



Hulic Co., Ltd.

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CSR Hulic Co., Ltd. REPORT Integrated Report on Sustainability 2017



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Corporate Philosophy and Basic Stance

Corporate Philosophy

Total commitment to our customers and the community.
 Creating productive environments. Creating amenity.
 Promoting peace of mind.

Basic Stance

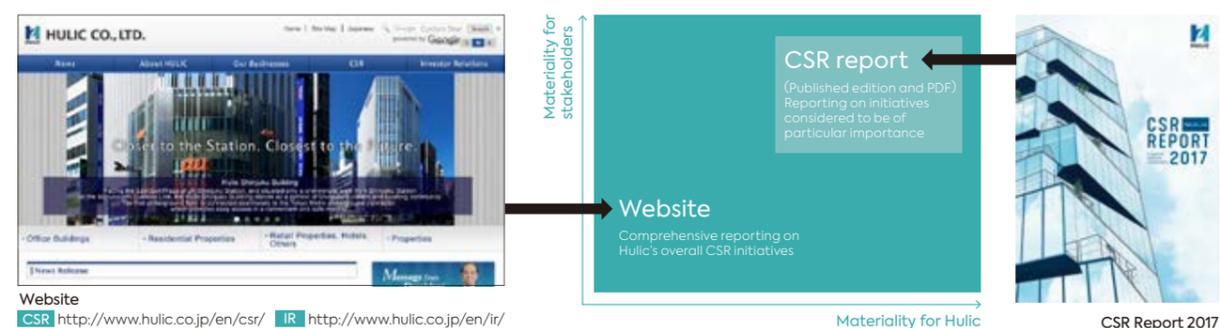
Ideal Company : We aim to be a company that grows each day by utilizing stable corporate infrastructures.
Corporate Culture : We always conduct business from a new viewpoint in an effort to increase our corporate value.
Stance to Customers : We are committed to providing optimal products and services 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:

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



Editorial Policy

Hulic publishes various forms of communication tools to help investors and other stakeholders gain an understanding of and objectively view its initiatives that seamlessly fuse business strategies with CSR. Information that could not be included in this publication, such as the GRI content index, can be found on our corporate website.

▶ Reporting Boundary

The boundary of this report is the Hulic Group. Figures for "power consumption," "gas consumption," "CO₂ emissions" and "water consumption" are those for the following 51 buildings, and a figure for "waste disposal" is that for buildings in which Hulic Group companies reside.

Environmental Performance Data/Boundary (Total floor area : m²)

Toyosu Prime Square	42,483	Hulic Kyobashi Building	6,323
Hulic Osaka Building	30,353	Hulic Gotanda Building	6,245
Yamato Haneda Building	29,226	Hulic Mita Building	6,228
Hulic Kudan Building	26,027	Hulic Kawasaki Building	6,004
Hulic Ginza 7 Chome Building	20,392	Hulic Torigoe Building	5,954
Hulic Asakusabashi Building	19,636	Hulic Hamamatsu Building	5,538
Hulic Kobunacho Building	17,172	Hulic Nishikicho Building	5,451
Hulic Ginza Wall Building	16,950	Hulic Ginza 3-chome Building	5,356
Hulic Sapporo Building	14,254	Hulic Nishi Ginza Building	5,172
Hulic Shinbashi Building	13,983	Hulic Hachioji Building	5,152
Hulic Fukuoka Building	12,646	Hulic Shibuya Building	5,090
Hulic Ginza Sukiyabashi Building	11,570	SIA Aoyama Building	4,946
Hulic Sapporo NORTH33 Building	11,017	Hulic Ginza 1 Chome Building	4,771
Hulic Shinjuku Building	9,781	Asakusa Park Hall Building	4,598
Hulic Nanba Building	9,147	Hulic Ueno Building	4,419
Hulic Kojimachi Building	8,926	Hulic Nakano Building	4,319
Hulic Aoyama Building	8,790	Hulic Nihonbashi Muromachi Building	4,117
Hulic Ginza Building	8,579	Hulic Nakaokachimachi Building	3,704
Hulic Kobe Building	8,354	Hulic Hatchobori Building	3,506
Hulic Kaminarimon Building	7,779	Hulic Hirakawacho Building	3,421
Hulic Head Office Building	7,688	Hulic Sakurashinmachi Building	3,321
Hulic Ryogoku Building	7,442	Hulic Yaesu No.2 Building	3,184
Hulic Hatchobori No.1 Building	7,383	Daiwa Yoyogi No.2 Building	3,166
Hulic Setagaya	7,163	Shinbashi Yamaguchi Building	3,127
Hulic Asakusabashi Edo-dori	6,851	Hulic Edobashi Building	3,032
Hulic Kabutocho Building	6,579		

▶ Reporting Period

Fiscal year 2016 (from January 1, 2016 to December 31, 2016)
 Regarding a portion of the priority items, the activity report before and after the 2016 fiscal year is included.

▶ Reference Guidelines

The Japanese Ministry of the Environment "The Environmental Reporting Guidelines (2012)"
 GRI (Global Reporting Initiative) "The GRI Standards"

▶ Time of Issuance

August 2017 (Previous issue: August 2016, Next issue: August 2018 (scheduled))

Head Office

Hulic Co., Ltd.

- Headquarters: 7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, 103-0011
- Established: March 1957
- Business Outline: Real estate holding, leasing, sales and brokerage
- Paid-in Capital: ¥62.695 billion (as of December 31, 2016)
- Memberships: Japan Business Federation, The Real Estate Companies Association of Japan, The Association for Real Estate Securitization, Japan Building Owners and Managers Association, Japanese Association of Real Estate Appraisal

Major Group Companies

(As of December 2016)

- Hulic Build Co., Ltd.
- Hulic Building Management Co., Ltd.
- Hulic Insurance Service Co., Ltd.
- Hulic Hotel Management Co., Ltd.
- Hulic Office Service Co., Ltd.
- Hulic Reit Management Co., Ltd.
- Hulic Proserve Co., Ltd.
- Smart Life Management Co., Ltd.
- Avanti Staff Corporation

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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.

* ESG stands for Environment, Social and Governance

Hulic's Real Estate Business

Leasing business

Hulic owns a large number of properties, including high-security office buildings and condominium buildings with the latest earthquake resistant structures to obtain absorbing or damping at prime and accessible locations close to stations mainly in Tokyo's 23 wards. The leasing business is our core business.

Development business

We operate the development business drawing on our accumulated expertise. In recent years, we have launched new business projects in this sector, such as public-private partnership (PPP)*1 projects to support efficient utilization and operation of public assets; and corporate real estate (CRE)**2 projects to support effective utilization of assets owned by private-sector enterprises. These development businesses are growth drivers following our reconstruction business.

*1 PPP: In public-private partnership (PPP) projects, the public and private sectors join forces and cooperate with the aim of efficiently utilizing and operating real estate owned by central and local governments (public assets).

**2 CRE: Corporate real estate (CRE) projects are designed to support strategies for increasing corporate value utilizing real estate owned by private-sector enterprises and specified corporations (educational corporations and medical corporations, etc.).

Reconstruction business

We carry out reconstruction projects that are appropriate for the location and designed to harmonize with customer needs and the environment in a planned manner. Our portfolio includes many properties with unexploited capacity in floor area, which we can recreate as more spacious and convenient facilities through reconstruction. The reconstruction business is the pillar of our growth strategy.

Investment business

We undertake investments in real estate to strengthen our asset portfolio concentrated in central districts of the Tokyo metropolitan area.

Hulic's strength - A stable leasing business

Approximately 90% in the Tokyo metropolitan area

Hulic currently owns 212 buildings. 90% of these properties are concentrated in the Tokyo metropolitan area, which experiences demand for buildings.

Distribution of regions that office buildings are located in



Distribution of distance from the nearest station

Good accessibility is an important strength of Hulic's properties. Of all the offices and commercial buildings owned by the Company, about 80% are within a walking distance of 5 minutes from the nearest station.



* Based on no. of properties (as of the end of Dec. 2016)

Vacancy rate

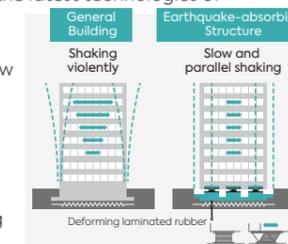
The vacancy rate of Hulic's office buildings in Tokyo's 23 wards is below 1%, ensuring a stable income for the Company.



*Source: Miki Shoji's Office Data by Region (Boundary: Office buildings with standard floor area of 100 tsubo or above, in the Tokyo business district) (as of the end of December 2016)

Safe and secure buildings

We are accelerating the efforts to make our properties resistant to earthquake by introducing the latest technologies of earthquake-absorbing, earthquake-damping and earthquake-resistance into new buildings based on their locations, and by ensuring implementation of aseismic retrofits that exceed the new earthquake-resistance standards for all of our existing buildings.



Hulic's growth strategy - Initiatives in the leasing business aimed at fulfilling the needs of society

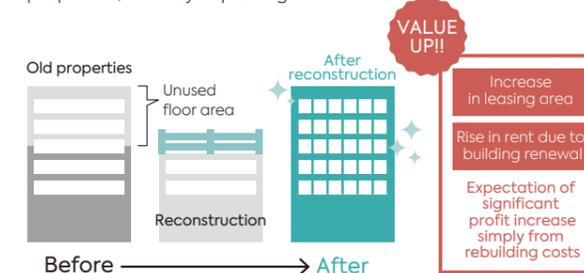
Selection and concentration

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



Promoting reconstruction

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



Environmentally friendly buildings

We promote installation of photovoltaic panels, greening and introduction of natural lighting systems and natural ventilation technologies developed jointly with Massachusetts Institute of Technology (MIT). We are also moving ahead with our 100 Year Office Plan (creation of longer life buildings), which will lead to waste reduction.



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, such as an aging population, increase in foreign tourists visiting Japan, and escalation of environmental issues.





The origin of Hulic's CSR Management is "Total commitment to our customers and the community. Creating productive environments. Creating amenity. Creating peace of mind."

For more than half a century, Hulic has been operating a real estate leasing business focusing on a portfolio of office buildings in central Tokyo. Our strength of owning a solid business foundation, based on the prime locations of properties, has allowed us to maintain continued growth of profits and dividends without being affected by market conditions even in the face of adversity, including difficulties associated with the Lehman Brothers' bankruptcy and the Great East Japan Earthquake. Hulic's sustainable growth is supported by CSR management, which incorporates Environment, Social, and Governance (ESG) factors into decision making. 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." As part of our management strategy, we consider that taking initiatives to address social issues will create business opportunities. We will strive to remain a mission-driven company with a strong social responsibility by implementing CSR management.

Our Performance in 2016

In fiscal year 2016, Hulic achieved its highest profits since going public, with operating revenue of 215.7 billion yen, operating income of 53.3 billion yen, and ordinary income of 51.4 billion yen. The primary factors contributing to these achievements are the growth of earnings of our mainstay leasing business, increase in sales of real estate for sale, and our focus on the 3K businesses, i.e. Koreisha (seniors), Kanko (tourism), and Kankyo (environment), for which demand is expected to grow further in the future. In the tourism business, we acquired Grand Nikko Tokyo Daiba (land), the largest hotel acquisition deal in Japan in fiscal year 2016, and ATAMI Kai-Ho-Rou, a luxury Japanese-style inn. In the business for seniors, we are working on developing and acquiring residences for seniors, as well as developing a next-generation healthcare clinic mall, and we will focus on the seniors-related business to become a leading company in this field in the future. In keeping with the concept of innovation and a sense of speed, we aim to further strengthen the real estate leasing business with the 3K businesses as one of the approaches, and reinforce our efforts for new businesses to develop our business foundation.

Striving to Become an Environmentally Advanced Company

Hulic has positioned the environment business as one of the 3K businesses (Kanko (tourism), Koreisha (seniors), and Kankyo (environment)), which are priority sectors, and is stepping up its initiatives in environmentally conscious management. In line with this, we have newly developed a CO₂ emissions reduction plan for 2030 as part of our long-term environmental vision, in order to respond to society's needs to address escalating environmental issues. Under this plan, we aim to reduce total CO₂ emissions by 45% from 2013 to 2030. We will work to achieve the target by carrying out facility renovations of our existing buildings and newly acquired buildings, and positively implementing energy-saving measures, such as introducing natural lighting systems in new buildings. In fiscal year 2016, Hulic obtained patents for a natural lighting system, co-developed with the Massachusetts Institute of Technology (MIT), and photovoltaic panels, developed jointly with Taiyo Kogyo Corporation and Gifu Plastic Industry Co., Ltd. This will be our first step in launching revenue-generating businesses in the environmental field. We consider the initiatives aimed at reducing environmental impacts as business opportunities, and will continue to work proactively to address environmental issues.

Material CSR Issues and Our Progress

Following adoption of Sustainable Development Goals (SDGs) by the UN General Assembly in 2015, active involvement of companies, as well countries, is required toward realizing a sustainable society. Accordingly, we regard the challenges presented by SDGs as our own issues to tackle with. As a real estate company that develops and owns many buildings, we consider that our businesses have large impacts on the environment. Based on this idea, we have identified reducing CO₂ emissions, water consumption, and waste, etc. as material issues in environmental fields to be addressed. Specifically, we promote to proactively adopt environmentally friendly technologies in order to construct buildings with low environmental impacts when we develop or reconstruct properties. With regard to social issues to work on, we have set targets for the employment rate of persons with disabilities, the ratio of women in managerial positions, and the usage rate of paid leave, etc. As measures aimed at developing the careers of female employees, we formulated the Action Plan with the goal of increasing the ratio of women in managerial positions to 20% by 2020. As measures to promote women's participation and advancement in the workplace, including childcare support, we have established a top-class domestic support system with nursery facilities located in offices. In addition, we have created a comfortable working environment by facilitating well-balanced work-life style through setting a "No Overtime Day" once a week and encouraging use of paid leave on Fridays under the "My Friday" system. As measures to improve corporate governance, we established the Nominating Committee and the Remuneration Committee, each consisting of a majority of external directors, and endeavor to increase management transparency and objectivity. Hulic will continue to set targets that capture changes of the times and environment, and carry out initiatives that can meet the needs of society across the Company.

To Our Stakeholders

All employees of Hulic will continue to make united efforts bearing in mind our relationships with all stakeholders, as an advanced company leading the development of a sustainable society. We sincerely appreciate your continued support.

Saburo Nishiura
Chairman, Representative Director

Manabu Yoshidome
President, Representative Director

Changes in Major Consolidated Management Index, etc.

