

HULIC CO., LTD.

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CSR REPORT 2014

Hulic Co., Ltd CSR REPORT 2014

Integrated Report on Sustainability



Corporate Philosophy and Basic Stance

Corporate Philosophy

All of our business activities have been based on the Corporate Philosophy of "society full of security and trust."

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;



Stakeholders of Hulic Group

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

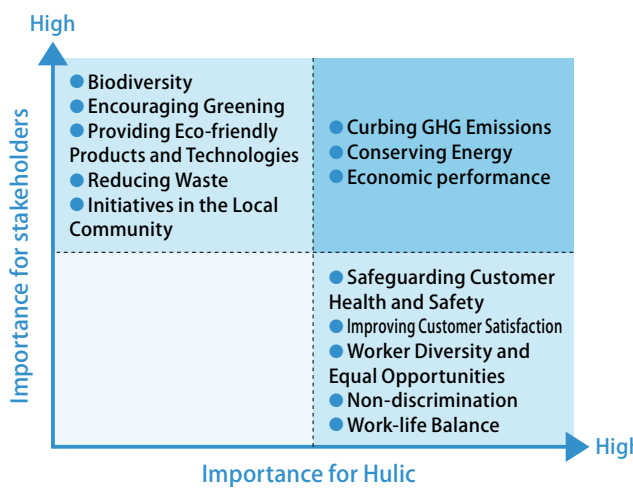


Editorial Policy

Hulic has published various forms of communication tools to help investors and other stakeholders gain an understanding and objectively view its initiatives that seamlessly blend strategy with CSR. This year's version adds financial information to the conventional CSR report to further improve two-way communication. The GRI Sustainability Reporting Guidelines Ver. 4 (G4) was referenced during the editing of this report to carry out a materiality analysis and disclose priority items. Information that could not be included in this publication can be found on our corporate website. The third-party review and G4 comparison table appear on Hulic's CSR website. Details of investor relations activities can also be found on our corporate website.

IR	http://www.hulic.co.jp/en/ir/
CSR	http://www.hulic.co.jp/en/csr/

Materiality Analysis



- Time of Issuance
June 2014 (Previous issue: June 2013, Next issue: June 2015 (scheduled))
- Reporting Period
Fiscal year 2013 (from January 1, 2013 to December 31, 2013)
Regarding a portion of the priority items, the activity report before and after the 2013 fiscal year is included.
- Reporting Organization
The scope of this Report is the HULIC Group. The tally of environmental performance data was provided primarily by the "power consumption," "gas consumption," "CO₂ emissions," "waste emissions," and "water consumption" of the main 20 buildings.

Environmental Performance Data / Scope

Total floor area (㎡)		Total floor area (㎡)	
Nihonbashi Fuji Building	8,475	Hulic Nakano Building	4,319
Toranomon First Garden	10,155	Hulic Kawasaki Building	6,004
Hulic Head Office Building	7,688	Hulic Aoyama Building	8,790
Hulic Shinbashi Building	13,983	Hulic Mita Building	6,228
Ginza Fuji Building	8,579	Hulic Osaka Building	30,353
Higashi Ote Building	7,207	Hulic Nanba Building	9,147
Hulic Kabutocho Building	6,579	Hulic Kobe Building	8,354
Hulic Kobunacho Building	17,172	Hulic Sapporo Building	14,254
Hulic Kakigaracho Building	4,697	Hulic Hamamatsu Building	5,538
Hulic Torigoe Building	5,954	Hulic Fukuoka Building	12,646

※ Waste emissions from Toranomon First Garden, Hulic Kawasaki Building, Hulic Hamamatsu Building, and Hulic Fukuoka Building are not contained in this report.
※ The scope of environmental performance data on properties we own
※ The floor space of buildings listed here does not necessarily match the floor space corresponding to our share of ownership.

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Head Office Hulic Co., Ltd.

- Headquarters: 7-3 Nihonbashi Odenmacho, Chuo-ku, Tokyo, 103-0011
- Established: March 1957
- Business Outline: Real estate holding, leasing, sales and brokerage
- Paid-in Capital: 22,205 million yen (as of end of December 31, 2013)
- Memberships: Japan Federation of Economic Organizations
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 June, 2014)

- 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.

► Changes in Major Consolidated Management Index, etc.

