festival to a volunteer organization, in addition to the amount collected through the seventh matching gift program.

Support for the Shogi (Japanese Chess) Festival
Hulic sponsored the Japan Shogi Association Shogi Festival (an event supporting reconstruction from the Great East Japan Earthquake) that was held in Miyagi, Iwate, and Fukushima from September to October 2015 in the view of supporting disaster area reconstruction and Mecenat (artistic and cultural support). This activity is an event started in 2012 by professional Shogi players of the Japan Shogi Association. Hulic has supported the opening of the festival each year since fiscal year 2013. We hope that this event will be encouraged among people, including the hearts of people affected by the disaster, and also spread the Shogi culture.

Donation to Ashinaga Scholarship Society
The Hulic Group has been making a monthly donation of 50,000 yen to the Ashinaga Scholarship Society since June 2011, and a certain amount of money has also been donated every month to this Scholarship Society for four years from the Company’s directors and employees who wish to participate in this initiative in an effort to provide continuous support for the living and schooling of the children who will forge the future of this country by supporting children left as orphans following the Great East Japan Earthquake. May 2015 represents the initially agreed upon end of the donations, but we have decided to continue making these donations for another four years given the fact that continuous support is still needed in the disaster-struck areas, including the overwhelming loss of life and homes, and the reality of life in the temporary shelters. After the move was completed, the homeowner thanked us and offered us tea. I was happy to have come as a volunteer to help them in starting their new lives. Progress has been made in infrastructural development, and there are now fewer places where marks of the tsunami still remain. However, I strongly feel that the local residents still have a long way to go toward rebuilding their lives. Even though the earthquake disaster has passed, the disaster has not ended. Regardless of the form that it takes, efforts to sustain the ties with the disaster-struck areas will contribute to preventing the earthquake disaster from becoming a forgotten part of history. I would like to continue with these support activities going forward.

Paid Leave for Employees Involved in Volunteer Activities
The Hulic Group has established paid leave for employees involved in volunteer activities in order to support and nurture their efforts to give back to the community and help to foster an attitude of wanting to address issues facing society. Employees are eligible to take up to 20 consecutive days of paid leave (considered a special leave of absence) to take part in philanthropic activities that give back to society. To encourage employees to use this leave, we provide not only information on social contribution activities, but also increase interest by sharing the volunteer experiences of employees with the entire Company through our in-house intranet system.

Community Cleanup Activities/Flowerbed Maintenance Activities
Hulic, Hulic Building Management and Hulic Presserve participate in the monthly Machikado Cleanup Day organized by Chuo Ward. Additionally, Hulic Office Service as well as these three other companies take part in Garbage Zero Emission Day, a cleanup activity which is also organized by Chuo Ward. In fiscal year 2015, we also participated in the “Hana Saku Machikado” activity organized by Chuo Ward, where we carried out flowerbed maintenance activities. These activities are gradually establishing themselves as a new space for communication with the local community and other employees while advancing the beautification of the town.

Supporting Employees to Conduct Social Contribution Activities
Matching Gift Program
Launching the matching gift program in June 2008, Hulic established the “Hulic Fureai Fund,” which deducts 100 yen every month from the salary of employees who want to take part in the program (300 yen for directors), and donates the collected money by lottery drawings selected by majority vote of all employees. Hulic, Hulic Insurance Service, Hulic Building Management, and Hulic Preserve have worked together on this activity. We will continue the donation activities, providing opportunities of social contribution to employees who cannot make the first step despite being interested in it.

In 2015, the total amount of donations collected from employees during the year reached 489,600 yen. Combining this amount with donations from the Company and the proceeds from the 3rd Hulic Odenma Summer Festival held in July 2015, a total of 1.3 million yen was donated to Civic Force, an incorporated NPO. Civic Force is a coordinating organization that links up NPO/NGO, corporations, administrative bodies, and the government. It aims to provide swift and effective support in times of large-scale disasters in Japan as well as in the Asia region. The organization is engaged in various activities in disaster-struck areas, including in the aftermath of the Great East Japan Earthquake in 2011.

VOICE
My Experience Participating in a Reconstruction Assistance Volunteer Program in Disaster-Hit Areas
Koichi Yamashita
Hulic Engineering
Department
Hulic Co., Ltd.
After the earthquake disaster struck on 11 March 2011, we have continued to visit Kamaishi City in Iwate Prefecture every year. For this volunteer activity, we provided assistance to the victims in moving from temporary shelters to their rebuilt homes. Due to limited space in the temporary shelters, the disaster victims only had the minimal daily necessities required for everyday life, so all their belongings could be moved to their new residences quickly. The scattered pieces of belongings in each room reflected the reality of life in the temporary shelters. After the move was completed, the homeowner thanked us and offered us tea. I was happy to have come as a volunteer to help them in starting their new lives. Progress has been made in infrastructural development, and there are now fewer places where marks of the tsunami still remain. However, I strongly feel that the local residents still have a long way to go toward rebuilding their lives. Even though the earthquake disaster has passed, the disaster has not ended. Regardless of the form that it takes, efforts to sustain the ties with the disaster-struck areas will contribute to preventing the earthquake disaster from becoming a forgotten part of history. I would like to continue with these support activities going forward.
Diversity Initiatives

We respect human rights and proactively take advantage of diversity in our business. We aim to foster a workplace in which all employees can make the best use of their abilities.