	Unit	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	
Operating Revenue (Net Sales)	(Million Yen)	94,319	108,444	212,791	169,956	215,780	
Operating Income	(Million Yen)	22,571	29,114	36,032	42,002	53,377	
Segment Profit	Real estate	(Million Yen)	25,116	31,448	38,519	44,185	57,353
	Insurance/Human resources/Others	(Million Yen)	949	1,289	1,443	2,324	2,162
	Corporate/Eliminations	(Million Yen)	Δ 3,494	Δ 3,620	Δ 3,929	Δ 4,507	Δ 6,140
Operating Income	(Million Yen)	20,033	25,983	34,314	42,534	51,432	
Net profit attributable to shareholders of parent company	(Million Yen)	11,487	15,970	22,352	33,628	34,897	
Total Assets	(Million Yen)	637,919	720,344	773,401	1,091,266	1,133,994	
Net Assets	(Million Yen)	149,895	177,280	205,421	317,045	341,087	
Consolidated Cash Flow	Net cash provided by (used in) operating activities	(Million Yen)	8,472	11,114	84,123	36,272	108,407
	Net cash provided by (used in) investing activities	(Million Yen)	Δ 30,554	Δ 49,548	Δ 83,815	Δ 284,580	Δ 111,018
	Net cash provided by (used in) financing activities	(Million Yen)	20,854	42,841	4,192	257,934	Δ 5,715
	Cash and cash equivalents at end of period	(Million Yen)	12,164	16,600	21,129	30,997	22,671
Equity Ratio*1	%	23.2	24.4	26.1	28.6	29.7	
EBITDA*2	(Million Yen)	30,092	37,809	44,870	54,678	66,403	
Interest-Bearing Debt to EBITDA Ratio*3	(Times)	13.8	12.2	10.5	12.0	10.0	
Net D/E Ratio*4	(Times)	2.8	2.8	2.6	2.2	2.1	
Interest Coverage Ratio*5	(Times)	1.7	2.0	18.5	8.2	23.7	
Return on Equity*6	%	9.1	9.8	11.8	13.0	10.7	
Net Income per Share	(Yen)	22.3	27.0	37.7	52.7	53.0	
Dividend per Share*7	(Yen)	4.5	6.5	10.5	15.5	17.0	

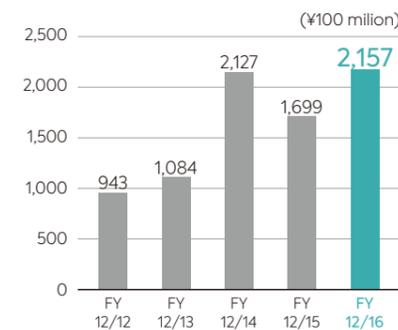
Changes in Real Estate Business Related Index

	Unit	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	
Vacancy Rate *9	%	0.6	0.4	0.7	0.9	0.3	
Average Rent	Entire country	(Yen)	20,024	19,817	20,759	20,451	20,073
	Tokyo central 5 wards	(Yen)	24,420	23,714	25,147	24,510	24,970
Number of Properties	Total	(Building)	163	161	167	202	212
	Tokyo metropolitan area	(Building)	143	141	148	182	190
	Other	(Building)	20	20	19	20	22
Rentable Area	Total	m ²	723,924	679,672	774,615	931,229	1,029,696
	Tokyo metropolitan area	m ²	553,333	537,582	633,918	771,049	894,179
	Other	m ²	170,591	142,090	140,696	160,179	135,517

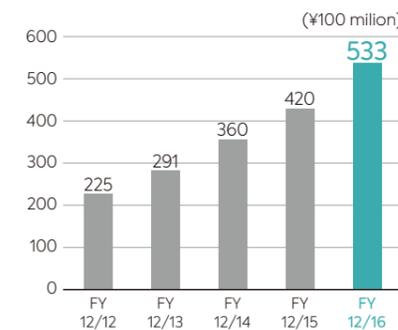
On July 1, 2012, Hulic completed a consolidated merger (reverse acquisition) with Shoei Co., Ltd. The numerics in this book before the consolidation refer to former Hulic's numerics. Figures in parentheses indicate negative amounts. *1 Equity Ratio=Equity/Total Assets *2 EBITDA=Ordinary Income - Equity in Earnings (Losses) of Affiliates + Interest Expenses + Depreciation and amortization *3 Interest-Bearing Debt to EBITDA Ratio=Interest-Bearing Debt/EBITDA *4 Net D/E Ratio=Net Interest - Bearing Debt/Shareholders' Equity *5 Interest Coverage Ratio=Operating Cash Flows/Interest Expenses Paid *6 ROE=Net Income/Average Equity *7 On July 1, 2012, three former Shoei shares were allocated for every former Hulic share, and data for 2012 has been adjusted for this share allocation. *8 Excluding real estate held for sale *9 Excluding the unsigned floor space which was reserved due to the tenant's demands and reconstruction

Main Financial Indicators

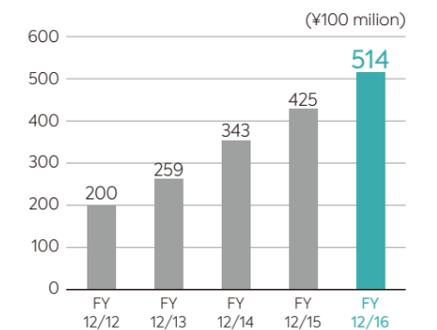
Operating Revenue (Net Sales)



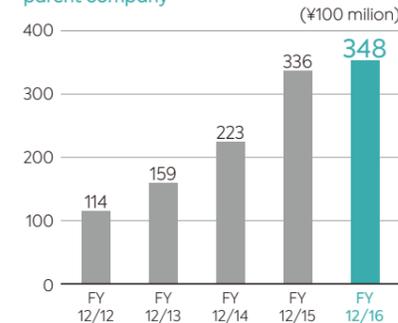
Operating Income



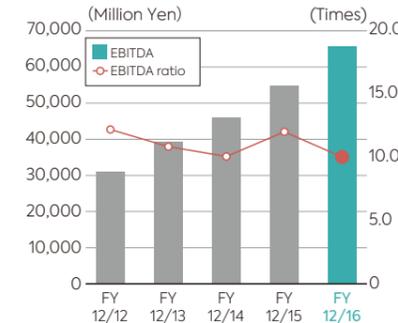
Ordinary Income



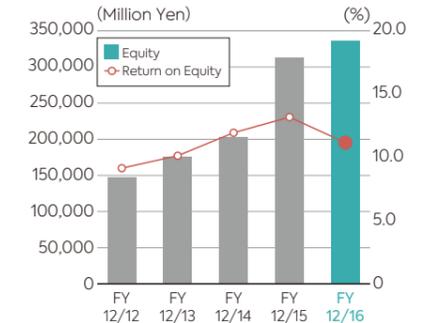
Net profit attributable to shareholders of parent company



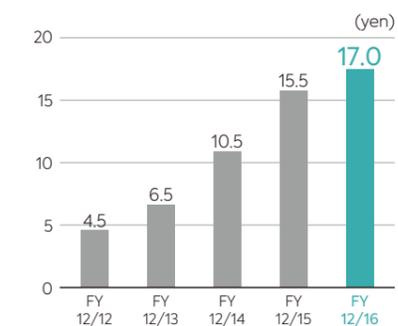
EBITDA/EBITDA Ratio



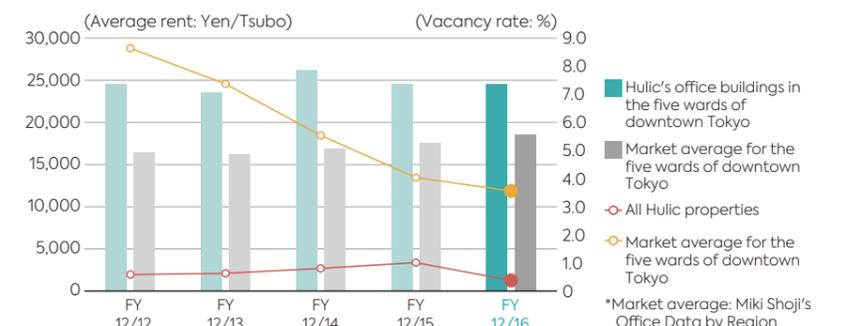
Shareholders' Equity/Return on Equity (ROE)



Dividend per Share*7



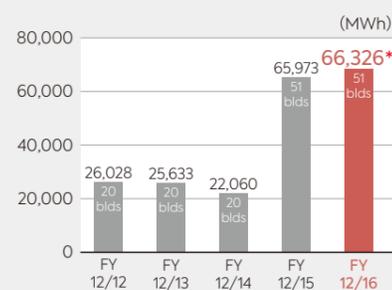
Vacancy Rate *9 /Average Rent



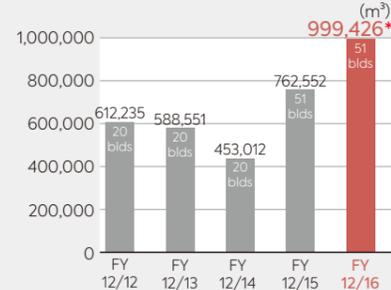
Main Non-Financial Indicators

Since 2015, amounts of power/gas consumption, CO₂ emissions intensity and waste disposal have substantially differed from the results until 2014 due to a significantly different number of target properties. With regard to the detailed boundary of these indicators, please refer to page 15, "Initiatives for Material Issues." Items marked with "*" have been assured by an independent assurance provider.

Power Consumption



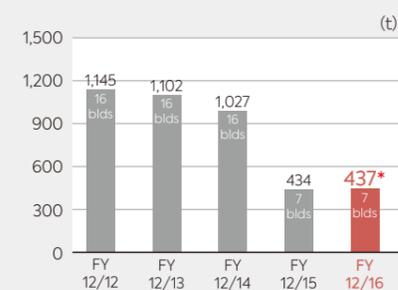
Gas Consumption



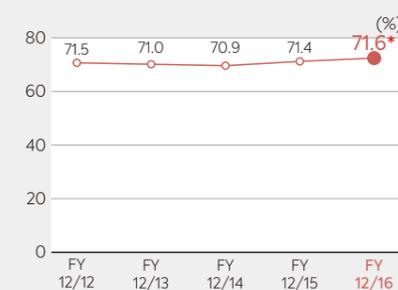
CO₂ Emissions Intensity



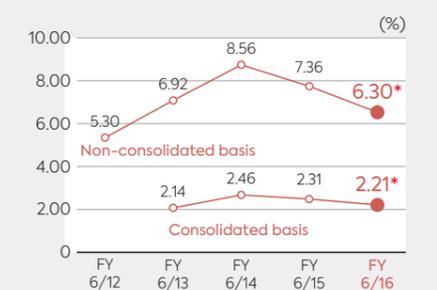
Waste Disposal



Usage Rate of Paid Leave



Employment Ratio of the Disabled

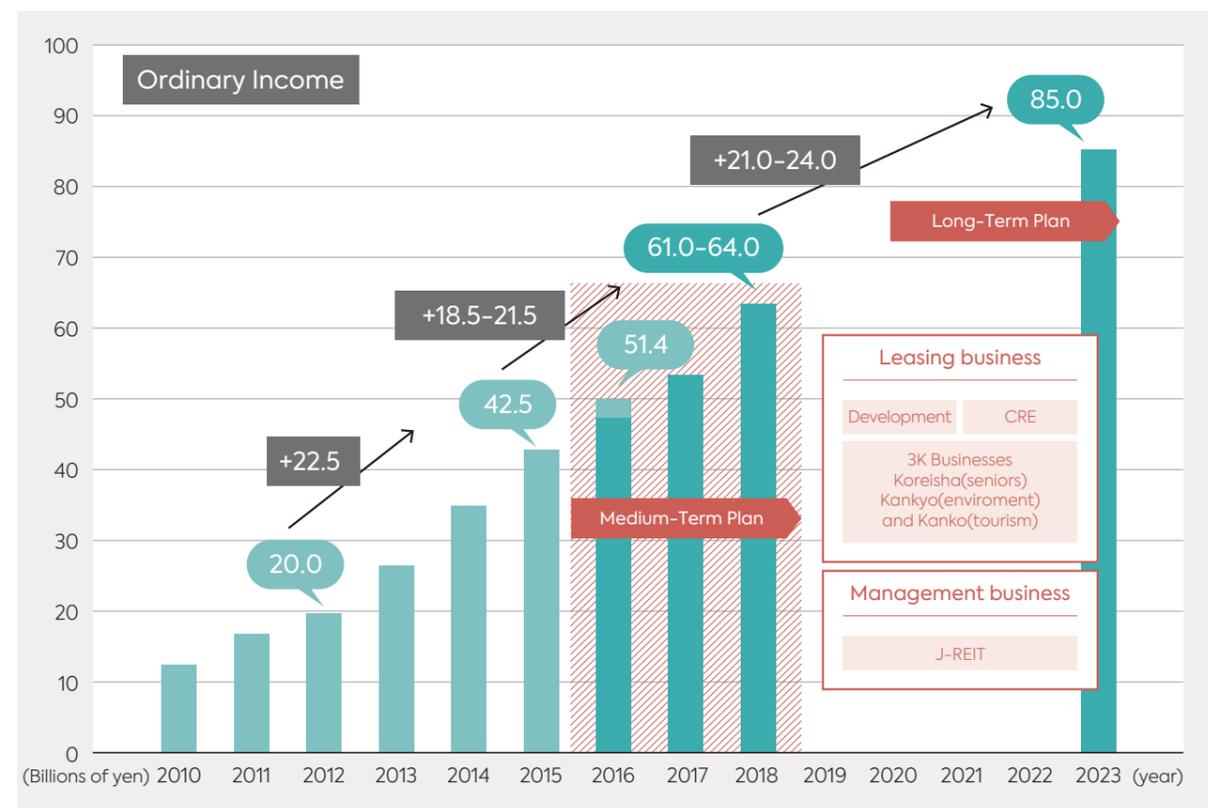




Further evolve Hulic's distinctive business model to achieve a high rate of growth

Hulic achieved the goal set out in our medium-term management plan (2014-2016), launched in fiscal year 2014, one year ahead of schedule. Accordingly, we newly formulated the current medium-term management plan for 2016 through 2018 as the second step in the vision set out under the long-term plan titled "Hulic 10 Years from Now (2014-2023)." In fiscal year 2017, in keeping with the concept of innovation and a sense of speed, we will strive to maintain and develop our business foundation for the early attainment of the goals set in the current medium-term plan.

Long-term Plan "Hulic 10 Years from Now (2014-2023)"



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.

3-Year 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.

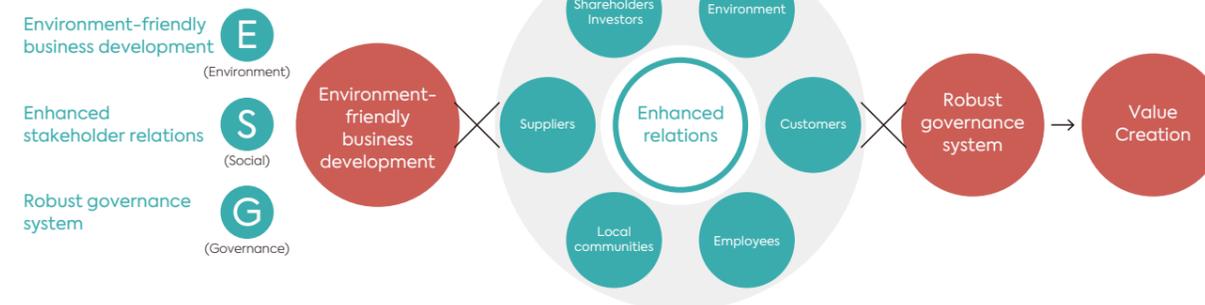
The medium-term management plan is the second phase of the long-term plan "Hulic 10 Years from Now," and will smooth the way for its early fulfillment.

Basic Policies

- Expand portfolio of assets under management in leasing business including REITs**
 - 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
- Link with value-added real estate businesses to combine growth with capital efficiency**
 - 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
- Consolidate 3 main future growth businesses as basis for opening up new real estate-related business domains**
 - Open up new real estate-related business domains in response to changing social structures e.g. combination businesses, seed businesses
- Enter into alliances with external players to expand earning opportunities**
 - Increase Group synergies and enter flexibly into alliances and merger and acquisition deals with external players
- Control appropriately the various risks accompanying expansion of business domains**
 - Ensure sound financial practice through financial control and subject Group businesses to comprehensive risk management
- Ensure 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

Profit plan	FY 2016	FY 2018 Target
Operating Income	53.3	67.0-70.0
Ordinary Income	51.4	61.0-64.0
Net Income	34.8	39.0-41.0
EBITDA	66.4	82.0-85.0
Financial restraints		
Interest-Bearing Debt to EBITDA Ratio	10.0 times	12 times or less
Net D/E Ratio	2.1 times	3.0 times or less
Capital efficiency		
ROE	10.7%	10% or more
Shareholder return		
Dividend payout ratio (simplified calculation at fiscal year end)	32.0%	30% or more

Balanced management





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

Opportunities and Risks in Social Issues

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

Hulic's Contributions to Solutions for Social Issues

Promote environmentally friendly businesses

Use of natural ventilation and natural lighting systems, and standardization of long-life buildings

Proactively expand businesses targeting seniors

Development and investment in senior, nursing care and medical facilities

Provide disaster resistant buildings

Received the real estate industry's first highest rating of DBJ BCM

Contribute to disaster reconstruction

Investment in mega solar projects in Fukushima

Responding to Opportunities and Risks

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 structures and earthquake-damping structures
- Introduce the latest technologies and equipment at newly constructed buildings
- Increase earnings of existing properties through rebuild 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 drills
- Establishing BCP based on collaborative structures with outside organizations and developing and commercializing building and facility earthquake resistance services
- Improving the earthquake resistance of companyowned 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
- Promoting long-term lease agreements with tenants
- Primarily long-term, fixed rate financing

Creating Shared Value with Society

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

Secure talented human resources

Co-exist with local communities

Achieve business continuity, etc.



We identify the material issues in order to continue achieving sustainable growth.

Hulic identifies material CSR issues upon which we should continue to focus, in order to meet the needs and expectations of our stakeholders, and contribute to society while achieving sustainable growth. In fiscal year 2016, we examined the direction in which we should steer our businesses based on the Sustainable Development Goals (SDGs) adopted by the UN summit, with the aim of further deepening our business activities that will lead to resolving social issues. Amidst diversifying social issues and matters concerning stakeholders, we will continue to focus our efforts on such priority issues and ensure the effective promotion of CSR activities by considering opportunities and risks in Hulic's businesses.

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.