	Unit	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13
Operating Revenue (Net Sales)	(Million Yen)	31,229	33,616	74,738	94,319	108,444
Segment Earnings	Real estate business	(Million Yen)	28,320	30,428	68,096	84,346
	Insurance agency business	(Million Yen)	2,088	2,186	2,388	2,417
	Other	(Million Yen)	820	1,001	4,253	7,555
Operating Income	(Million Yen)	14,390	15,289	19,841	22,571	29,114
Ordinary Income	(Million Yen)	10,939	12,396	16,896	20,033	25,983
Net Income	(Million Yen)	22,042	11,562	9,336	11,487	15,970
Total Assets	(Million Yen)	379,294	455,903	476,244	637,919	720,344
Net Assets	(Million Yen)	69,739	98,644	104,356	149,895	177,280
Consolidated Cash Flow	Net cash provided by (used in) operating activities	(Million Yen)	9,989	5,537	20,459	11,114
	Net cash provided by (used in) investing activities	(Million Yen)	9,416	△ 30,380	△ 23,667	△ 30,554
	Net cash provided by (used in) financing activities	(Million Yen)	△ 30,633	19,707	7,511	20,854
	Cash and cash equivalents at end of period	(Million Yen)	7,495	7,430	11,733	12,164
Equity Ratio ※1	(%)	17.9	21.3	21.6	23.2	24.4
EBITDA ※2	(Million Yen)	18,715	20,771	26,493	30,092	37,809
Interest-Bearing Debt to EBITDA Ratio ※3	(Times)	13.9	14.5	11.7	13.8	12.2
Net D/E Ratio ※4	(Times)	3.7	3.0	3.0	2.8	2.8
Interest Coverage Ratio ※5	(Times)	2.1	1.1	4.6	1.7	2.0
Return on Equity ※6	(%)	39.1	13.9	9.3	9.1	9.8
Net Income per Share	(Yen)	151.3	73.0	54.6	22.3	27.0
Dividend per Share	(Yen)	2.6	3.0	3.6	4.5	(Post-merger) 6.5

► Changes in Real Estate Business Related Index

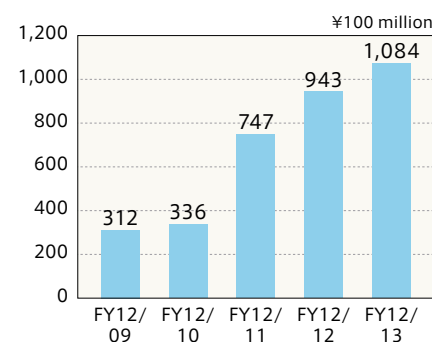
Target: Real estate for rented possessions of this company

	Unit	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13
Vacancy Rate ※7	(%)	1.4	1.0	0.3	0.6	0.4
Average Rent	Entire country	(Yen)	20,756	19,933	20,571	19,817
	Tokyo central 5 wards	(Yen)	25,827	24,895	26,753	24,420
Number of Properties	Total	(Building)	112	129	131	161
	Tokyo area	(Building)	94	111	113	141
	Other	(Building)	18	18	18	20
Rentable Area	Total	(m ²)	391,571	452,474	492,422	723,924
	Tokyo area	(m ²)	287,745	353,122	393,191	553,333
	Other	(m ²)	103,827	99,352	99,231	170,591

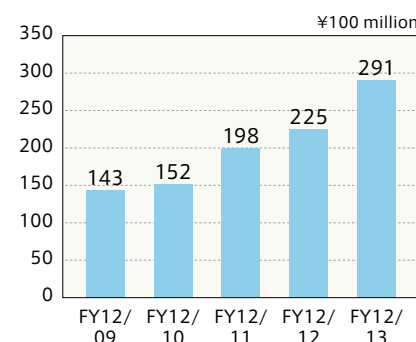
On July 1, 2012 our company completed a consolidated (reverse acquisition) with Shoel, Co. Ltd. The numerics in this book before the consolidation are recorded using ex-Hulic's numerics, and the items with the © mark are particularly important items for KPI. ※1 Equity Ratio=Equity/Total Assets ※2 EBITDA=Ordinary 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 Excluding the unsigned floor space which was reserved due to the tenant's demands and reconstruction

► Main Financial Indicators

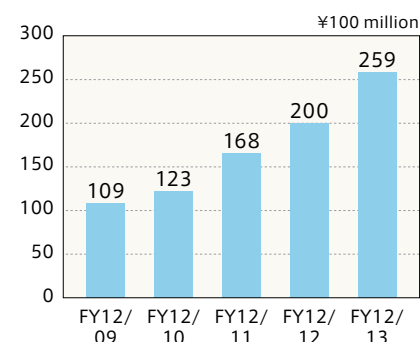
Operating Revenue (Net Sales)