Promoting Diversity

Respect for Human Rights

Hulic’s “Our Code of Conduct,” the standard that must be followed at all times to practice a set of corporate principles, contains “Respect for Human Rights and Prohibition of Discrimination and Sexual Harassment,” and clearly states that human rights are to be respected and discrimination based on creed, religion, age, sex, birthplace or physical or mental disability will not be allowed or tolerated. Respect for human rights encompasses all fundamental human rights found in the Constitution, Labor Standards Act, and Universal Declaration of Human Rights as well as the ILO’s international labor standards. To foster a workplace that respects human rights, in fiscal year 2015, Hulic made postings on its in-house intranet on the themes “Thinking About Power Harassment,” “Thinking About Maternity Harassment,” and “Thinking About Human Rights – Human Rights Issues Concerning Persons with Disabilities.” Opinion exchange sessions were also held at each department for all employees on the theme of “Thinking About Human Rights.”

Employment of Diverse Human Resources

Participating in the joint declaration on the charter of corporate ethics concerning employment made by Keidanren (Japan Business Federation), we have proactively employed new graduates in accordance with the purpose of the charter. When hiring new graduates, we make efforts for widely ensuring diverse human resources based on their ability, regardless of background and gender. The ratio of female managers has increased as a result of active efforts for adopting their abilities, aptitude, and personality. For this reason it is imperative to provide opportunities and assignments irrespective of gender, and in particular we are strengthening initiatives for women’s career development. The Women’s Career Promotion Project team was established with the aim of enhancing the environment in which women can comfortably work. The team members meet together to hold discussions in line with different themes for each meeting. In fiscal year 2015, the Company was selected for the Diversity Management Selection 100 and applied for and was selected as a Nadeshiko Brand, both organized by the Ministry of Economy, Trade and Industry. We also engaged in activities with a focus on organizing the “Science and Engineering Challenge (RICOHChALL)” in cooperation with the Cabinet Office and Keidanren. In November, Director Hidetoshi Kobayashi delivered a lecture on the theme “Future Prospects for the Promotion of Diversity and Career Advancement.” This was attended by many female employees, as well as male employees, and an exchange of opinions was held. The annual meeting between the project team, and senior management is held to create an opportunity for female employees to share their thoughts and concerns with senior management.

Promoting Communication between Various Employees

Hulic is run by a small workforce, which enables a close distance between employees, as well as between top management and foremen. The company-wide trends are communicated to all employees through the “Message from the President” every month. As it is possible to know what other departments are doing through the message, the horizontal communication beyond the borders of departments can be made.

In addition, the Top Seminar is held once a month, while the President Questionnaire is conducted half-yearly. The Top Seminar is targeted at employees below the age of 30, and about 10 employees of different demographics each month, such as of division or generation. When the “President Questionnaire” is conducted, employees write down their views and opinions on the prescribed form and submit it by post box, and then the President responds to each in writing. It provides an opportunity for all employees to communicate directly with the President.

Promoting Female Empowerment

Hulic’s basic approach is for the work of each employee to be aligned with their abilities, aptitude, and personality. For this reason it is imperative to provide opportunities and assignments irrespective of gender, and in particular we are strengthening initiatives for women’s career development. The women’s career promotion project team was established with the aim of enhancing the environment in which women can comfortably work. The team members meet together to hold discussions in line with different themes for each meeting. In fiscal year 2015, the Company was selected for the Diversity Management Selection 100 and applied for and was selected as a Nadeshiko Brand, both organized by the Ministry of Economy, Trade and Industry. We also engaged in activities with a focus on organizing the “Science and Engineering Challenge (RICOHChALL)” in cooperation with the Cabinet Office and Keidanren. In November, Director Hidetoshi Kobayashi delivered a lecture on the theme “Future Prospects for the Promotion of Diversity and Career Advancement.” This was attended by many female employees, as well as male employees, and an exchange of opinions was held. The annual meeting between the project team, and senior management is held to create an opportunity for female employees to share their thoughts and concerns with senior management.

Formulation of Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace

This Action Plan was formulated in order to enable female employees to strike a balance between their careers and child-raising, and to allow them to exert their capabilities and develop their careers in various divisions of the company.