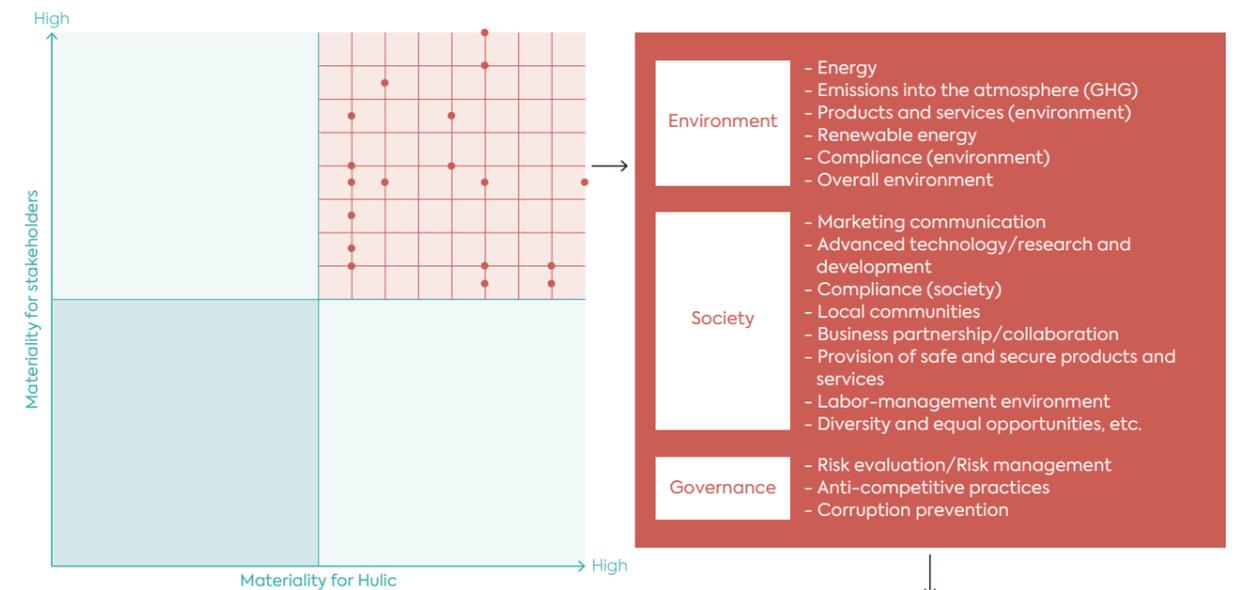
Stakeholders	Examples of Dialogues
Global Environment	Held the Environmental Advisory Council and participated in satoyama conservation activities, etc.
Shareholders, Investors	Participated in various investor relations (IR) fairs and events, held financial results briefing, and implemented timely and appropriate information disclosure on the Company's website, etc.
Customers	Conducted surveys on customer satisfaction levels, implemented disaster prevention drills, and established a customer contact center, etc.
Suppliers	Held property management status reporting meeting with management companies, facilitated close and mutual communication and maintained long-standing good business relationships with general contractors, etc.
Government	Promoted Public Private Partnership (PPP) projects, consulted with various contact centers of government agencies, appropriately paid taxes, etc.
Local Communities	Hosted summer festivals for local communities, conducted cleaning activities and voluntary activities for flowerbed maintenance, participated proactively in events organized by neighborhood associations, etc.
Employees	Conducted the president's questionnaire for employees, conducted interviews between employees and their supervisors, held cross-departmental discussions on work-life balance and diversity, etc.

Process to Identify Material Issues

STEP	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.
STEP 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.
STEP 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.
STEP 4	Combining the evaluation of materiality from the two perspectives and finalizing the material issues	The 18 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.

Identified Material CSR Issues





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

In order to improve while objectively assessing CSR activities, we have established key performance indicators (KPI) and target 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. Figures marked with "*" are those that have been assured by an independent assurance provider. This fiscal year, we received assurance from an independent assurance provider concerning the following eight items: power and gas consumption, CO₂ emissions and CO₂ emissions intensity (Scope 1, Scope 2), number of greening projects, waste disposal, water usage, employment ratio of the disabled, usage rate of paid leave, and percentage of employees who received medical checkups. We will make efforts for constant improvement using the PDCA Cycle, while disclosing data on the progress of our CSR activities to the stakeholders.

Material issues	Medium-Term CSR Vision (Goals for 2020)	Items	KPIs/Targets ¹¹	Boundaries	Results					Major Achievements in FY2016	Evaluation	Reference	
					FY 2012	FY 2013	FY 2014	FY 2015	FY 2016				
Environmental measures	<ul style="list-style-type: none"> - Carry out initiatives to reduce CO₂ emissions and waste and use limited resources such as energy and water efficiently - Use renewable energy proactively - Give consideration to biodiversity and promote greening - Carry out environmentally conscious management based on an awareness of value chains 	Measures for global warming across the entire value chain of Hulic's buildings	Power consumption(MWh)	51 existing primary office buildings ^{*1}	26,028	25,633	22,060	65,973	66,326*	<ul style="list-style-type: none"> - Environmental consideration for new buildings (adoption of natural lighting/natural ventilation system, highly efficient lighting equipment, and highly efficient air conditioning system) - Renovation works on existing buildings for energy saving - Initiatives toward reduction of power consumption in collaboration with management companies and tenants (adjusting temperature setting of air conditioners, decreasing the number of lights on, adjusting brightness) 	○	P17-18 P21-25	
			Gas consumption(m ³) ^{*4}		612,235	588,551	453,012	762,552	999,426*				
		Reduction in average CO ₂ emissions intensity (kg-CO ₂ /m ²) by 5% during the period from 2012 through 2016 compared to the average during the period from 2005 through 2007. (per unit floor area) ^{*1,*2}		68.3	77.3	74.7	77.6	78.0*					
		Using renewable energy and developing new technology	All Hulic's buildings	7	5	6	6	3	<ul style="list-style-type: none"> - Installed photovoltaic generation systems in new buildings. - Worked toward achieving offsite ZEB using photovoltaic generation systems. 	◎	P17-18 P23-24		
		Promotion of greening	All Hulic's buildings	8	6	5	9	1*	<ul style="list-style-type: none"> - Implemented greening of walls and rooftops to new buildings in consideration of biodiversity 	◎	P27		
		Reduction of waste at Hulic's buildings	Seven buildings occupied by the Hulic Group ^{*6}	1,145	1,102	1,027	434	437*	<ul style="list-style-type: none"> - Promoted 3R (Recycle, Reuse, Reduce) activities 	◎	P26		
Strengthening the 3K businesses toward resolving social issues	<ul style="list-style-type: none"> - Promote the provision of senior facilities in accordance with an aging population and the provision of accommodations in response to increasing number of tourists, with the aim of resolving social issues. 	Tourism business projects	Accommodation facilities (number of properties owned): No target (follow-up item)	All Hulic's buildings (As of the end of December 2016)	-	-	-	8blds	11blds	<ul style="list-style-type: none"> - The number of properties owned as of December 31, 2016 - We newly acquired ATAMI Kai-Ho-Rou and Grand Nikko Tokyo Daiba (land) in fiscal year 2016. 	-	P30	
		Senior business projects	Senior facilities (number of properties owned): No target (follow-up item)	All Hulic's buildings (As of the end of December 2016)	-	-	-	16blds	20blds	<ul style="list-style-type: none"> - The number of properties owned as of December 31, 2016 - We newly acquired three properties including Life Commune Hayama and completed construction of Hospitalment Itabashi Takivadai. 	-	P30	
Diversity and work-life balance	<ul style="list-style-type: none"> - With respect of fundamental human rights, work toward creating an environment where each employee can play an active role in the workplace regardless of gender, age, or disabilities. - Improve a work-life balance and implement measures to encourage the use of paid leave and to prevent long working hours in order to foster a workplace in which employees stay healthy and can make the best use of their abilities. - Encourage employees to obtain qualifications and participate in trainings with the aim of enhancing their professional skills. 	Improvement of systems to develop women's careers	Ratio of female managers: 20% by 2020	Hulic	8.2%	7.0%	8.5%	10.4%	12.3%	<ul style="list-style-type: none"> - 57 male managers, 8 female managers 	-		
			Number of seminars organized by the women's career promotion project team: Once a year	Hulic	-	-	-	1	1	<ul style="list-style-type: none"> - In addition to meetings of the women's career promotion project team, we held seminars and conferences for exchanging opinions for all female employees. 	◎	P32-33	
		Promoting employment of the disabled	Employment ratio of the disabled: Maintaining the statutory employment rate of 2% or more	Hulic Group (As of June 1, 2016) ^{*9} (Reference) Hulic (As of June 1, 2016)	-	2.14%	2.46%	2.31%	2.21%*	<ul style="list-style-type: none"> - Business requests from group companies increased and we are operating steadily. 	◎	P32	
		Promoting the use of the next generation nurturing support system	Usage rate of childcare leaves/Number of people: 70% of eligible female employees or more on average / 1 male employee or more per fiscal year	Hulic (Women) Hulic (Men)	100%	No eligible person	100%	100%	100%	100%	<ul style="list-style-type: none"> - Published parents' guide to childcare - Continued operation of daycare nursery inside Hulic's head office building. 	◎	P34
		Promoting the planned use of paid leaves	Usage rate of paid leaves ^{*7} : 60% or higher per fiscal year	Hulic	100%	100%	100%	100%	100%	100%	<ul style="list-style-type: none"> - Promoted the use of plus-one paid leaves/consecutive paid leaves 	◎	P34
		Promoting health and productivity management	Percentage of employees who took medical checkup: 100%	Hulic ^{*8}	100%	100%	100%	100%	100%	100%*	<ul style="list-style-type: none"> - Provided thorough medical checkups and stress check tests 	◎	P34
Strengthening corporate governance and risk management	<ul style="list-style-type: none"> - Implement timely and appropriate risk evaluation/management with the aim of complying with laws and regulations, and respond to various risks in our businesses. - Work to prevent violations of antitrust laws, bribery, and corruption, and conduct corporate activities with a strong sense of ethics. - Proactively adopt structures with high seismic capacity to provide buildings that are secure, safe, and comfortable. 	Human resource development	Number of newly obtained qualifications ^{*10} : No target (follow-up item)	Hulic	-	-	-	-	10	<ul style="list-style-type: none"> - Obtained qualifications of registered real estate broker, ARES Certified Master, Certified Building Administrator, etc. 	-	P33	
		Compliance	Number of compliance seminars attended: No target (follow-up item)	Hulic	-	-	-	5	5	<ul style="list-style-type: none"> - Conducted training on insider trading regulations and rules for responding to antisocial forces, etc. 	-	P42	
			Number of internal audits conducted: No target (follow-up item)	Hulic	-	-	-	8	9	<ul style="list-style-type: none"> - Number of internal audits implemented for Hulic and Hulic's group companies. 	-	P39	
		Corporate Governance	Participation rate in the Board of Directors' Meeting: No target (follow-up item)	Hulic	-	-	-	98%	96%	<ul style="list-style-type: none"> - 17 Board of Directors' meetings were convened in fiscal year 2016. Participation rate covers all Directors and Auditors. 	-	P38-40	
Other Initiatives	<ul style="list-style-type: none"> - We will place emphasis on dialogues with stakeholders and aim to become a company that is trusted by society. 	Earthquake countermeasures for Hulic's buildings	Percentage of buildings that conform to new earthquake resistance standards: 100%	All new office buildings completed	100% (3 buildings)	100% (2 buildings)	100% (1 building)	100% (9 buildings)	100% (2 buildings)	<ul style="list-style-type: none"> - Adopted building structures that conform to new earthquake resistance standards in all new buildings 	◎	P29	
		Business Continuity Plan (BCP)	Number of inspections for BCP drills, stockpiled food and goods: Once or more per fiscal year	Hulic Group	1	1	1	1	1	<ul style="list-style-type: none"> - Conducted disaster training, training on evacuating properties managed by Hulic in the event of a disaster, and first-aid training, etc. 	◎	P41	
		Improvement in customer satisfaction	Number of surveys on customer satisfaction: Once or more per fiscal year	Hulic Group	1	1	1	1	1	<ul style="list-style-type: none"> - A survey on the customer satisfaction of tenants was conducted through Hulic Building Management acting as the contact point. 	◎	P28,30	
	Corporate social contribution	Number of social action programs: 4 programs or more per fiscal year	Hulic Group	7	8	9	12	13	<ul style="list-style-type: none"> - Held students' idea competition, hosted summer festivals, donated to NPO organizations, donated to Ashinaga Scholarship Society, opened the Company's daycare nurseries to the local community, etc. 	◎	P35-36		
	Supporting employees to conduct social contribution activities	Number of social contribution activities by employees: 3 activities or more per fiscal year	Hulic Group	5	6	6	6	6	<ul style="list-style-type: none"> - Participated in satoyama conservation activities, cleaning activities in local communities, flowerbed maintenance activities, participated in gift-matching program, donated to the Ashinaga Scholarship Society, and conducted activities to support disaster-hit areas, etc. 	◎	P35-36		

^{*1}The unit calorific value and CO₂ emissions factor for city gas are based on values from the "the greenhouse gas emissions accounting and reporting manual" issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, while the CO₂ emissions factor for power is based on the actual emissions factor of electric utility companies used by the target building. ^{*2}CO₂ emissions intensity is the sum obtained through calculations that take the total floor area of the offices that use power and city gas, respectively as the denominator for each emission volume. ^{*3}Since 2015, we have targeted the properties for office buildings with floor area of 3,000m² or above and hotels managed by the Company, and excluded buildings in which a bank branch is the sole tenant, real estate for sale, and condominium ownership/shared ownership. ^{*4}Since 2016, we have aggregated city gas consumption of the companies with direct contracts with our group companies. ^{*5}The number of buildings for which construction was completed between January and December 2016, and which are the targets of greening projects. (excludes real estate for sale)

^{*6}Data for 2012 - 2014 covers the 16 primary office buildings; however, the seven buildings occupied by Hulic's Group companies, which are actively implementing measures to reduce the volume of waste, have been covered in data for 2015 and afterwards. ^{*7}Usage rate of paid leave is calculated by dividing the "number of days of paid leave used" by the "number of days granted excluding leave carried over." ^{*8}Of the executive directors, employees (including temporarily transferred staff) and full-time contract staff, with the exclusion of employees on leave, those who belonged to the Company both as of the point of registration for medical checkups and as of December 31 are included in the calculation. ^{*9}The target subsidiaries are companies that have been certified as affiliated subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities. ^{*10}The target qualifications are those which the Company recommends employees to acquire. ^{*11}Targets for 2017 are now being developed.

Special Feature

CO₂ Emissions Reduction Plan and Road Map for 2030

Hulic will seriously consider and implement what it can do to resolve global warming issues as a company engaged in the real estate business.



Actions on Climate Change

The 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), held in December 2015 in Paris, adopted the Paris Agreement as a new international framework for reducing greenhouse gas emissions after 2020. In Japan, discussions on specific measures to address climate change are picking up momentum with the formulation by the government of the “Plan for Global Warming Countermeasures,” which sets the target for reducing greenhouse gas emissions of 26% by FY2030 from the level in FY2013. In addition, companies in the “commercial and other sectors” are required to reduce emissions by 40%. In accordance with these changes in the external environment, Hulic has reviewed the existing plan to reduce CO₂ emissions with the year 2020 as the target year, and has formulated a new CO₂ emissions reduction plan with the year 2030 as the target year. Regarding the current progress of the existing CO₂ emissions reduction plan (target year: 2020), we have achieved the target on the basis of our consumption of primary energy.

Opportunities and Risks Presented by Responses to Climate Change

- | | |
|---------------|--|
| Risks | <ul style="list-style-type: none"> • Deterioration of credibility for failing to meet the needs of society • Reinforcement of regulations related to business activities |
| Opportunities | <ul style="list-style-type: none"> • Differentiation from other companies by taking the lead in addressing environmental issues • Improved image as a pioneering company |

Long-term Goal for 2030

By 2030, we aim to reduce CO₂ emissions by 45%

- We aim to reduce total CO₂ emissions, in principle, from fiscal year 2013.
- Along with total CO₂ emissions, we will identify CO₂ emissions from individual buildings with the aim of verifying the CO₂ reduction effects from a single building.

Basic Plan to Achieve the Goal

1. Properties for reconstruction: Reduce energy consumption by an average of 25% by implementing various energy-saving measures. At the same time, endeavor to improve energy-saving performance by working toward achieving ZEB*1 and using labeling systems, such as BELS*2 and CASBEE*3.
2. Properties requiring maintenance/renovation, properties to be newly purchased: Reduce energy consumption by an average of 5% by implementing facility renovation (increasing value), and the use and operational arrangement of green leasing*4.
3. Endeavor to reduce energy consumption across all buildings with cooperation from tenants by taking measures such as visualizing the energy consumption of each building.