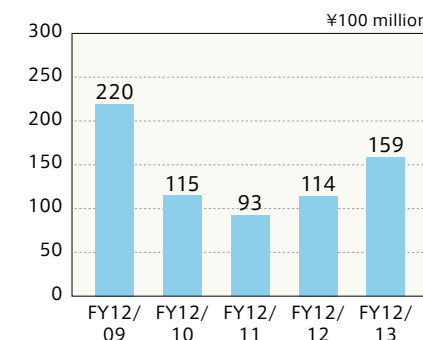
Operating Income K



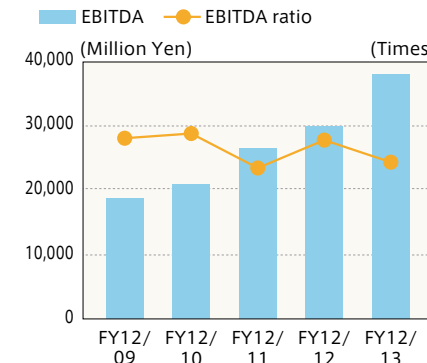
Ordinary Income K



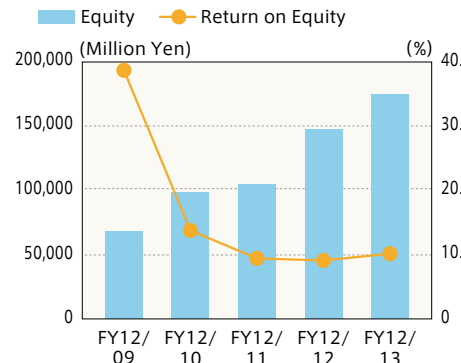
Net Income



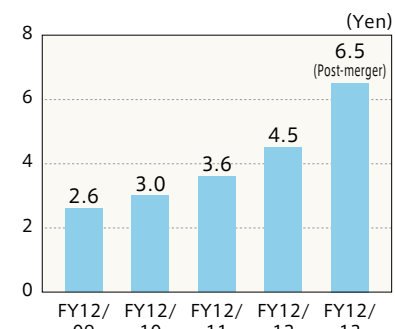
EBITDA/EBITDA Ratio



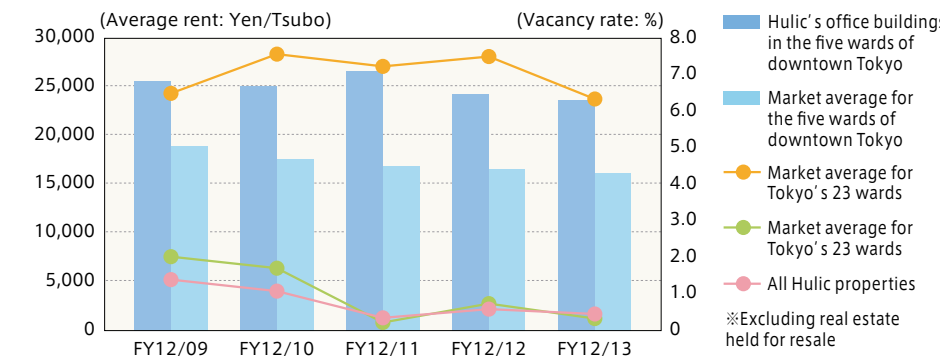
Return on Equity



Dividend per Share

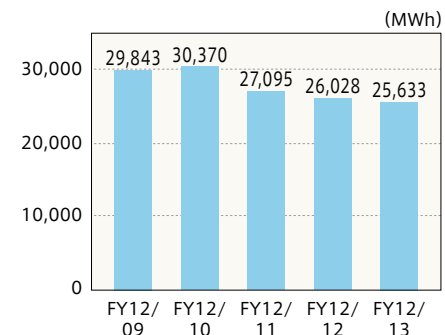


Vacancy Rate ※7/Average Rent

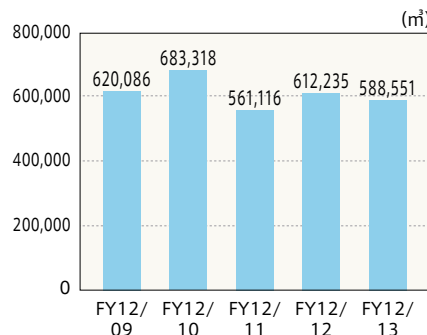


► Main Non-financial Indicators

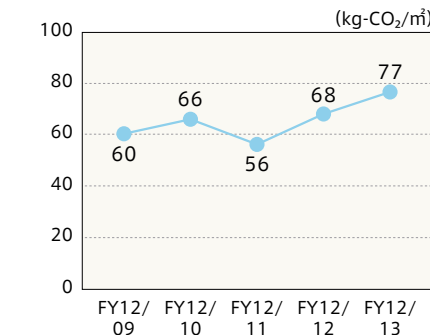
Power Consumption K



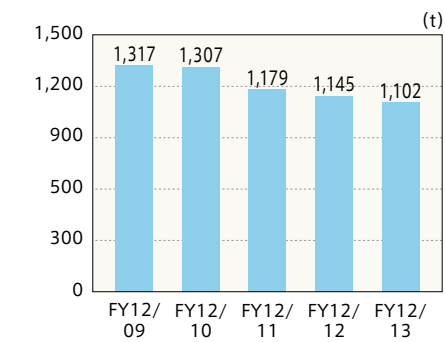
Gas Consumption K



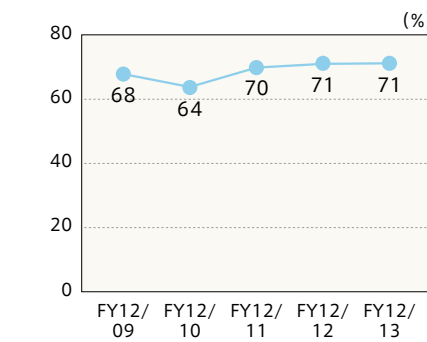
Basic Unit of CO₂ Emissions K



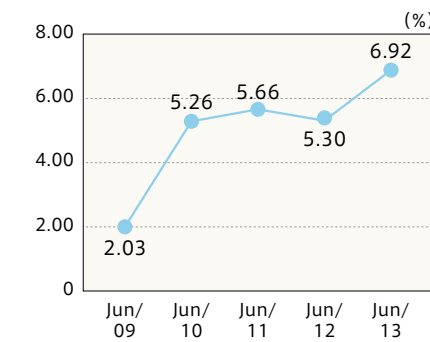
Waste Emissions K



Acquisition Rate of Paid Holiday K



Employment Ratio of Persons with Disabilities K





Toward Sustainable Growth

Committed to fulfilling our social responsibilities as a good corporate citizen that is continually chosen by customers and other stakeholders

► About Hulic's Corporate Philosophy

Hulic has been involved in the real estate business for more than half a century, and our Corporate Philosophy advocates "achieving a society full of security and trust," where we continually provide products and services that form the core of customers' social activities. Our goal is to carefully live up to our Corporate Philosophy and help society grow. Additionally, we have declared our steadfast commitment to protecting the environment through our CSR vision, which forms part of our Corporate Philosophy. Following these beliefs, we have become a company that achieves growth while leveraging its stable operating base. We are also making efforts to further enhance corporate value by engaging in business from new perspectives. Another one of our basic stances is to emphasize customer satisfaction by providing the right products and services to the right customers. As a result, we will seek to achieve high growth and enhance corporate value, while earning the trust of all of our stakeholders in the process.

► Achievements in Fiscal Year 2013