Promoting Education

As a result of a discussion of the action plan established in cooperation with the Ministry of Health, Labor and Welfare, the company marked the highest rank in the “Esuboshi” certification presented by the Minister of Health, Labor and Welfare, in recognition of the Company as an outstanding company in the implementation of initiatives to promote female empowerment at the workplace.

HRD and Management

Hulic’s ordinary income per employee is approximately 100 million yen. This puts us in the top class among listed companies. We could say that this was made possible by the fact that we are a group comprising a small number of elite professionals. Currently, many of our employees are qualified professionals such as lawyers, certified public accountants, real estate appraisers, and qualified architects of the first class. Furthermore, with the aim of enhancing their specialized skills, employees are recommended to obtain two qualifications by the time they reach the age of 30. The costs for these personnel upgrading efforts are fully covered by the Company.

System to support acquisition of qualifications

The Company can cover registration and renewal fees for all architec- tures, real estate appraisers, etc. and can repay basic training costs for those employees who fulfill the requirements of training.

System to encourage early acquisition of qualifications (25 years of age or younger)

Employee who can obtain the license and pass the examination can receive a special replay for that year.

Overseas visit program/Study abroad program

The company regularly seeks new opportunities for training and overseas visits.

Top seminar

A training program for top executives and young employees (training program)

English conversation class

(led by the company of night school in the Company)

Self-development seminar

(led by the company of night school in the Company)

Human Resource Development

Stance on Human Resource Development

Hulic’s ordinary income per employee is approximately 100 million yen. This puts us in the top class among listed companies. We could say that this was made possible by the fact that we are a group comprising a small number of elite professionals. Currently, many of our employees are qualified professionals such as lawyers, certified public accountants, real estate appraisers, and qualified architects of the first class. Furthermore, with the aim of enhancing their specialized skills, employees are recommended to obtain two qualifications by the time they reach the age of 30. The costs for these personnel upgrading efforts are fully covered by the Company.
Work-life Balance

The falling birth rate, aging population, and women’s social advancement are important issues for Japan’s economy. In relation to the support for development of the next generation, Hulic aims at a higher level than the labor standard and has established various systems. Additionally, we have established an action plan to encourage more male employees to take childcare leave and become a company offering a work-life balance where male employees can also actively take part in childcare. Under this action plan, we are providing economic support to employees that take childcare leave, as well as working to develop a work environment in which male employees can take more leave easily. In recognition of our efforts, Hulic has received certification as the “First-grade Business owner conforming to the standard” based on the Act on Advancement of Measures to Support Raising Next-Generation Children by the Tokyo Labor Bureau. This recognition also earned us the right to use the “Kurumin” next-generation accreditation logo.

Planning Use of Leaves and Restraining of Long-periods of Overtime Work

In order to boost the usage rate of paid leave by employees and be further conscious about their health, we have conducted a campaign to improve the usage rate of paid leave. The goals of the campaign include making all employees take a three-day vacation once a year and making all employees take a one-week vacation once a year. Individual departments discuss plans to take vacations in consideration of the planned use of leave. In fiscal year 2015, the usage rate of paid leave was 71%, the average of discretionary and overtime work hours per person was 36.4 hours (including overtime hours as defined in the Labor Standards Act). We will strive to allow employees to take more paid leave and reduce overtime hours through improved management of indicators related to working hours by the Risk Management Committee, guidance and advice provided by the Health Committee, an appeal from a member of the Health Committee to each employee, and taking care of each employee within his/her division.

Establishment of Hulic’s Onsite Childcare Nursery Facility

In October 2014, we opened the Odena Fureai Childcare Nursery to take care of children of employees working in the company’s Head Office Building in order to promote a more employee-friendly work environment for our employees and Consumer Affairs Agency. In July 2015, Hulic’s onsite nursery facility was presented to the local community, hoping that this will be of some help in the Labor Standards Act. We will strive to allow employees to take more paid leave and reduce overtime hours through improved management of indicators related to working hours by the Risk Management Committee, guidance and advice provided by the Health Committee, an appeal from a member of the Health Committee to each employee, and taking care of each employee within his/her division.

Implementation of No Overtime Day

Every Wednesday has been set aside as No Overtime Day, with the aim of preventing health issues arising from excessive work. Each Wednesday we remind employees about leaving work on time within each division. The status of the implementation is inspected and analyzed every month. In fiscal year 2015, the rate of implementation decreased 75% year on year to 66% on average. Going forward, we will continue to review the way of working, for example, by making operations well-modulated and more efficient, and by further increasing the implementation rate of No Overtime Days. We will also issue more proactive reminders to employees related to the low implementation rate. We also introduced the “Summer Lifestyle Transformation” campaign, which allows employees to stagger the times they commute to work during the summer season.
Initiatives for our business partners

CSR Procurement Policy

Hulic actively engages in CSR activities as a company involved in the real estate industry. We have formulated a policy on procurement and purchasing to further develop our CSR initiatives. In addition, we promote CSR activities across the entire value chain by asking business partners to cooperate with this policy.