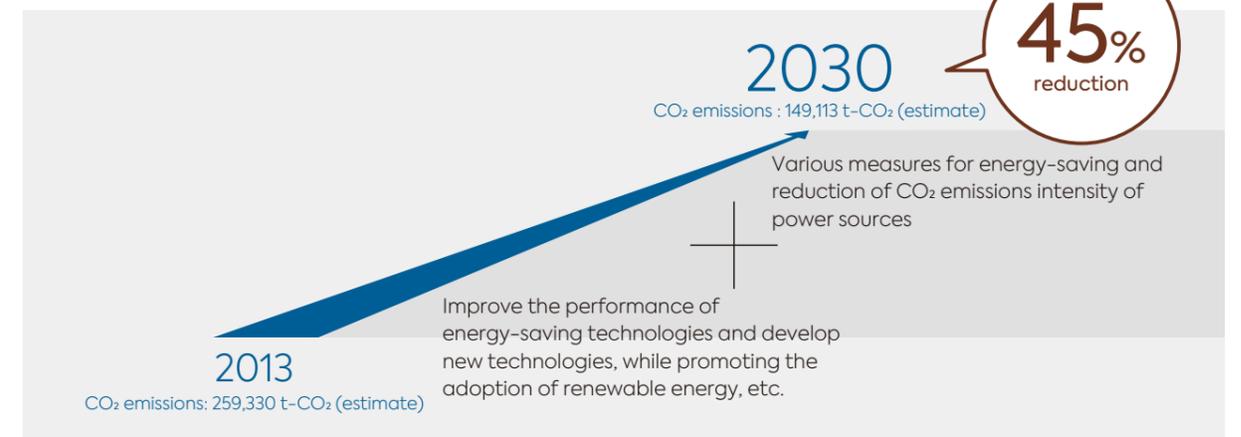
*1 ZEB is a term used to describe a building with zero or approximately zero net primary energy consumption annually.
 *2 BELS is a system for evaluating/indicating the energy-saving performance of housing by a registered body of the general incorporated association for housing performance evaluation and labeling.
 *3 CASBEE is a method for evaluating and rating the environmental performance of buildings.
 *4 Under green leasing, building owners collaborate with tenants and make voluntary arrangements on reducing environmental impacts through energy-saving measures for real estate and improving the work environment by specifying in a contract or memorandum of understanding, etc., and implement the agreements.

Adoption of Energy-saving Technologies, etc.

1. Buildings: Improve building envelope performance (improve window specifications and enhance heat insulation capacity, etc.), introduce natural ventilation/lighting systems, and adopt greening of rooftops/walls, etc.
2. High-efficiency devices/systems: Work to reduce the outdoor air load by adopting LED lighting, high-efficiency devices, total heat exchangers, motion detectors/light control sensors, and CO₂ sensors, and use cogeneration/fuel cells, untapped energy, and heat interchange systems, etc.
3. Others: Work to introduce renewable energy, promote onsite/offsite photovoltaic power generation, and visualize energy consumption, etc.



Road Map for 2030



* CO₂ emissions in 2030 are forecasted to decrease by 42.5% from 2013 with the implementation of various measures for energy-saving and reduction of the CO₂ emissions intensity of power sources. Meanwhile, we will set a CO₂ emissions reduction target of 45% taking into account of improving the performance of energy-saving technologies and developing new technologies, while promoting the adoption of renewable energy, etc. going forward. *Allowing for a change in CO₂ emissions factor.



FUNDAMENTAL APPROACH

Hulic develops the CSR promotion system that functions effectively to promote CSR management.

Results in FY2016 Held the CSR Committee and the CSR Supporter meetings

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.

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.

Activities of the CSR Committee are reported to Board of Directors on a regular basis.

Summary of CSR Committee Meeting

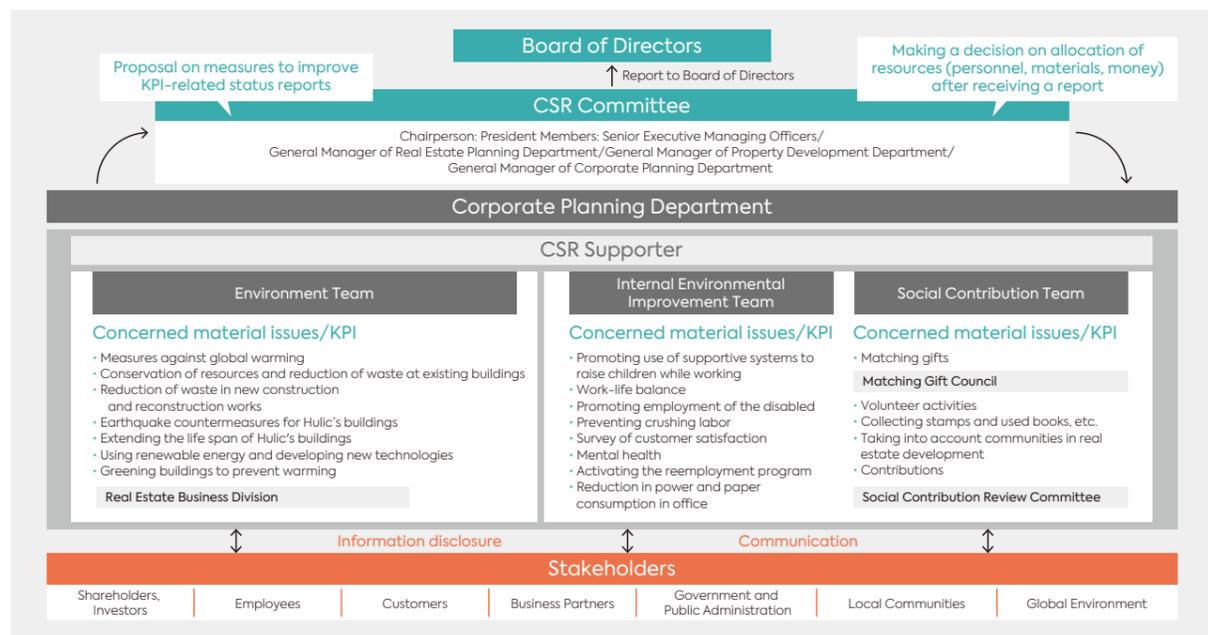
10th Meeting (September 2016) Fiscal year 2015 performance/CSR plan for 2017/Areas of improvement

The CSR Committee discussed the performance results of properties monitored by KPI, CO2 emissions, and external CSR evaluation, etc. Based on the discussions, the committee decided properties to be monitored by KPI and the CSR Policy for 2017.



Flowerbed maintenance activities carried out by CSR supporters

CSR Promotion Systems



Environmental Initiatives

Hulic contributes to achieving a sustainable society by promoting environmentally friendly management and proactively addressing global environmental issues.

Social Background Surrounding Hulic

In 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) was held and the Paris Agreement was adopted as a new international framework for reducing greenhouse gas emissions during the period after 2020.

Initiatives for Solving Social Issues

- > Formulation and implementation of the CO2 emissions reduction plan with 2030 as the target year
> Effective Use of Renewable Energy
> Waste reductions through proactive adoption of Longer Life building designs
> Development and introduction of energy-saving technologies
> Initiatives for conserving biodiversity and greening



Environmental Management

FUNDAMENTAL APPROACH

Hulic will implement environmentally friendly management based on the Hulic Environmental Policy and contribute to conserving the global environment.

Results in FY2016 Developed the CO2 emissions reduction plan and the road map targeted for 2030

Environmental Policy

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

Hulic Environmental Policy

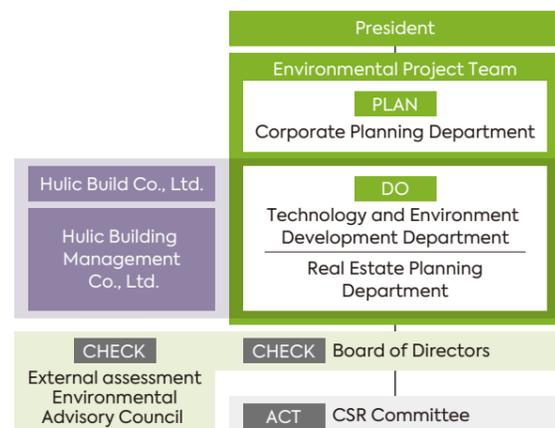
- 1 Environmental Compliance
2 Environmental Management System
3 Environmental Performance
4 Recycling Society
5 Environmental Awareness and Education for Employees
6 Environmental Communication



Environmental Management System (EMS)

Hulic Group is smoothly executing the PDCA Cycle with its unique Environment 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.

Environmental Management System



Environmental Advisory Council

We have an Environmental Advisory Council in place to assess Hulic's environmental activities. The Eighth Environmental Advisory Council discussed Hulic's new plan for reducing CO2 emissions (target year: 2030) based on COP21 and the "Plan for Global Warming Countermeasures" released by the Ministry of the Environment, etc.

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 investigations 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.

Environmental Compliance

With the aim of thoroughly complying with laws and regulations related to the environment, including waste and soil pollution, the Hulic Group conveys to all employees information on the latest trends in environmental laws and regulations and legal systems through the intranet, and provides environmental compliance training as needed.

Environmental Education

The Hulic Group participates every year in the Tokyo Green Ship Action, organized by the Bureau of Environment of the Tokyo Metropolitan Government, to raise environmental awareness, and engages in volunteer activities such as rice harvesting and trimming weeds and shrubs at the foots of mountains. These activities, with participation by many employees every year, provide them good opportunities to learn about biodiversity.



Environmental Management <http://www.hulic.co.jp/en/csr/ecology/management/>



FUNDAMENTAL APPROACH

Hulic implements climate change countermeasures to achieve its newly developed plan to reduce CO2 emissions (target year: 2030).

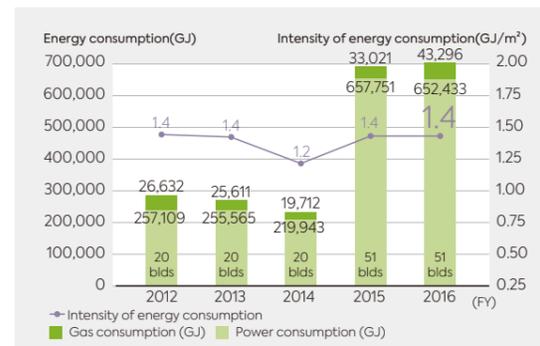
Results in FY2016 CO2 emissions intensity: 78.0kg-CO2/m² Number of capital investments for renewable energy: 3 investments

Situation of Greenhouse Gas Emissions

Energy Consumption and CO2 Emissions at Hulic's Buildings

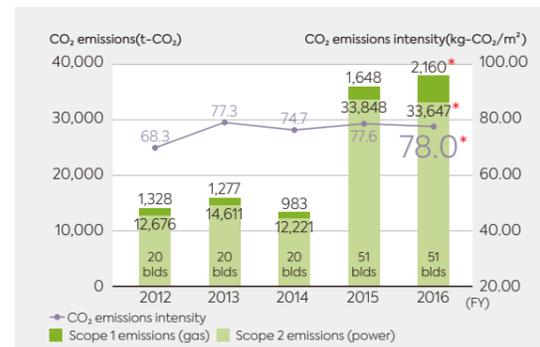
In tandem with our business expansion, we increased the number of properties to be included in this report since fiscal year 2015. With the increasing target properties, we aim to further promote energy-saving activities. We will work proactively toward our goal of reducing CO2 emissions by 45% from the fiscal year 2013 to 2030.

Energy Consumption/Intensity



Note 1: As the target buildings for calculation increased from 20 to 51 buildings from 2015, energy consumption is on the rise. As it is difficult to capture past data, recalculation of actual values for the past is not carried out.

CO2 Emissions/Intensity



Note 1: Figures marked with "*" have been assured by an independent assurance provider. Note 2: As the target buildings for calculation increased from 20 to 51 buildings from 2015, CO2 emissions are on the rise. As it is difficult to capture past data, recalculation of actual values for the past is not carried out.

Promoting Initiatives Across the Entire Value Chain

The Hulic Group promotes environmentally friendly processes across the entire value chain which covers from acquisition, development, reconstruction, and leasing to management and maintenance of properties. In addition, 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 across the entire value chain.

Scope 3 emissions

Table with 4 columns: Category, Main target for calculation, FY2015, FY2016. Rows include Purchased goods and services, Calculations for fuel and energy-related activities, Upstream transportation, Waste generated, Business travel, and Employee commuting.

Note: We have calculated greenhouse gas emissions, including those from the entire value chain, based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.2 published by the Ministry of the Environment.

TOPICS

Ranked 1st in the Real Estate/ Warehouse Industry for the Seventh Consecutive Year in the "Environmental Management Survey"

The "Environmental Management Survey," which is a survey that has been annually conducted by Nikkei Inc. since 1997, announces rankings of companies excellent in their approach to environmental management based on each company's answers to a questionnaire. Hulic has ranked first in the category of warehouse, real estate and others for seven consecutive years since the 14th Environmental Management Survey in 2010.



Effective Use of Renewable Energy

Initiatives for Utilizing Renewable Energy

The Hulic Group promotes the eco-business as one aspect of our 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)), and has set the target for the number of capital investments on renewable energy at three investments or more in each fiscal 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 Hospitalment Itabashi Tokiwadai, completed in 2016, a 10.5 kW photovoltaic generation system with a capacity to generate upwards of 10,500 kWh of electricity every year has been installed.



Photovoltaic panels (Hospitalment Itabashi Tokiwadai)

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 facade (front of the building). The panels form part of a 3.5 kW system capable of generating upwards of 3,500 kWh of electricity annually.



Facade (Hulic Ogikubo Building)

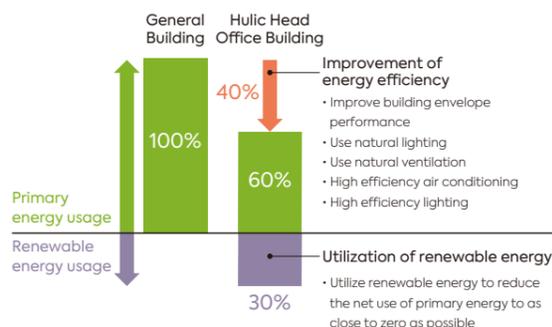
Amount of Electricity Generated by Solar Power (designed value for key properties)

Hulic Head Office Building	Approx. 9,400 kWh per year
Hulic Asakusabashi Building (PPP project)	Approx. 15,890 kWh per year
Hulic Osaka Building	Approx. 10,000 kWh per year
Hulic Ginza Building	Approx. 6,500 kWh per year
Hulic Court Yukigaya	Approx. 28,900 kWh per year
Hulic Residence Nishi Oi	Approx. 23,100 kWh per year
Sunny Life Funabashi	Approx. 16,800 kWh per year
Hospitalment Itabashi Tokiwadai	Approx. 10,500 kWh per year
Hulic Shimura-sakaue	Approx. 10,000 kWh per year

Initiatives for Achieving ZEB through the 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, Futaba District, Fukushima Prefecture, in order to address society's needs to strengthen our efforts toward environmental management. We expanded the initiative to Ogoyama Town in Kasama City, Ibaraki Prefecture in 2015, and to Yokoshibahikari Town in Sanbu District, Chiba Prefecture in 2016. Using the solar power plants at these three locations, we are working toward achieving offsite ZEB at the Hulic Head Office Building. 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.

- Effect 1 Initiative for achieving offsite ZEB through the use of renewable energy
- Effect 2 Electricity sales income, etc. (Hulic Building Management Co., Ltd.)
- Effect 3 Contribution to Great East Japan Earthquake recovery efforts through the operation of the solar business in Fukushima Prefecture



The Hulic head office is a very energy efficient building that employs natural lighting, natural ventilation and other energy saving technologies, which helps it use around 40% less energy than general buildings. Of the remaining 60%, 30% is sourced from renewable energy, bringing it close to a ZEB.



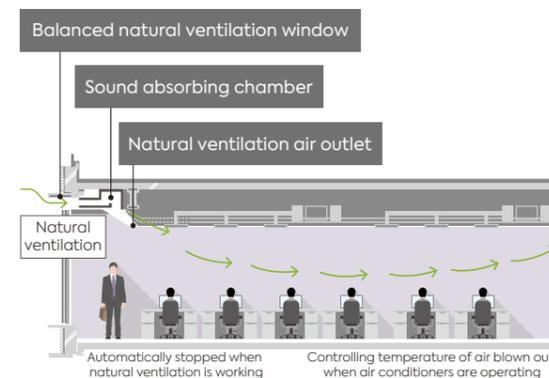
Ogoyama Town Solar Power Plant

Natural Ventilation and Natural Lighting System Developed through Joint Research with the Massachusetts Institute of Technology (MIT)

> 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.

Cross-Sectional View of Natural Ventilation

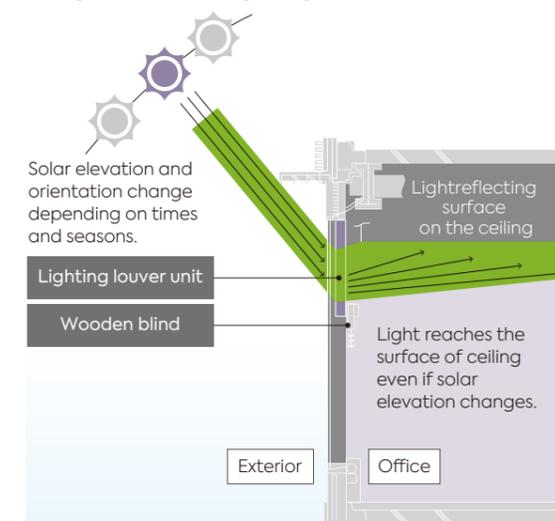


Rooftop solar chimney (Hulic Shinjuku Building)

> 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.

Image of natural lighting



Anidolic louvers Simulation of light reflection

TOPICS

Obtaining Patents for Natural Lighting System and Photovoltaic Panel

1. Natural lighting system

The natural lighting system was developed as a result of a three-year research/development project that Hulic engaged in with the Massachusetts Institute of Technology. With a specially-designed natural lighting louver, it can take in a certain amount of sunlight to the ceiling surface of a room without using electricity in accordance with different seasons and times of day. The greatest features of this system are that it realizes a comfortable level of illuminance with natural light, which was previously unattainable, and also that it has a simple, maintenance-free structure even though it comes with a fixed type.

[Patent registration date: October 14, 2016]

2. Photovoltaic panels

The special feature of Hulic's photovoltaic panels co-developed with Taiyo Kogyo Corporation and Gifu Plastic Industry Co., Ltd. is that they are lightweight, freely designable, and easy to install. We realized a lightweight photovoltaic panel with high strength by using aluminum board and plastic-based honeycomb-panel material. It is about half the weight of conventional solar panel. The panel can be freely designed through customization and can be made in various shapes. Equipped with a sliding mechanism using a special metal fitting, it can be relatively easily installed. Thus, it can be installed even in a building with strict loading conditions such as in repairing works.

[Patent registration date: October 7, 2016]



Promotion of Energy-saving

Activities to Promote Energy-saving Cooperation with Building Management Companies

Hulic has created an energy management standard, which it shares with property management companies in charge of its properties, in order to rigorously manage the progress of energy conservation activities. This standard was created to promote more efficient energy conservation activities at our company-owned lease properties, and it serves as a guideline for management, measurement, recording, maintenance, and inspections related to the rationalization of energy use based on building type and size. This standard is applied to all forms of energy, including electricity, gas, and water (water and sewerage), used at our company-owned lease properties and the Hulic Head Office Building.

Introduction of Energy-saving Technologies

Hulic actively adopts energy-saving technologies for its development projects and existing properties to promote energy savings. Specifically, we use high-efficiency equipment, high-efficiency air conditioning systems, total heat exchangers, and cogeneration systems/storage batteries according to the features of properties. Besides, we will proactively introduce new energy-saving technologies when performance improvements are achieved. In addition, Hulic is conducting its own research and development on energy-saving technologies. Hulic, jointly with other companies, has been developing a thin-layer wall greening system, which is easy to be introduced to existing buildings, and we have recently begun advance sales. Hulic and two other companies jointly own a pending patent for this system.



Introduction of LED Lighting

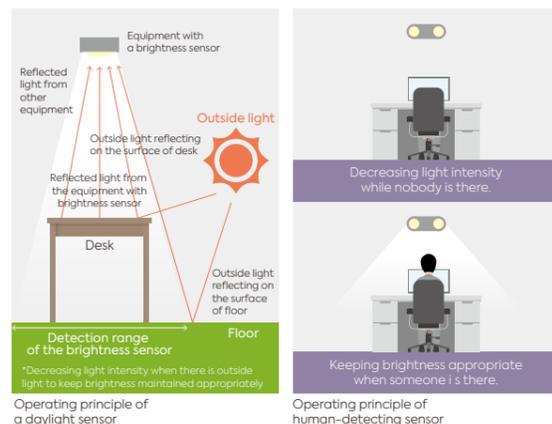
Use of LED lighting, which is brighter than incandescent lamps and fluorescents and uses less electricity, helps to significantly reduce power consumption and CO₂ emissions. Furthermore, as LED lighting is long lasting, it is possible to not only save the trouble of maintenance such as changing bulbs, but also reduce waste and effectively use resources. In principle, all Hulic's development projects use LED lighting. We are also sequentially switching over to high-efficiency lighting and LED lighting at our existing buildings as part of energy efficiency renovation work.



Space with LED lighting system (Hulic Ginza Sukiyabashi Building)

Introduction of High-efficiency Lighting and Illumination Control Devices

Hulic has realized a significant level of reduction in CO₂ emissions by introducing lighting systems with high energy-saving performance such as high efficiency lighting and LED lighting, as well as illumination control devices including sensors to detect people and daylight.



Introduction of Energy-saving Measures in Cooperation with Tenants

We have introduced an energy usage visualization system on a trial basis to examine measures for saving energy at tenants and for reducing the electricity consumption of an entire building. We have started by monitoring electricity usage in one building for a year on a trial basis, and will expand the target buildings for which energy savings can be achieved. Based on the building's electricity consumption for one year, adjustments will be made with each tenant, then we examine equipment settings and propose utility cost reduction measures through more efficient operations, and implement small-scale renovations as needed.

Use of Systems that Make it Easier for Tenants to Conserve Energy

The Hulic Group has begun rolling out a visualization system that freely controls air conditioning use in order to provide a better understanding of a building's use of energy. This system enables tenants to set the optimal working environment temperature for their business and makes it easier to implement energy conservation measures.



Visualization system (Hulic Asakusabashi Building)

Climate Change Countermeasures
<http://www.hulic.co.jp/en/csr/ecology/warming/>



FUNDAMENTAL APPROACH

We are proactively working to reduce waste and water consumption in cooperation with tenants and building management companies toward the realization of recycling society. For reconstructing buildings, we promote the 3Rs (reduce, reuse, and recycle) by adopting Longer Life Building designs that enable to reduce waste significantly.

Results in FY2016 Hulic's Longer Life Buildings completed based on the standards established in the "Hulic Guideline for Longer Life Service": 4 buildings

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) advanced 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 earthquake resistance and high durability
- 2 Smoother updating and renovation
- 3 Advanced maintenance

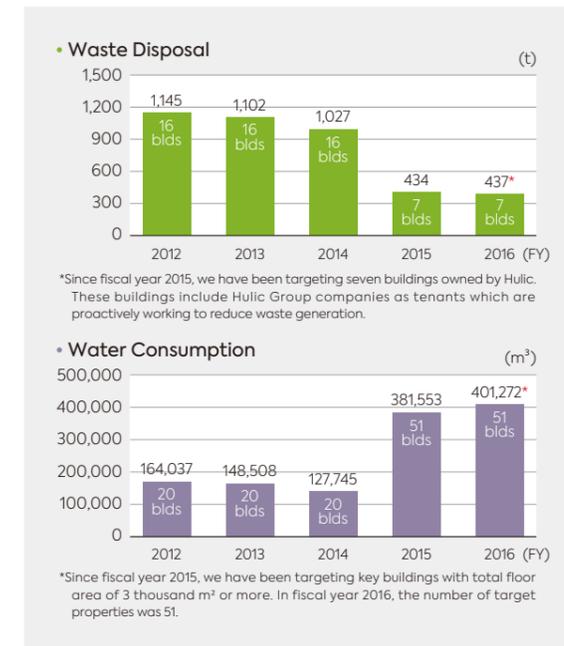


URL http://www.hulic.co.jp/en/csr/ecology/waste/long_life.html

Amount of Waste Disposal and Water Usage at Hulic's buildings

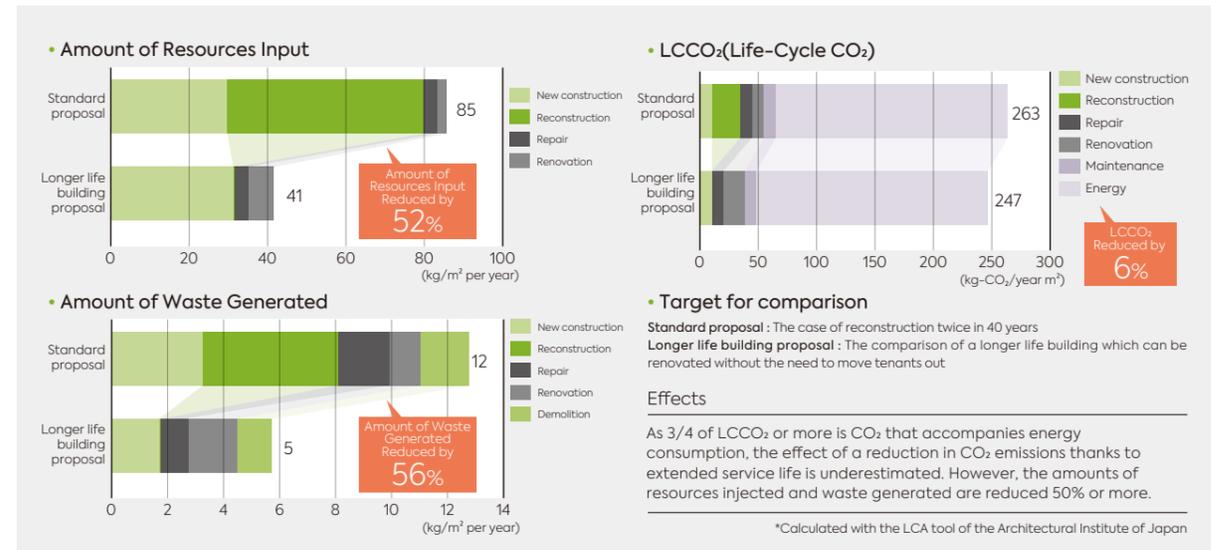
As a result of our steady efforts to create a resource-circulating society, we managed to reduce waste generation by 21% and water usage by 25%. (Percentage

reductions calculated per total floor area compared between the average of four years from 2013 to 2016 and the average of three years from 2005 to 2007)



Building a resource-circulating society
<http://www.hulic.co.jp/en/csr/ecology/waste/circulatory.html>

Environmental Advantages of Longer Life Buildings comparison over a 100-year span



Target for comparison
Standard proposal: The case of reconstruction twice 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 or more is CO₂ that accompanies 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 50% or more.

*Calculated with the LCA tool of the Architectural Institute of Japan



FUNDAMENTAL APPROACH

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

Results in FY2016 Number of greening projects: 1 project (Target: properties completed in 2016)

Biodiversity Guideline

Hulic is carrying out initiatives that increase biodiversity in order to create urban spaces that are in harmony with the environment. Hulic recognizes the importance of biodiversity's impact for the living environment, and in order to contribute to biodiversity, we have created the Declaration of Biodiversity Conservation and made this known to all of our organizations.

Biodiversity Guideline. Strongly recognizing the rapidly vanishing biodiversity worldwide, Hulic strives to conserve biodiversity through activities in harmony with business activities with the goal of handing over a rich nature to future generations.

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 program operated by the Ecosystem Conservation Society - Japan.

Primary Certified Properties

Table with 3 columns: Name of Project, Rank of Certification, Date of Certification. Lists properties like Aristage Kyodo, Hulic Residence Tsudanuma, etc.



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.

Greening on Rooftops and Premises/ Greening on Walls

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.

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



Case Study Hospitalment Itabashi Tokiwadai (Completed in March 2016)

This property has been collectively leased to a fee-based assisted living nursing home of which operating company is Sakurajyuji Corporation. As this property is located in a commercial and residential area with unique regional characteristics, we developed a comfortable living environment for its residents.

Along the exterior of the building, we planted trees of various heights and species that offer lush greenery and a variety of scenery from season to season with due consideration to enhancing biodiversity.



Biodiversity/Encouraging Greening http://www.hulic.co.jp/en/csr/ecology/communication/communication.html

Hulic places emphasis on dialogues with stakeholders and aims to achieve a society where people live safely, securely, and comfortably.

Social Background Surrounding Hulic

In 2015, the UN summit adopted the Sustainable Development Goals (SDGs), setting goals of securing health for all and eliminating gender discrimination, which indicates that interests in addressing social issues have been gathering momentum.

In Japan, society's needs are growing in response to various social issues, such as measures to prepare for natural disasters, measures for an aging population, and initiatives for work-style reforms including the reduction of long working hours.

Social Initiatives

Initiatives for Solving Social Issues

- > Proactively adopt earthquake-absorbing and earthquake-damping structures, and conduct disaster training
> Promote women's active participation and advancement in the workplace and employment of persons with disabilities
> Promote the use of paid leave and implement measures to prevent long working hours
> Cooperation/collaboration with NPOs and local governments, etc.



Initiatives for Our Customers

FUNDAMENTAL APPROACH

We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance, and convenience. In addition, 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 of buildings.

Results in FY2016 Customer satisfaction: 96%

Efforts toward the Improvement in Customer Satisfaction

As office buildings, stores, and residences owned by Hulic serve as the infrastructure for customer's social activities, we are aiming to constantly improve their quality under the philosophy of providing customers security and convenience.

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

Maintenance and Improvement of Quality and Ensuring Uniformity in Quality of Hulic's Buildings

Holding regular management status reporting meetings with property management companies

Hulic regularly holds property management status reporting meetings with outsourced property management companies to check the implementation status of management work, including conformity to laws and regulations, and receive reports on various problems related to buildings, including the results of measures to fix defects that have occurred in buildings.

Quality evaluation for management companies

Each year, Hulic evaluates the implementation status of management work and provides management companies with feedback to improve and unify the quality of their work. We use the results of evaluations as information to decide whether to continue to entrust management work with the current property management companies in accordance with the rules for real estate outsourcing management.

Specific primary evaluation items

- Confirm to check if maintenance work for buildings and facilities, including conformity to legal requirements applicable to buildings, has been performed systematically and thoroughly without omissions as stipulated in the contract.
- Confirm the status of legal compliance, including the status of renewing the verification due date of measuring instruments, etc. and submission of mandatory inspection results reports to the competent regulatory authorities.
- Confirm that defects occurring unexpectedly, including those pointed out during the legal inspection, have been fixed without delay.

Continuous Provision of a Safe, Secure, and Comfortable Work Environment

Systematic implementation of preventive maintenance of buildings and facilities

We systematically renovate and upgrade buildings and facilities every year, including statutory improvements to buildings and facilities, proactive renovations to ensure energy-saving/up-to-date facilities, and implementing extensive preventative maintenance work before defects occur in buildings and facilities, with the aim of providing a safe, secure, and comfortable work environment for tenants.



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. 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 *1, 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 reconfirmation *2 although constructed after the new earthquake resistance standards, we also rechecked their structural calculations to confirm the validity of their structural design.



Earthquake-absorbing equipment

*1 Excludes buildings with box frame type concrete construction and buildings that will be demolished
*2 Includes office buildings for which appropriate structural calculations could not be reconfirmed. For example, if the architectural firm that implemented the structural calculation had already discontinued its business.

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 endurance tests 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

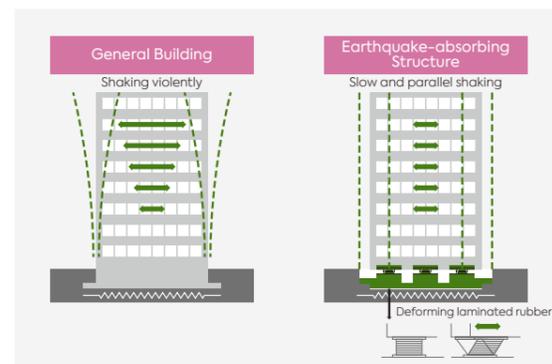
When electric facilities, etc. are damaged by flood in a basement, the supply of power which is essential for the use of buildings may stop. We investigate the status of buildings with power receiving and transforming facilities and private power generators installed in the basement, and implement necessary 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 methods to improve the seismic capacity.

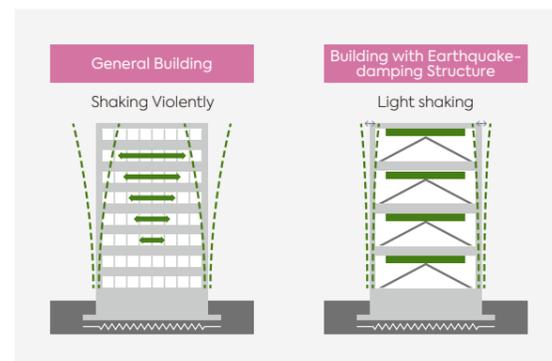
Earthquake-absorbing Structures

By isolating 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. Another feature of this structure is that how a building shakes during an earthquake does not differ significantly between upper floors and lower floors of the building. Sendai First Tower, a jointly developed building completed in Sendai where earthquakes occur frequently, is one of the few buildings with this earthquake-absorbing structure. Our stance toward ensuring safety is highly evaluated.