CSR Procurement Policy

- We will comply with laws, regulations and social norms, and undertake business activities based on a set of corporate ethics.
- We will respect the fundamental human rights of all people.
- We will take consideration of environmental conservation and will strive to promote green procurement.
- We will build an information management system and manage information appropriately.
- We will carry out fair and equitable business transactions and build a trust relationship with business partners.
- We will strive to maintain peace of mind, safety and high quality.

Cooperation with Building Management Companies

In accordance with the rules for real estate outsourcing management, Hulic’s personnel in charge of buildings visit management companies and buildings once a year to inspect the management conditions and evaluate management companies. The evaluation of management companies is composed of two evaluation categories: management by a management company and management conditions of each building. We try to select an outsourcing contractor for building management in a fair and open way by using the results of such objective evaluations as a reference for the future selection.

Items to evaluate management by management companies

- Whether all matters stipulated in laws and regulations have been performed in a building subject to outsourcing management.
- Whether the management policy has been thoroughly familiarized to homogenize management services.
- Whether the safety and health education has been conducted.
- Whether necessary tools including a first aid kit have been placed.
- Whether education and training systems are in place for personnel responsible for building management.
- Whether all matters stipulated in laws and regulations have been performed in a building subject to outsourcing management.
- Whether the safety and health education has been conducted.
- Whether disaster prevention drills are implemented on a regular basis in buildings.
- Whether rules in the building have been established and thoroughly familiarized.
- Whether disaster prevention drills are implemented on a regular basis in preparation for occurrence of emergencies such as earthquakes and fires.
- Whether security and cleaning services have been appropriately executed.
- Whether education and training systems are in place for personnel responsible for building management.
- Whether personnel have given care to appearance and manner.
- Whether staff have kept favorable communication with tenants.
- Whether rules in the building have been established and thoroughly familiarized.
- Whether keys and cards have been appropriately managed.
- Whether security and cleaning services have been appropriately executed.
- Whether they have kept favorable communication with tenants.
- Whether disaster prevention drills are implemented on a regular basis in preparation for occurrence of emergencies such as earthquakes and fires.
- Whether education and training systems are in place for personnel responsible for building management.
- Whether security and cleaning services have been appropriately executed.
- Whether staff visit the building and inspect devices and facilities of building on a regular basis.

Fair trades with Outsourced Contractors

As for outsourcing by the real estate business division, we have made fair trades based on the “rules for real estate outsourcing management,” respecting relevant laws and regulations including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, as well as the instructions of administrative organizations. We select an outsourcing contractor which is most appropriate to the project by confirming the past performance and abilities to execute duties, and clarity of procedures to execute operations. Taking into account long-term business relationships with outsourcing contractors, we try to make fair trades with them as a partner on an equal footing.

Items to evaluate management conditions of buildings

- Whether staff visit the building and inspect devices and facilities of building on a regular basis.
- Whether disaster prevention drills are implemented on a regular basis in preparation for occurrence of emergencies such as earthquakes and fires.
- Whether security and cleaning services have been appropriately executed.
- Whether rules in the building have been established and thoroughly familiarized.
- Whether keys and cards have been appropriately managed.
- Whether disaster prevention drills are implemented on a regular basis in preparation for occurrence of emergencies such as earthquakes and fires.
- Whether security and cleaning services have been appropriately executed.
- Whether rules in the building have been established and thoroughly familiarized.
- Whether keys and cards have been appropriately managed.
- Whether disaster prevention drills are implemented on a regular basis in preparation for occurrence of emergencies such as earthquakes and fires.
- Whether security and cleaning services have been appropriately executed.
- Whether rules in the building have been established and thoroughly familiarized.

Public-private partnerships via PPP projects

The purpose of PPP (public-private partnership) projects is to contribute to local economies. Public and private sectors cooperatively aim to improve new added values through exchanging information with local communities by using know-how concerning office buildings and rental apartments in order to resolve problems on land policies of national or local governments, as well as financial issues. Taking into account what the national or local government wants and needs, we build a mechanism to increase the value through private business linked to the project.

Outside Evaluation of IR Activities

Hulic’s website discloses timely and detailed information on various activities of Hulic. In fiscal year 2015, our website was selected as an “excellent website” and an “excellent website, ranked by industry” in the Nikkei IR 2015 All Listed Company Website Ranking. Additionally, our website also won the bronze prize in the Gomez IR Site Ranking.