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 an 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.



Customer Satisfaction Survey

We conduct a customer satisfaction survey once a year to ensure tenants of Hulic's properties (corporate tenants) are able to use the buildings comfortably. Survey items include matters concerning building hardware and software, and things customers have noticed while using our buildings on a daily basis. We check the responses of customers, and then take steps to identify latent customer needs and make improvements accordingly. The survey conducted in fiscal year 2016 showed that approximately 96% of corporate tenants were satisfied with our buildings overall. The high levels of tenant satisfaction of the overall building and facilities reflects our systematic facility reinforcement and quick responses to problems. In addition, responsible staff individually explained matters requested by customers in relation to the survey items or responded to them.

Responsible Marketing

Hulic has set out the principle of "treating clients faithfully and kindly, listening to their requests with sincerity and providing sophisticated, efficient, and high-quality services" in the Basic Principles of Corporate Conduct and endeavors to build positive relationships with clients. In addition, we obtain the necessary permits and licenses for conducting business operations and comply with matters stipulated by various business laws and regulations.

With regard to important company information, we aim to disclose information with accuracy based on the facts, and in a way that is easy to understand in accordance with the rules for disclosure control. Furthermore, we disseminate information through various media by creating a company website, publishing press releases in a timely manner, and setting up signboards at train stations, with the aim of fostering a feeling of familiarity with our company widely among the public.



Initiatives for Our Customers

<http://www.hulic.co.jp/en/csr/customers/>

Promoting 3K Businesses toward Resolving Social Issues

Initiatives for Tourism Business

Accommodation facilities (number of properties owned) as of December 31, 2016: 11

We have positioned the tourism business as a growth sector, and are working to promote and develop the business to meet various needs.

Case study 1 Developing THE GATE HOTEL brand

THE GATE HOTEL KAMINARIMON by HULIC, which opened in 2012 and is directly operated by Hulic, has been awarded one star in the Michelin Guide for five consecutive years since 2013 and thus stable operation has been secured. We are currently developing THE GATE HOTEL TOKYO in the Ginza/Yurakucho district; a Hulic's priority area. We aim to create a hotel that is highly evaluated by everyone.



THE GATE HOTEL KAMINARIMON by HULIC

Case study 2 Acquiring and developing luxury hot spring inns

Amid growing demand for personal travel, Hulic is promoting the acquisition and development of luxury hot spring inns. We acquired Hakone Suishoen and Atami Fufu in 2015, and ATAMI Kai-Ho-Rou in 2016. We



Hakone Suishoen

have also begun to work on a development plan for the Lake Kawaguchi Fufu (tentative name) (with completion scheduled in 2018).

Initiatives for the Senior Business

Number of senior facilities owned by Hulic) as of December 31, 2016: 20

Hulic is striving to respond to an aging population by developing and making investments in senior facilities centering on senior residences, and expanding our business to hospital development for warehousing and the medical sector through CRE.

In 2016, we completed construction of Hospitalment Itabashi Tokiwadai (senior residence) and acquired Life Commune Tsutsujigaoka, Life Commune Hayama, and Asakusa Care Park Soyokaze (all are senior residences). In 2017, we acquired Medical Home Granda Okamoto (senior residence) and completed construction of Hulic Chofu (senior residence), and are scheduled to complete the Nippon Sport Science Univ. annex PJ (tentative name). This development project for the effective use of real estate involves leasing the former site of Educational Foundation of Nippon Sport Science University Group's Fukasawa Women's Dormitory for a period of 60 years to build and operate facilities that will be used for the university's educational research and to contribute to the local community. Under this project, a senior residence, a day-care center, and an outpatient clinic will be constructed.



Hospitalment Itabashi Tokiwadai



Nippon Sport Science Univ. annex PJ (Tentative name)



FUNDAMENTAL APPROACH

We aim for close mutual communication with our business partners, and build relationships that mutually enhance the corporate value of both parties. Additionally, Hulic strives to create shared value with stakeholders by resolving various social issues through PPP businesses.

Results in FY2016 Evaluated the status of work implementation by outsourced property management companies

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.

Fair trades with Outsourced Contractors

Considering long-term business relationships with outsourced contractors, we work to ensure fair trade with them as a partner on an equal footing. Regarding outsourcing by the real estate business division, we ensure fair trade based on the "rules for real estate outsourcing management," respecting related laws and regulations as well as guidances from administrative organizations.

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.

Initiatives for Our Business Partners
http://www.hulic.co.jp/en/csr/dealings/

FUNDAMENTAL APPROACH

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.

Results in FY2016 Ratio of female managers: 12.3%

Promoting Diversity

Respect for Human Rights

Hulic's "Our Code of Conduct," a 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 that discrimination based on creed, religion, age, gender, birthplace, or physical or mental disability will not be allowed.



*LGBT is a collective acronym for lesbian, gay, bisexual, and transgender.

Employment of Diverse Human Resources

Participating in the joint declaration on the charter of corporate ethics concerning employment issued by Keidanren (Japan Business Federation), we proactively employ new graduates in accordance with the purpose of the charter.

applicants and make efforts to secure diverse human resources based on their aptitudes and abilities, regardless of backgrounds and gender. The ratio of female managers has increased as a result of active efforts to promote the active participation and advancement of female employees in the workplace.

Promoting Employment of the Disabled

The Hulic Suginami Office marked its 9th anniversary, and as of June 2016, Hulic's employment rate of persons with disabilities was 2.21%* on a consolidated basis and 6.30%* on a non-consolidated basis. Currently, six employees with disabilities, instructors with experience in coaching, and a chief administrator are working at the Hulic Suginami Office.



*The target subsidiaries are companies that have been certified as affiliated subsidiary Logo of excellence in a corporation employing the disabled in Tokyo companies.

TOPICS

Signing a Basic Agreement for the Former Rissei Elementary School in Kyoto City PJ (PPP project)

In the public solicitation of proposals for using the former Rissei Elementary School site, solicited by the Kyoto City government in March 2017, a group comprising mainly of Hulic, Takenaka Corporation, and Furuse-gumi Corporation was selected as candidate contractors, and we signed a basic agreement with Kyoto City in May.

Our group will give consideration to the beautiful scenery by the Takase River, and develop buildings that blend with the modern architecture of valuable existing school buildings as a "complex facility that serves as a cultural center where people meet, generating energy and excitement among people which will spread to the local community."



Personnel Performance Data

Table with 6 columns: Unit, FY2012, FY2013, FY2014, FY2015, FY2016. Rows include: Number of employees (non-consolidated), Number of employees (consolidated), Average annual salary, Number of employees who left their job, Number of employees in managerial positions, Employment ratio of the disabled, Number of employees who took childcare leave, Number of employees who returned to work after childcare leave, Number of employees with shorter working hours, Number of employees who took day off for family care, Number of employees who took family care leave, Number of employees who took day off for nursing care, Number of users of the subsidy system for daycare nursery fees, Number of employees who took leave to take part in volunteer activities.

Figures marked with "" are those that have been assured by an independent assurance provider. *Data of Hulic Co., Ltd. only (excluding the number of employees (consolidated) and the employment ratio of the disabled (consolidated)) *Excludes employees who have been transferred within the group. Includes loan employees in the number of employees who took childbirth leave, the number of employees who took childcare leave, and the number of employees who took day off for nursing care.



Promoting Female Empowerment

Hulic's basic approach is for the work of individual employees to be aligned with their abilities, aptitudes, and personalities, enabling individual employees to make the most of their abilities and the Company to operate a high value-added business with less manpower. For this reason we see it as essential to provide opportunities to all employees irrespective of gender and, in particular, we are strengthening initiatives for the career development of women. The women's career promotion project team has been conducting activities regularly since 2010 with themes such as improving work-life balance and career development. In fiscal year 2016, we received the highest certification as an "Eruboshi" company under the Act on Promotion of Women's Participation and Advancement in the Workplace, and was selected as a "Nadeshiko" Brand. We also engaged in activities with the focus on organizing the "Science and Engineering Challenge (RIKOCALLENGE)" events in cooperation with the Cabinet Office, Keidanren and the Ministry of Education, Culture, Sports, Science and Technology. In November, we organized the in-house lectures on the topic of "Find working styles of your own Work-life balance for women" Furthermore, an annual meeting between the project team and senior management is being held to create opportunities for female employees to share their thoughts and concerns with senior management of the Company.



▶ Introduction of external evaluation

In fiscal year 2016, Hulic affirmed the "Declaration on action by a group of male leaders who will create a Society in which women shine" and received the highest-level "Eruboshi" certification from the Minister of Health, Labour and Welfare as an excellent company taking initiatives to promote women's participation and advancement in the workplace.



Selected as "Nadeshiko" Brand 2016

From the standpoint of empowering female employees and helping employees improve their career skills, we are working to transform our organizational structure, develop an employee-friendly work environment, and further enhance our benefit programs. In particular, we have put efforts into establishing a top-class system for fostering future generations, with the aim of ensuring that female employees are able to continue to play active roles in the company while raising their children after childbirth. In recognition of these activities, Hulic was named the Nadeshiko Brand for the second year in a row and selected as the Nadeshiko Brand 2016.



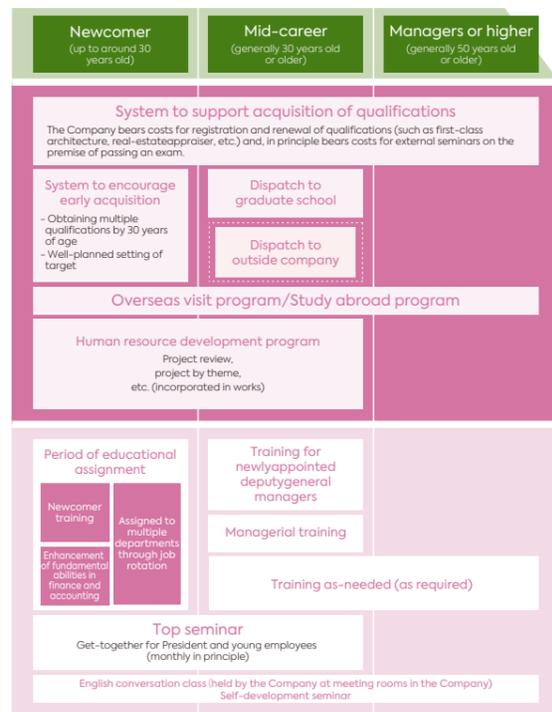
Establishing good labor-management relations

Hulic's "Our Code of Conduct" stipulates respect for human rights in association with equal employment opportunities, freedom of association, and a guarantee to engage in fair labor negotiations. In addition, we conduct interviews between employees and their supervisors when necessary and carry out the "President Questionnaire Survey," through which employees can share their views and opinions directly with the President, in an effort to establish good labor-management relations.

Human Resource Development

Stance on Human Resource Development

Hulic's ordinary income per employee is over 300 million yen. This is the highest level among listed companies. We assume that this figure has been accomplished because we are a small group of elite professionals. Currently, many of our employees are licensed professionals such as lawyers, certified public accountants, real estate appraisers, and first-class registered architects. Furthermore, with the aim of enhancing their professional skills, employees are recommended to obtain two or more qualifications by the time they reach the age of 30. The costs for these personnel upgrading activities are fully covered by the Company.



Work-life Balance

Work-life Balance

The falling birthrate, aging population, and women's social advancement are important issues for Japan's economy. With regard to support for the next generation, Hulic aims to achieve a higher level than the legal standard and has established various systems in this regard. In addition, we are working to create employee-friendly environments where all employees can make the most of their abilities. Accordingly, we have established an action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, set targets for the development and thorough notification, etc. of the work-life balance support system, and are conducting activities to these ends.

Establishment of Hulic's Onsite Childcare Nursery Facility

In 2014, we opened the Odenma Fureai Childcare Nursery inside the Hulic Head Office Building to promote a more employee-friendly work environment in which our employees can raise children while working. In addition, to make this childcare nursery more accessible, employees using this service are allowed to drive their cars to work and park them in the Head Office Building's parking lot free of charge. This childcare nursery is not only available for the employees but also for certain children* of neighboring residents, with the intention of contributing to reducing the number of children on nursery waiting lists in the local community.



*Conditions for use applied to neighboring children differ from those applied to employees.

Planned Use of Leave and Reduction of Overtime Work

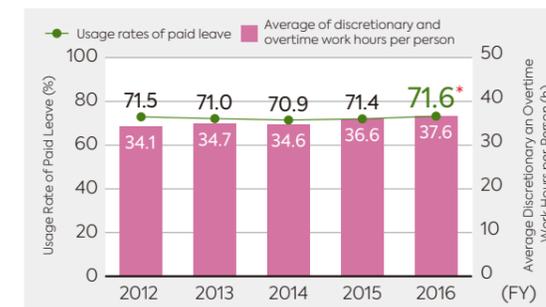
We promote work-style reforms to boost the usage rate of paid leave by employees and reduce long working hours. The key initiatives are as follows.

- Promoting the use of "Plus-one" paid leave and consecutive paid leave
Promoting the use of paid leave before and/or after Saturdays, Sundays, or holidays, and the use of a three-day vacation and a one-week vacation once a year respectively.
- Implementation of No Overtime Day
We have designated Wednesday as a No Overtime Day. On each Wednesday, we encourage employees to leave work on time. In addition, we adopt morning-oriented work arrangements in summer.
- Implementation of "My Friday"
We encourage employees to take a half day off on Friday afternoon once a month.

• Improving the efficiency of business processes and promoting outsourcing

We check the usage status of paid leave and implementation status of No Overtime Day as appropriate, and hold discussions on working style at each department. In addition, we work to reduce long working hours and promote the systematic use of paid leave by monitoring working hours, etc. through the Risk Management Committee and guidance and advice through the Health Committee.

In fiscal year 2016, the usage rate of paid leave increased from the previous year, while the average overtime per person increased from the previous year. Accordingly, we have stepped up our efforts to further reduce overtime work in fiscal year 2017.



Promoting Health and Productivity Management

Based on the idea that employees' good health is essential for improving productivity and growth of the company, Hulic is promoting the creation of employee-friendly work environments in which employees can continue to work with enthusiasm and energy in good health.

- Health checkup
We implement an annual health checkup that is equivalent to a comprehensive medical examination, with a wide lineup of optional examinations such as neck ultrasonography, colonoscopies, and gynecological checkups.

- Health Committee
The Health Committee, whose members are elected from among employees every year, holds monthly meetings. Our industrial doctor attends all Committee meetings to provide advice and guidance on healthcare. The Health Committee members discuss the status of use of paid leave and overtime work of employees, and matters discussed by the Committee are communicated across the Company by individual committee members.

- Mental Healthcare
We implement mental health care in cooperation with medical institutions. We help employees, who are diagnosed as requiring special medical examinations and treatment, find specialists or specialized medical institution partners. In 2016, we started to perform stress check tests on all employees to prevent them from suffering from mental disorders.

Initiatives for our employees
<http://www.hulic.co.jp/en/csr/employee/>



FUNDAMENTAL APPROACH

To fulfill our social responsibilities we work to resolve social problems, leading to the sustained development of the entire society. Further, we proactively support each employee to participate in social contribution activities.

Results in FY2016 Social contribution by the company: 13 items Social contribution by employees: 6 items

Policy for Social Contribution Activities

Basic Philosophy

As a good corporate citizen, Hulic proactively and widely pushes ahead with social contribution activities both inside and outside of its business fields. We contribute to the sustained development of the entire society through each activity.

Activity Guidelines

- Actively work in the three main fields of "local environmental protection," "co-existence with local communities," and "responses to social needs."
Actively support social contribution activities conducted by each employee.
Place an emphasis on securing transparency in implementing activities and promote dialogue and cooperation with society.

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 to organizations selected by majority vote of all employees.

Activities conducted in fiscal year 2016

In fiscal year 2016, we donated a total of 1.2 million yen to After School, a non-profit organization (NPO) providing after-school programs that offer safe places for children to get a broad range of experiences.



Social contribution by employees

- 1. Satoyama conservation activities
2. Donation to Ashinaga Scholarship Society
3. Matching gift program
4. Monthly community cleanup activities
5. Flowerbed maintenance activities
6. Assistance for support activities in disaster-struck areas

Social Contribution as a Company

- 1. Support for Japan Para-Badminton Federation
2. Held students' idea competition
3. Hosted summer festivals
4. Donation of used postal stamps
5. Donated to NPO After School
6. Sponsorship to support Mainichi Shimibun in Fukushima relief efforts
7. Sponsorship for the Kishikai Fukushima Shogi Festival
8. Donation to Red Cross
9. Donation to Akaihane
10. Donation to Ashinaga Scholarship Society
11. Opened the company daycare nursery to local community members
12. Sponsorship to the Kyoto Kenchiku Center
13. Support for Nezu Foundation

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. The volunteer paid leave program is designed to support employees who participate in social contribution activities. Employees are eligible to take up to 20 consecutive days of special paid leave (employees who take part in volunteer activities in disaster-hit areas can take paid leave more than once within 20 days) under the volunteer paid leave program to take part in philanthropic activities that give back to society.



Social Contribution as a Company

Activity 1 | Support for Japan Para-Badminton Federation

Hulic has been sponsoring the Japan Para-Badminton Federation as an Official Gold Partner since September 2016. Our main activities are to sponsor tournaments and send our employees to cheer for players at tournament games, etc. We support para-badminton players to help them make progress towards the 2020 Tokyo Paralympics.



Activity 2 | Donating a Portable Shrine

In May 2017, to contribute to the local community, we donated a portable shrine to Odenma Ninobe Town Association, of which Hulic is a member. We hope that carrying the portable shrine in festivals will contribute to making the community thrive and revitalize it further.



Activity 3 | Holding a 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 4th Odenma Summer Festival in July 2016. 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 deepen ties among people in the communities through such activities. In addition, we donated proceeds of 147,600 yen from sales at the festival to a volunteer organization, in addition to the money collected through the eighth matching gift program.



Activity 4 | Holding the Fourth Hulic Student Ideas Competition on the Theme of "Asakusa Nouveau"

We planned this competition as a real estate company with the aim of providing students with opportunities to propose urban development and construction ideas. For this year's fourth Student Ideas Competition, we solicited free and unconventional ideas as proposals for "Asakusa Nouveau" to revive Asakusa, once the birthplace of contemporary culture, as "edgy Asakusa." We received 118 entries. At the open second screening, students presented their ideas, followed by a question and answer session with judges. After consultations among judges, one winner of the grand prize, three winners of the excellence award, and six winners of the honorable mention award were selected.

Initiatives in the Local Community
http://www.hulic.co.jp/en/csr/social/

VOICE

My Experience of Participating in the Student Ideas Competition

This competition has given me a very stimulating experience, having received comments on my idea from leading professionals in various fields such as design, real estate, and the media. I think the purport of this competition of trying to become proactively involved in the real society without being restricted by the job functions of architects or designers is very meaningful. I also learned a lot from other teams' presentations and comments. Asakusa is a place where both traditional culture and avant-garde culture are viable. In that sense, I believe this competition,

in which each participating team has set a theme for reviving Asakusa and exchanging ideas created from their own themes with other teams, has served as a good touchstone for exploring the possibilities of using architectural design to solve various complex social issues from different perspectives.



Graduate School of University of California, Los Angeles Taira Tsukioka



FUNDAMENTAL APPROACH

We strive to ensure the appropriate disclosure of information whenever necessary, and actively conduct financial results briefing as well as company information sessions for individual investors. These represent our efforts to achieve diverse forms of mutual communication.

Results in FY2016 Number of information sessions for personal investors held: 8 (including sessions for sales personnel of securities companies, IR fairs, and events)

Information Disclosure Policy

On the basis of the disclosure policy, we are aiming at fair, timely and accurate information disclosure benefitting 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 allow 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.



Outside Evaluation of IR Activities

Hulic's website discloses timely and detailed information on our various activities. In fiscal year 2016, our website was selected as the "best website in overall ranking" and the "excellent website in industry ranking" in Nikko IR's All Listed Company Website Ranking 2016. In addition, our website won the bronze prize in Gomez IR's Site Ranking and the Internet IR Excellence Award from Daiwa Investor Relations.



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 better understood by individual investors. We participate in seminars and fairs, etc. for individual investors to create opportunities for more individual investors to learn about us. We will promote IR activities that provide us with opportunities to communicate directly with individual investors.



Brief Sessions for Organizational Investors and Analysts

Briefing sessions on financial results (at the end of the 2nd quarter and fiscal year) are held semiannually by Hulic's top management mainly for institutional investors. We also conduct many "One on One Meetings" in Japan, through which we visit individual institutional investors to explain Hulic. Furthermore, we have proactively rolled out IR activities overseas, visiting institutional investors in Europe, the U.S., and Asia, etc. Through these activities, we endeavor to foster a deep understanding of Hulic among institutional investors.

Initiatives for Our Shareholders and Investors <http://www.hulic.co.jp/en/csr/investors>



Corporate Governance

Hulic works to strengthen corporate governance with the aim of improving the transparency and efficiency of management and continue to be trusted by society.

Social Background Surrounding Hulic

The Corporate Governance Code was introduced in June 2015. It requires companies to work toward achieving sustainable growth based on sound corporate governance.

Initiatives for Solving Social Issues

- Establishing and implementing the corporate governance guidelines
- Selecting external directors and external auditors with high levels of expertise
- Establishing a business continuity plan (BCP) and conducting BCP training
- Conducting risk evaluation/risk management by the Risk Management Committee

Corporate Governance

FUNDAMENTAL APPROACH

Hulic Group recognizes that it is an important business issue to build a corporate governance system with fully functioning "risk management," "compliance," and "internal control." We intend to sincerely execute business, fulfilling accountability to stakeholders.

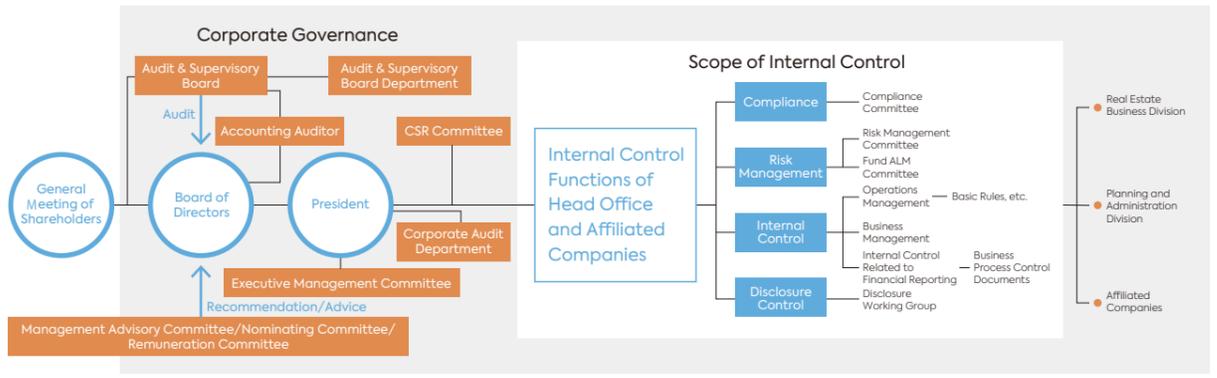
Results in FY2016 Number of internal audits conducted: 9 times Participation rate in the Board of Directors' Meeting: 96 %

Corporate Governance 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 March 2017). Directors determine important matters concerning Hulic's business activities, including CSR, 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.

Corporate Governance System Chart (As of March 2017)





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 basic plan is finalized by the Board of Directors based on Corporate Audit Regulations and 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 March 2017). In fiscal year 2016, we implemented internal audits nine times. Regarding matters for which significant risk management deficiencies were identified, we have provided feedback and appropriately confirmed the status of improvements. Meanwhile, 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). Based on the evaluation results, 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 comment 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 and checks on the 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)

We appointed the 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. The expertise and reasons for selection of the External Directors are as follows.

Name	Profession/Affiliation, etc.	Reasons for selection
Tsukasa Miyajima	Professor Emeritus of Keio University, lawyer, professor of Asahi University	Highly discerning and insightful as a university professor
Hideo Yamada	Lawyer of Yamada Ozaki Law Office	Highly discerning and insightful as a lawyer
Atsuko Fukushima	Journalist, management council member of Shimane University	Highly discerning and insightful as a journalist
Kaoru Takahashi	Representative Director, President of Sampo Japan Nipponkoa Himawari Life Insurance, Inc.	Highly discerning and insightful as a business operator

Policy for Determining Director Compensation

Compensation of directors consists of basic fixed compensation, which is based on job position and the weight of duties, and performance-based compensation, which is based on corporate performance and contribution to corporate performance. A portion of performance-based compensation is allocated to a share-based payment scheme designed to give incentives for performing duties, in order to achieve the sustainable growth of the Company and to enhance corporate value from the perspective of shareholders. Amounts of compensation are determined through discussions by the Nominating Committee, the majority of which is comprised of independent External Directors and is chaired by an independent Outside Director, within the limit approved at a general meeting of shareholders. Compensation of Audit & Supervisory Board members is determined through discussions by the Audit & Supervisory Board within the limit determined at a general meeting of shareholders. Compensation of External Directors and Audit & Supervisory Board members solely consists of basic compensation (fixed amount) in the light of their roles and responsibilities.

Amount of remuneration, etc. by classification of Executive Officers (FY2016)

Classification of executive officers	Total amount of remuneration, etc. (million yen)	Total amount by the type of remuneration (million yen)				Number of target executive officers (No. of people)
		Basic remuneration	Stock-based rewards	Stock options	Bonuses	
Directors (excluding External Directors)	552	330	111	-	111	6
Auditors (excluding External Auditors)	72	72	-	-	-	2
External executive officers	85	85	-	-	-	7

Nominating Committee and Remuneration Committee

The following new "discretionary committees" were established with the enactment of the Corporate Governance Code, enforced on June 1, 2015. Each committee is chaired by an External Director, with the majority composed of External Directors.

Nominating Committee

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 and personnel changes of Directors (promotion, etc.)
- (2) 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 standards and other matters pertaining to the remuneration of Directors
- (2) Matters concerning the remuneration of Directors, as deemed necessary by the Board of Directors

Corporate Governance <http://www.hulic.co.jp/en/csr/governance/governance.html>

Directors (as of March 2017)



Board of Directors

- 1 Chairman, Representative Director Saburo Nishiura
- 2 President, Representative Director Manabu Yoshidome
- 3 Representative Director (Senior Executive Managing Officer) Hidehiro Shiga
- 4 Director (Senior Executive Managing Officer) Shinji Furuichi
- 5 Director (Senior Executive Managing Officer) Hajime Kobayashi
General Manager of the Corporate Planning Department
- 6 Director (Executive Managing Officer) Takaya Maeda
General Manager of Real Estate Development Department 1

- 7 Director (External Director) Tsukasa Miyajima
Professor Emeritus of Keio University
Professor of School of Law and Graduate School of Law of Asahi University
- 8 Director (External Director) Hideo Yamada
Lawyer of Yamada Ozaki Law Office
- 9 Director (External Director) Atsuko Fukushima
Journalist
Management Council Member of Shimane University
- 10 Director (External Director) Kaoru Takahashi
Representative Director, President of Sampo Japan Nipponkoa Himawari Life Insurance, Inc.
Director, Sampo Holdings, Inc.

Board of Directors

- 11 Full-time Auditor Shigeo Nakane
- 12 Full-time Auditor Takuya Asai
- 13 External Auditor Koichi Nezu
Board Chairman and Curator of Nezu Museum
Chairman Emeritus of Tobu Department Store Co., Ltd.
- 14 External Auditor Nobuyuki Kobayashi
Director of Kobayashi Certified Public Accountants Office
Professor at the Graduate School of the Nagoya University of Commerce
- 15 External Auditor Kenichi Sekiguchi
Special Advisor of Meiji Yasuda Life Insurance Company

*For details of the profiles of Directors, please see the "Directors" page on the Company's website (<http://www.hulic.co.jp/en/corporat/officer.html>).



FUNDAMENTAL APPROACH

Pursuant to basic rules of risk management, we manage various risks related to the Hulic Group's businesses, which include operational risk, market risk, liquidity risk, and credit risk, among others.

Results in FY2016 Number of total disaster training and first-aid training conducted: 1

Risk Management Structure

We hold regular meetings of committees related to risk management, such as the Risk Management Committee and Capital ALM Committee, and control risks by grasping changes in risk by collecting and analyzing monitoring indices. Through this PDCA cycle, we carry out risk management continuously to stabilize our business operations. In addition, internal audits are carried out on all departments and operations, in order to verify the appropriateness of risk management practices. With regard to real estate, the greatest asset of Hulic, we obtain regular appraisals to comprehend the market risk of real estate, and we have also formulated a business continuity basic plan to prepare for large-scale disasters, under which we are working hard to reinforce our risk management structure by implementing company-wide training drills and other measures. Based on experiences from the Great East Japan Earthquake, we have also checked seismic performance, liquefaction countermeasures, and flood control measures at each 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.

Collaborative and Cooperative Structure with Business Partners



Employees undergoing disaster training



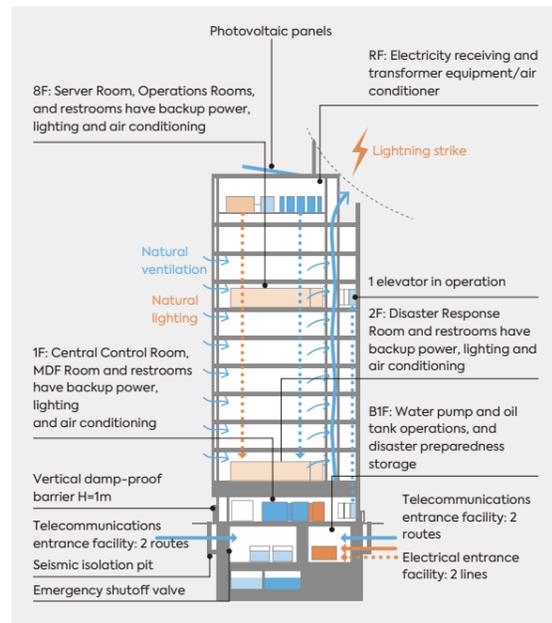
Facilities and Stockpiles for Sustaining Business Operations

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.

- Adopts quake-absorbing and quake-damping structures that enable building functions to operate even during an earthquake with a seismic intensity of seven
Features emergency generators that can operate continuously for up to six days
Secures food and drinking water to last more than seven days
Uses wireless equipment for communications between the management offices of other company-owned properties, etc.

Regarding buildings for which Hulic undertakes reconstruction projects, we also stockpile water resources and establish a drainage system and install emergency back-up generators that can generate power continuously three days. 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.

Maintaining Functions during a Disaster (Hulic Head Office Building)



Risk Management http://www.hulic.co.jp/en/csr/governance/risk_management.html



FUNDAMENTAL APPROACH

Each and every employee will strive to fulfill the trust of every stakeholder and fulfill Hulic's corporate social responsibilities by fully complying with laws and company rules as well as engaging in business activities based on a high standard of ethics.

Results in FY2016 Compliance seminars for all employees and directors No. of seminars conducted: 5 times Transmission of information: 12 times

Compliance Promotion System

In accordance with the compliance rules, we have built a company-wide system composed of the Board of Directors at the top, the Compliance Committee, executive managing directors in charge of legal affairs and compliance, and compliance officers of each department. The status of activities based on the compliance program is regularly reported to the Board of Directors through the Compliance Committee. The Compliance Manual requires that employees immediately report compliance issues or possible issues to the Compliance Officer, who will then investigate the matter as necessary, identify the cause, and implement the necessary measures to prevent future reoccurrences. In fiscal year 2016, HULIC had no compliance violations.

Initiatives for Preventing Corruption

Hulic's Compliance Manual sets out our principles regarding "Business Entertainment/Gift Giving and Prohibition of Bribery." In addition, we conduct compliance seminars for all employees as appropriate to build their awareness on prohibited activities such as giving gifts to public officials and excessive entertainment. Moreover, twice a year, our Legal & Compliance Department checks whether each department is appropriately managing the issues related to business entertainment of interested parties and the acceptance or offering of gifts. Furthermore, employees of HULIC and our business partners are encouraged to report any matters involving compliance issues directly to the Compliance Hotline.

Initiatives for Fair Competition

Hulic's Compliance Manual sets out our principles of "Compliance with the Antitrust Laws and Other Relevant Laws and Regulations." In addition, we introduce necessary trainings at compliance seminars to communicate the principles to employees.

Compliance Hotline

Our employees are encouraged to report directly to the internal or external Complaint Hotline when they consider it unlikely that appropriate corrective actions will be implemented after they consult with the compliance officers of their departments on matters involving compliance issues, or when they are uncomfortable consulting with compliance officers due to the nature of the issues involved.

The Compliance Hotline investigates issues reported and promptly implements corrective actions by paying due consideration to the privacy of whistleblowers. In fiscal year 2016, the Compliance Hotline received one report, for which corrective actions were implemented and this case has already been resolved properly.