Initiatives for Our Shareholders and Investors

Information Disclosure Policy

On the basis of the disclosure policy, we are aiming at fair, timely and accurate information disclosure benefiting shareholders and investors to make a decision on investment. In compliance with relevant laws and regulations, we proactively disclose management strategies and financial data, etc. in order to have them understand our business activities. Information, to which the rules of timely disclosure and relevant laws and regulations, etc. are inapplicable, but which are considered helpful for investment decisions, is disclosed promptly through the Company’s website, etc.

Enhancement of Various IR Tools

In addition to correspondences to shareholders issued semiannually, we transmit the latest topics through the IR page on our website in a timely manner. E-mails are also sent to all shareholders to receive more timely information. Every time news about Hulic is released, we inform registrants by e-mail. (Registration is available on our website.) In the financial results briefing session, we make efforts for easy-to-understand explanations by using image materials produced with PowerPoint. On the website, materials for briefing sessions (in Japanese and English) and videos are distributed.

Dividend Policy

Our basic policy is to continue providing the stable payment of dividends as based on the trends of our business performance, as a way of returning profits to our shareholders. The dividends have continued to increase every fiscal year so far.

To thank our shareholders for their continued support, we annually present a gift of gourmet catalog equivalent to 3,000 yen to shareholders with 300 shares or more. Furthermore, we have been sending out two sets of 3,000 yen gourmet catalogue gifts (worth 6,000 yen in all) to shareholders holding more than 300 shares for more than three consecutive years.

Briefing Session for Private Investors

We are proactively working on IR activities to make ourselves further understood by private investors. Having participated every year in seminars and fairs for private investors hosted by Tokyo Stock Exchange and Nikkei Inc. since listed, we have achieved many people’s understanding of Hulic. We will promote such IR activities in which we can directly talk with private investors.

Brief Sessions for Organizational Investors and Analysts

Briefing sessions on financial results (at the end of the 2nd quarter and fiscal year) are semiannually held by Hulic’s top management mainly for organizational investors. We also implement “One on One Meeting” over 100 times in Japan, in which we visit individual organizational investors to explain about Hulic. Furthermore, we have proactively developed IR activities overseas, visiting organizational investors in Europe, U.S., Asia, etc. Through those activities, we make efforts for making ourselves deeply understood by organizational investors.

SRI (Socially Responsible Investment) indices in which we have been adopted

Outside Evaluation of IR Activities

Hulic’s website discloses timely and detailed information on various activities of Hulic. In fiscal year 2015, our website was selected as an “excellent website” and an “excellent website, ranked by industry” in the Nikkei IR 2015 All Listed Company Website Ranking. Additionally, our website also won the bronze prize in the Gomez IR Site Ranking.
Corporate Governance Guidelines
At a Board Meeting in August 2015, it was decided that Hulic will abide by all Corporate Governance Codes stipulated by the Tokyo Stock Exchange, Inc., and that the company will establish Corporate Governance Guidelines as a framework for the realization of appropriate corporate governance.

Management System
The Board of Directors meets once a month in principle, and holds further meetings as needed. The Board of Directors is comprised of 10 directors, of which four are designated and reported as independent directors based on the stipulations of the Tokyo Stock Exchange (as of June 2016). Directors determine important matters concerning Hulic’s business activities, including ESG, and supervise the execution of duties. In March 2012, Hulic appointed its first female external director, and since then we have been promoting multifaceted business management based on diversity. As an organization of the President, the Executive Management Committee is held once a week in principle, which deliberates especially important matters related to business execution.

Management Advisory Committee
The Management Advisory Committee comprises of five (as of June 2016) selected from legal professionals, public accountants, academics, and business professionals. The Management Advisory Committee provides advice and recommendations to the Board of Directors on all aspects of management, including matters discussed by the Board of Directors, in order to ensure the independence of the Company and the interests of stakeholders are not damaged.

Audit Structure
We have adopted the Audit & Supervisory Board system. Of Hulic’s five Audit & Supervisory Board members (two are full-time auditors), three are external auditors as stipulated in the Companies Act and the Ordinance for Enforcement of the Companies Act (as of June 2016). In accordance with the audit basic policy and the audit basic plan formulated by the Board of Auditors, Audit & Supervisory Board members execute duties through attendance at Board of Directors meetings, (full-time auditors) attend the management conference, hold hearings about status of execution of duties, and review important documents. Additionally, they receive reports of audit results regularly from the accounting auditor (Ernst & Young Shin Nihon LLC) and the Corporate Audit Department charged with internal audits, as well as sharing and exchanging information as needed to heighten the effectiveness and efficiency of audits conducted by these three parties.

Internal Audit Structure
Internal audits are carried out independently from other business lines by the Corporate Audit Department, which is placed under the direct control of the President. The internal audit is systematically carried out by the Corporate Audit Department. The results of the internal audit will be reported to the President and feedback to departments subject to the audit will also be provided. Internal audits are carried out by four employees (as of June 2016).

External Evaluation of Internal Audit
The results of an external quality evaluation of the internal audits showed that Hulic’s internal audit functions generally conform (GC) to the international standards for internal auditing defined by the Institute of Internal Auditors (IIA). We will continue to strive to further improve the quality of our internal audit functions.

Policy for the Selection of Directors and External Directors
The Company has four external Directors and three External Auditors. The External Directors and External Auditors contribute appropriately at the meetings of the Board of Directors from a position that is independent from that of the business and affairs of the corporation and fulfill the functions of monitoring the board on management. In selecting External Directors and External Auditors, the independent External Directors are selected based on the ‘Criteria for assessing the independence of independent external directors’ set forth in Hulic’s Corporate Governance Guidelines, which take reference from the guidelines on the independence of independent executive officer(s) set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. These are considered to be appropriate in light of the important roles that the External Directors and External Auditors fulfill within Hulic’s corporate governance system.

Expertise of the Directors (External Directors)
The following independent External Directors, who have fulfilled Hulic’s criteria for assessing the independence of independent external directors (disclosed in the company’s Corporate Governance Guidelines) in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange, have been selected. The expertise and reasons for the selection of these External Directors are listed as follows.

Nominating Committee and Remuneration Committee
The following “discretionary committees” were newly established alongside with the enactment of the Corporate Governance Code, enforced on June 1 2015. The Nominating Committee serves the function of reporting to the Board of Directors on the nomination of executive officers, and deliberates on the following matters: (1) Selection of Director and Auditor candidates; (2) Changes to Directors (promotion, etc.); (3) Other items concerning succession plans and the abovementioned items, as deemed necessary by the Board of Directors.

Remuneration Committee
The Remuneration Committee is appointed by the Board of Directors, and deliberates on the following matters: (1) Remuneration of Directors; (2) Other matters concerning the remuneration of Directors, as deemed necessary by the Board of Directors.

Amount of Remuneration for Executive Officers
Total amount of remuneration by the classification of executive officers, total amount by the type of remuneration, and number of target executive officers (FY2015)

Adoption of the Stock Remuneration System
The Company’s Board of Directors has adopted a stock remuneration system with the aim of raising awareness about improving the medium-term business performance and contributing to the enhancement of corporate value. In addition to further clarifying the linkages between the remuneration of Directors, etc. with the Company’s business performance and stock values, this system allows Directors, etc. to share in the merits when stock prices increase, as well as the risks when stock prices fall.

Under this system, stocks in the Company are acquired through the purchase of shares purchased by the Compensation Management Committee, which is determined based on job position and giving consideration to the weight of duties, and performance-based compensation, which is determined based on corporate performance and degree of contribution to corporate performance. A portion of performance-based compensation is allocated to a share-based payment scheme designed to give incentives for performance of tasks to achieve sustainable growth of the Company and to enhance corporate value from the perspective of shareholders. Specific amounts of compensation are determined following a deliberation by the Nominating Committee, the majority of which comprises independent External Directors and is chaired by an independent Outside Director, within the limits approved at a general meeting of shareholders. Compensation of Audit & Supervisory Board members has a different structure and is determined through deliberations by the Audit & Supervisory Board within the limits determined at a general shareholder meeting. Compensation of external directors and Audit & Supervisory Board members is comprised solely of basic fixed compensation in light of their roles and responsibilities.

Corporate Governance System Chart (As of June 2016)
Emergency repair agreements (21 companies)

Emergency notification system using wireless communications (agreement with three companies)

▲ Cooperative Structure with Business Partners

▲ Risk Management Structure Chart

Facilities and Stockpiles for Sustaining Business Operations

We are proactively carrying out measures to strengthen the business continuity capabilities of our core head office functions during an emergency. The following measures have been taken at the Hulic Head Office Building.

- Features emergency generators that can operate continuously for up to several days
- Has food and drinking water stores to last more than seven days
- Uses wireless equipment for communications between the management offices of other company-owned properties, etc.

The Hulic Head Office Building, which will serve as a hub during a disaster, has received the highest rating of DB BCM from the Development Bank of Japan for its preparations. In addition to our Head Office Building we are stockpiling water resources and establishing a drainage system, as well as installing emergency back-up generators, which will provide power up to three days, in order at the buildings planned to be rebuilt by Hulic.

▲ Maintaining Functions during a Disaster (Hulic Head Office Building)

Business Continuity Initiatives for Disasters

Hulic is a real estate company that engages in the development, reconstruction, and operation of office buildings and condominiums primarily in Tokyo's 23 wards. We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance, and convenience. We have established various emergency and disaster scenarios for which we have created measures to improve the structural performance of our buildings as well as operational and management aspects.