Compliance Seminar

We regularly provide compliance seminars covering set themes to instill awareness of compliance among all employees. The themes we have selected include responses to anti-social forces, power harassment, and insider trading regulations. In 2016, we held seminars on how to handle anti-social forces, insider trading regulations and business entertainment/gift-giving for business partners. In addition to seminars on these overall themes, we hold theme-based seminars on important themes including Building Lots and Buildings Transaction Business Act, in consideration of compliance specific to real estate businesses. Furthermore, we hold discussions in each department if appropriate. We also post compliance-related news and Q&As to the Company's intranet once a month. We compile comments on compliance seminars, obtained through questionnaires, as feedback and reflect them in subsequent seminars.

Compliance Seminars in FY2016

Frequency: 5 seminars implemented (four times for all employees, once for executive officers), transmission of information 12 times
No. of participants: All employees (including temporary staff)

Information Security Management

In an attempt to prevent information leaks, one of the critical risks in relation to the performance of business, we have established an information security management system, and enhanced operation management in accordance with the information management rules included in the information security policy. We more strictly check the right of access to the shared server, regulate the use of storage media, and regulate instances where information assets can be taken off-site. In our themed compliance seminars held on a regular basis, we thoroughly teach the significance of information management and information security measures in terms of systems in order to increase each employee's awareness. Additionally, we carry out internal audits to check compliance with company rules on information management. In fiscal year 2016, there was no case or accident related to information leaks.

Compliance http://www.hulic.co.jp/en/csr/governance/compliance.html



Consolidated Balance Sheets

Assets	Previous consolidated accounting period (ended December 2015)	Current consolidated accounting period (ended December 2016)
Current assets		
Cash and deposits	31,224	22,898
Notes and operating accounts receivable	3,870	4,297
Merchandise	0	0
Real estate for sale	86,587	63,510
Real estate for sale in process	21,001	32,205
Costs on uncompleted construction contracts	45	91
Supplies	38	39
Operational investment securities	2,256	1,032
Deferred tax assets	9,024	961
Other	6,215	2,975
Allowance for doubtful accounts	Δ4	Δ5
Total current assets	160,261	128,007
Non-current assets		
Property, plant and equipment		
Buildings and structures	250,981	264,169
Accumulated depreciation	Δ61,095	Δ70,404
Buildings and structures, net	189,885	193,765
Machinery, equipment and vehicles	3,859	4,017
Accumulated depreciation	Δ886	Δ1,163
Machinery, equipment and vehicles, net	2,972	2,853
Land	580,352	638,078
Construction in progress	2,517	6,503
Other	1,644	1,789
Accumulated depreciation	Δ881	Δ1,030
Other, net	762	758
Total property, plant and equipment	776,490	841,959
Intangible assets		
Goodwill	4,942	4,088
Leasehold right	21,758	21,510
Other	442	475
Total intangible assets	27,143	26,074
Investments and other assets		
Investment securities	114,362	121,136
Guarantee deposits	7,165	9,367
Deferred tax assets	724	755
Retirement benefit assets	12	37
Other	4,608	6,376
Allowance for doubtful accounts	Δ0	Δ0
Total investments and other assets	126,873	137,673
Total non-current assets	930,507	1,005,707
Deferred assets		
Business commencement expenses	18	6
Stock issuance expenses	479	272
Total deferred assets	497	279
Total assets	1,091,266	1,133,994

Liabilities	Previous consolidated accounting period (ended December 2015)	Current consolidated accounting period (ended December 2016)
Current liabilities		
Short-term loans payable	105,000	28,000
Current portion of long-term loans payable	135,687	85,544
Current portion of bonds	100	-
Accrued expenses	3,104	3,363
Income taxes payable	933	6,904
Advances received	4,959	5,395
Provision for bonuses	324	367
Provision for directors' bonuses	145	164
Other	7,522	9,248
Total current liabilities	257,778	138,987
Non-current liabilities		
Bonds payable	38,000	38,000
Long-term loans payable	379,425	513,831
Deferred tax liabilities	44,605	42,669
Provision for directors' retirement benefits	64	71
Provision for share distribution	-	454
Net defined benefit liability	1,075	1,092
Long-term guarantee deposited	51,036	55,332
Other	2,235	2,466
Total non-current liabilities	516,442	653,919
Total liabilities	774,221	792,906
Net assets		
Shareholders' equity		
Capital stock	62,641	62,695
Capital surplus	78,706	78,760
Retained earnings	140,214	163,206
Treasury shares	Δ193	Δ1,140
Total shareholders' equity	281,368	303,523
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,708	33,449
Deferred gains or losses on hedges	Δ73	Δ50
Retirement benefits liability adjustments	Δ66	Δ19
Total accumulated other comprehensive income	31,568	33,380
Non-controlling interests	4,108	4,184
Total net assets	317,045	341,087
Total liabilities and net assets	1,091,266	1,133,994

Consolidated Statements of Income

	Previous consolidated accounting period (ended December 2015)	Current consolidated accounting period (ended December 2016)
Operating revenue	169,956	215,780
Operating cost	114,021	145,509
Operating gross profit	55,935	70,271
Selling, general and administrative expenses	13,932	16,893
Operating income	42,002	53,377
Non-operating income		
Interest income	27	11
Dividend income	1,421	1,545
Share of profit entities accounted for using equity method	999	844
Income arising from cancellation of leasing contracts	497	281
Other	2,054	250
Total non-operating income	5,000	2,933
Non-operating expenses		
Interest expenses	4,214	4,516
Other	253	362
Total non-operating expenses	4,468	4,878
Ordinary income	42,534	51,432
Extraordinary income		
Gain on sales of non-current assets	421	247
Gain on sales of investment securities	3,712	837
Gain on investments in silent partnership and other	3	94
Other	21	35
Total extraordinary income	4,159	1,215
Extraordinary losses		
Loss on sales of non-current assets	46	0
Loss on retirement of non-current assets	351	1,578
Loss arising from building reconstruction	1,708	667
Loss on sales of investment securities	4	-
Loss on valuation of investment securities	0	-
Loss on redemption of investment securities	0	-
Impairment loss	-	193
Provision of allowance for doubtful accounts	0	-
Other	6	8
Total extraordinary losses	2,118	2,448
Income before income taxes and minority interests	44,575	50,199
Income taxes - current	4,357	8,763
Income taxes - deferred	6,292	6,274
Total income taxes	10,649	15,038
Net income	33,925	35,161
Profit attributable to non-controlling interests	296	263
Profit attributable to owners of parent	33,628	34,897

Consolidated Statements of Comprehensive Income

	Previous consolidated accounting period (ended December 2015)	Current consolidated accounting period (ended December 2016)
Profit	33,925	35,161
Other comprehensive income		
Unrealized holding gains on securities	5,324	1,749
Unrealized gains on hedging instruments	105	23
Foreign currency translation adjustments	Δ1,319	-
Adjustments for retirement benefits	55	78
Share of other comprehensive income of affiliates accounted for by the equity method	Δ167	Δ39
Total other comprehensive income	3,998	1,811
Comprehensive income	37,923	36,972
(Breakdown)		
Total comprehensive income attributable to owners of parent	37,626	36,709
Total comprehensive income attributable to Non-controlling interests	296	263

Consolidated Statement of Cash Flows

	Previous consolidated accounting period (ended December 2015)	Current consolidated accounting period (ended December 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	44,575	50,199
Depreciation	8,929	11,299
Impairment loss	-	193
Increase (decrease) in allowance for doubtful accounts	Δ0	0
Increase (decrease) in provision for bonuses	24	42
Increase (decrease) in provision for directors' bonuses	16	19
Increase (decrease) in provision for directors' retirement benefits	11	7
Increase (decrease) in provision for retirement benefits	-	454
Increase (decrease) in net defined benefit asset and liability	156	106
Interest and dividend income	Δ1,449	Δ1,556
Interest expenses	4,214	4,516
Share of (profit) loss of entities accounted for using equity method	Δ999	Δ844
Loss on retirement of non-current assets	351	1,578
Loss (gain) on sales of property, plant and equipment	Δ343	Δ180
Loss (gain) on sales of intangible assets	Δ31	Δ66
Loss (gain) on sales of investment securities	Δ3,707	Δ837
Loss (gain) on valuation of investment securities	0	-
Loss (gain) on redemption of investment securities	0	-
Loss (gain) on investments in silent partnership and other	Δ3	Δ88
Loss (gain) on foreign exchange	Δ1,712	-
Decrease (increase) in notes and accounts receivable - trade	1,422	Δ426
Decrease (increase) in inventories	Δ9,058	39,974
Decrease (increase) in investment securities for sale	774	1,224
Decrease (increase) in guarantee deposits	388	Δ2,201
Increase (decrease) in guarantee deposits received	4,619	4,295
Decrease (increase) in other assets	1,423	1,326
Increase (decrease) in other liabilities	Δ1,015	4,398
Subtotal	48,586	113,434
Interest and dividends income received	1,485	1,662
Interest expenses paid	Δ4,387	Δ4,566
Proceeds from compensation	-	1,127
Income taxes paid	Δ9,411	Δ3,250
Net cash provided by (used in) operating activities	36,272	108,407
Cash flows from investing activities		
Payments into time deposits	Δ1,226	-
Proceeds from withdrawal of time deposits	3,400	-
Purchase of property, plant and equipment	Δ164,060	Δ106,729
Proceeds from sales of property, plant and equipment	5,259	1,679
Purchase of intangible assets	Δ4,064	Δ2,427
Proceeds from sales of intangible assets	173	408
Purchase of investment securities	Δ24,744	Δ5,396
Proceeds from sales of investment securities	36,304	888
Purchase of newly consolidated subsidiaries	Δ135,374	-
Payments on loans	Δ308	Δ143
Other, net	60	702
Net cash provided by (used in) investing activities	Δ284,580	Δ111,018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	76,000	Δ77,000
Net increase (decrease) in short-term bonds payable	Δ4,026	Δ2
Proceeds from long-term loans payable	249,000	225,400
Repayments of long-term loans payable	Δ124,084	Δ141,137
Payments on redemption of bonds	Δ12,000	Δ100
Proceeds from issuance of stocks	79,997	-
Proceeds from exercise of share options	87	108
Proceeds from sales of treasury shares	0	-
Purchase of treasury shares	Δ1	Δ947
Cash dividends paid	Δ7,802	Δ11,904
Proceeds from payment from minority shareholders	889	-
Cash dividends paid to minority shareholders	Δ124	Δ117
Other, net	Δ1	Δ14
Net cash provided by (used in) financing activities	257,934	Δ5,715
Effect of exchange rate change on cash and cash equivalents	242	-
Net increase (decrease) in cash and cash equivalents	9,868	Δ8,326
Cash and cash equivalents at beginning of period	21,129	30,997
Cash and cash equivalents at end of period	30,997	22,671



Consolidated Statements of Changes in Net Assets

Previous consolidated accounting period (ended December 2015) (Unit: Million Yen)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	22,290	38,355	114,314	Δ191	174,767
Cumulative effect of changes in accounting policy			73		73
Balance at the beginning of the fiscal year reflecting changes in accounting policy	22,290	38,355	114,387	Δ191	174,841
Changes of items during the current period					
Issuance of new shares	40,307	40,307			80,615
Issuance of new shares - exercise of subscription rights to shares	43	43			87
Dividends of surplus			Δ7,802		Δ7,802
Profit attributable to owners of parent			33,628		33,628
Purchase of treasury shares				Δ1	Δ1
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current period	40,351	40,351	25,826	Δ1	106,527
Balance at the end of the current period	62,641	78,706	140,214	Δ193	281,368

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Adjustments for cumulative retirement benefits	Consolidated statements of changes in net assets		
Balance at the beginning of the current period	26,549	Δ179	1,321	Δ121	27,569	3,083	205,421
Cumulative effect of changes in accounting policy							73
Balance at the beginning of the fiscal year reflecting changes in accounting policy	26,549	Δ179	1,321	Δ121	27,569	3,083	205,495
Changes of items during the current period							
Issuance of new shares							80,615
Issuance of new shares - exercise of subscription rights to shares							87
Dividends of surplus							Δ7,802
Profit attributable to owners of parent							33,628
Purchase of treasury shares							Δ1
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	5,158	105	Δ1,321	55	3,998	1,024	5,022
Total changes of items during the current period	5,158	105	Δ1,321	55	3,998	1,024	111,550
Balance at the end of the current period	31,708	Δ73	-	Δ66	31,568	4,108	317,045

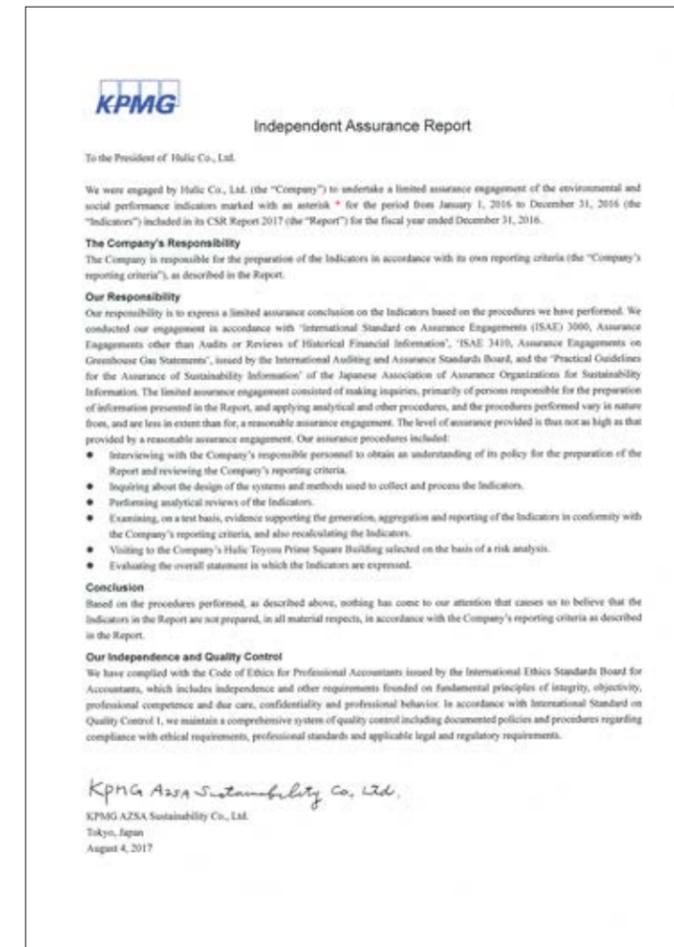
Current consolidated accounting period (ended December 2016) (Unit: Million Yen)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	62,641	78,706	140,214	Δ193	281,368
Cumulative effect of changes in accounting policy					-
Balance at the beginning of the fiscal year reflecting changes in accounting policy	62,641	78,706	140,214	Δ193	281,368
Changes of items during the current period					
Issuance of new shares					-
Issuance of new shares - exercise of subscription rights to shares	54	54			108
Dividends of surplus			Δ11,904		Δ11,904
Profit attributable to owners of parent			34,897		34,897
Purchase of treasury shares				Δ947	Δ947
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during the current period	54	54	22,992	Δ947	22,154
Balance at the end of the current period	62,695	78,760	163,206	Δ1,140	303,523

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Adjustments for cumulative retirement benefits	Consolidated statements of changes in net assets		
Balance at the beginning of the current period	31,708	Δ73	-	Δ66	31,568	4,108	317,045
Cumulative effect of changes in accounting policy							-
Balance at the beginning of the fiscal year reflecting changes in accounting policy	31,708	Δ73	-	Δ66	31,568	4,108	317,045
Changes of items during the current period							
Issuance of new shares							-
Issuance of new shares - exercise of subscription rights to shares							108
Dividends of surplus							Δ11,904
Profit attributable to owners of parent							34,897
Purchase of treasury shares							Δ947
Disposal of treasury shares							-
Net changes of items other than shareholders' equity	1,741	23	-	46	1,812	76	1,888
Total changes of items during the current period	1,741	23	-	46	1,812	76	24,042
Balance at the end of the current period	33,449	Δ50	-	Δ19	33,380	4,184	341,087



Third-party Assurance

With the aim of enhancing the credibility of our CSR Report, a set of selected environmental and social performance indicators for fiscal 2016 that are disclosed in this Report have been assured by the third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. (Indicators that have been assured are marked with “*”) We will continue to put our best efforts into improving the quality of our sustainability report going forward.



External Evaluation

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

Environment

Nikkei Environmental Management Survey/Ranked 1st. Top ranking for the seven th consecutive year in the warehouse, real estate, and other categories

Social

NADE SHI KO BRAND 2017

Governance

GRESB 2016