▲ Cooperative Structure with Business Partners

- Immediate Confirmation of Damages
- Response Aimed at Recovery of Operations

Corporate Social Responsibility Report
Establishment of the CSR Committee

Hulic has established a CSR Committee in order to combine and align its CSR-related initiatives with its business activities. It is essential for management personnel to be involved in boosting the level of CSR initiatives in the medium- and long-term while striking a balance between CSR-related measures and business activities. Furthermore, the CSR Committee is chaired by the President, consists of Senior Executive ManagingOfficers, the Chief of the Human Resources and General Affairs Department, the Chief of the Real Estate Planning Department, the Chief of the Property Development Department, and the Chief of the Corporate Planning Department. The Committee is held annually in principle, and as needed. Company-wide CSR activities are performed in accordance with the basic policy decided by the CSR Committee. To be more specific, the Committee formulates various kinds of policies concerning company-wide CSR activities and an annual CSR schedule, sets concrete numerical targets, and considers and deliberates diverse proposals made by employees, etc. Like this, in the Committee as a place to practically implement CSR management, there are a lot of active discussions. Activities of the CSR Committee are reported to Board of Directors on a regular basis.

Activities of CSR Supporters

Previously, the CSR Task Team was in charge of promoting CSR activities at workplaces, including improving the internal environment and social action programs. In 2009, however, with an eye to raising all employees’ awareness of promoting CSR activities, CSR supporters started to conduct them in place of the CSR Task Team. One person is appointed as a CSR supporter from a unit composed of about ten people, and is relieved by another member of the unit after completing a one-year term of office. Since 2011, CSR supporters have also been appointed from Hulic Group companies, and made efforts for establishing CSR activities in all employees of Hulic Group. The CSR Supporter Committee, where CSR supporters meet, discusses mainly CSR-related matters for the entire Company and determines the policy and details of CSR activities. Particularly in the environmental field, as relevant to Hulic’s real estate business, mainly the Real Estate Division, including the Technology and Environment Development Department, discusses environment-related measures.

Flowerbed maintenance activities carried out by CSR supporters
## Consolidated Financial Statements

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>Current liabilities</th>
<th>Non-current liabilities</th>
<th>Net assets</th>
</tr>
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<td>Current assets</td>
<td>Cash and deposits</td>
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<td>31,224</td>
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<td>and notes receivable</td>
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<td>Cost of unconsolidated investment contracts</td>
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<td>Supplies</td>
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<td>Operating investment securities</td>
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<td>Deferred tax assets</td>
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<td>Other</td>
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<td>Allowance for doubtful accounts</td>
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<td>(4)</td>
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<td>Total current assets</td>
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<td>Buildings and structures</td>
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<td>Accumulated depreciation</td>
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<td>Machinery and vehicles</td>
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<td></td>
<td>Accumulated depreciation</td>
<td>(673)</td>
<td>(886)</td>
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<td></td>
<td>Accumulated (depreciation) and rental vehicles</td>
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<td>2,972</td>
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<td></td>
<td>Land</td>
<td>386,015</td>
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<td>Construction in progress</td>
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<td>Other</td>
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<td>1,644</td>
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<td></td>
<td>Accumulated depreciation</td>
<td>(717)</td>
<td>(881)</td>
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<td></td>
<td>Other</td>
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<td>762</td>
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<td>Total property, plant and equipment</td>
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<td>776,490</td>
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<td>Intangible assets</td>
<td>Goodwill</td>
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<td>Leasehold right</td>
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<td>Other</td>
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<td>Total intangible assets</td>
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<td>27,143</td>
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<td>Investments and other assets</td>
<td>Investment securities</td>
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<td>Guarantee deposits</td>
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<td>Deferred tax assets</td>
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<td>Retirement benefit assets</td>
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<td>Total allowance for doubtful accounts</td>
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<td>Total investments and other assets</td>
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<td>126,873</td>
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<td>Total non-current assets</td>
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<td>Deferred assets</td>
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<td>18</td>
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<td>Business commencement expenses</td>
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<td></td>
<td>Total deferred assets</td>
<td>29</td>
<td>479</td>
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<td></td>
<td>Total assets</td>
<td>773,401</td>
<td>1,091,266</td>
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### Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>Current consolidated accounting period (ended December 2016)</th>
<th>Previous consolidated accounting period (ended December 2015)</th>
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</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>212,791</td>
<td>169,956</td>
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<tr>
<td>Operating cost</td>
<td>166,331</td>
<td>114,021</td>
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<td>Operating gross profit</td>
<td>46,459</td>
<td>55,935</td>
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<td>Income tax payable</td>
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<td>Income tax</td>
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<td>Non-operating income</td>
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<td>27</td>
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<tr>
<td>Dividend income</td>
<td>1,264</td>
<td>1,421</td>
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<td>Income from unconsolidated associates</td>
<td>203</td>
<td>999</td>
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<tr>
<td>Income from use of real estate</td>
<td>169</td>
<td>497</td>
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<tr>
<td>Gain on foreign exchange</td>
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<td>Other</td>
<td>164</td>
<td>341</td>
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<td>Total non-operating income</td>
<td>2,080</td>
<td>5,000</td>
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<td>Non-operating expenses</td>
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<td>4,214</td>
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<td>Interest expenses</td>
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<td>253</td>
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<td>Other</td>
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<td>Total non-operating expenses</td>
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<td>Extraordinary income</td>
<td>54</td>
<td>421</td>
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<td>Gain on sales of non-current assets</td>
<td>32</td>
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<td>Gain on sales of investment securities</td>
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<td>3,712</td>
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<td>Gain from business reorganization</td>
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<td>1,712</td>
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<td>Gain on sales of investment securities</td>
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<td>Gain on sales of investment securities</td>
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<td>Loss on provision of investment securities</td>
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<td>Impairment loss</td>
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<td>Provision of allowance for doubtful accounts</td>
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<td>Other</td>
<td>113</td>
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<td>Total extraordinary losses</td>
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<td>Income before extraordinary losses</td>
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<td>Income taxes - current</td>
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<td>Income taxes - deferred</td>
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<td>Total income taxes</td>
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<td>10,649</td>
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<td>Income before minority interests</td>
<td>22,427</td>
<td>33,925</td>
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<td>Minority interests in income</td>
<td>74</td>
<td>296</td>
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<tr>
<td>Net income</td>
<td>22,352</td>
<td>33,628</td>
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### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Current consolidated accounting period (ended December 2016)</th>
<th>Previous consolidated accounting period (ended December 2015)</th>
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<tbody>
<tr>
<td>Income before minority interests</td>
<td>22,427</td>
<td>33,925</td>
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<tr>
<td>Other comprehensive income</td>
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<td>Unrealized holding gains on securities</td>
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<td>5,524</td>
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<td>Unrealized gains on hedging instruments</td>
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<td>105</td>
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<td>Foreign currency translation adjustments</td>
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<td>(1,319)</td>
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<td>Adjustments for retirement benefits</td>
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<td>Change of comprehensive income of affiliates accounted for by the equity method</td>
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<td>(167)</td>
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<td>Total other comprehensive income</td>
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<td>Comprehensive Income</td>
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<td>Comprehensive Income attributable to shareholders of Hulic Co., Ltd.</td>
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<td>37,626</td>
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<td>Comprehensive Income attributable to minority interests</td>
<td>74</td>
<td>296</td>
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## Consolidated Statements of Changes in Net Assets

**Historical Cost Basis**

<table>
<thead>
<tr>
<th>Item</th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Treasury shares</th>
<th>Total market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the current period</td>
<td>22,205</td>
<td>38,270</td>
<td>96,422</td>
<td>(189)</td>
</tr>
<tr>
<td>Change in net income</td>
<td>84</td>
<td>84</td>
<td>(4,640)</td>
<td>(4,640)</td>
</tr>
<tr>
<td>Change in net income</td>
<td>22,352</td>
<td>22,352</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(2)</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of treasury shares</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in the other comprehensive income</td>
<td>18,059</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>84</td>
<td>85</td>
<td>17,802</td>
<td>(2)</td>
</tr>
<tr>
<td>Balance at the end of the current period</td>
<td>22,290</td>
<td>38,355</td>
<td>114,314</td>
<td>(191)</td>
</tr>
</tbody>
</table>

**Fair Value Basis**

<table>
<thead>
<tr>
<th>Item</th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Treasury shares</th>
<th>Total market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the current period</td>
<td>18,736</td>
<td>(289)</td>
<td>853</td>
<td>—</td>
</tr>
<tr>
<td>Change in net income</td>
<td>84</td>
<td>84</td>
<td>(4,640)</td>
<td>(4,640)</td>
</tr>
<tr>
<td>Change in net income</td>
<td>22,352</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of treasury shares</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in the other comprehensive income</td>
<td>10,081</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>7,813</td>
<td>110</td>
<td>468</td>
<td>(121)</td>
</tr>
<tr>
<td>Balances at the end of the current period</td>
<td>26,549</td>
<td>(179)</td>
<td>1,321</td>
<td>(121)</td>
</tr>
</tbody>
</table>

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**Assured Indicators**

The financial statements and related financial information included 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 to put our best efforts into improving the quality of our sustainability report going forward.