Hulic has continually focused on achieving sustainable profit growth through its Medium-term Management Plan from 2012 through 2015, under the keywords "Change and Speed." As measures following this strategy, in fiscal year 2013 we focused on the development business, Public-Private-Partnership (PPP) projects that develop real estate assets owned by the public sector by leveraging our unique ideas and financial strength, and the warehousing business, which supports the need for real estate liquidity in the market, in addition to our core leasing business. This enabled us to secure stable revenue streams and build a corporate structure whereby we can enhance corporate value in a sustainable manner. As a result, we were able to achieve the profit targets set out in our Medium-term Management Plan a full two years ahead of schedule.

► Formulation of a New Medium-term Management Plan

For fiscal year 2014, we have drafted an all new Medium-term Management Plan aimed at even greater growth. This plan positions the expansion of leased floor space in downtown buildings – a defining strength of Hulic – as our core business, while also pursuing development projects like the one initiated in Toranomom and starting up the asset management business through the recently listed Hulic Reit, Inc., which will serve to accelerate the speed of our growth further. At the same time, we will reinforce our initiatives in new business ventures with an eye on the 3Ks (Koreisha: seniors, Kanko: tourism, and Kankyo: the environment) and 10 years into the future, as a means to maintaining and growing our operating base.

► CSR Management

Although typically we have only disclosed non-financial related information in our CSR report, starting this year we have decided to include financial data and add information on corporate value creation. This is to show that CSR management viewed from a long-term perspective leads to the enhancement of corporate value.

A company's mission in society begins with continually generating earnings from its business activities while meeting the needs of various stakeholders. To achieve this, a company needs to continually balance three elements, which include the economic aspects noted above, coupled with environmental aspects, such as environmental consideration, and social aspects for building sound relationships with communities and employees.

Hulic carries out materiality analyses and promotes CSR management that is always half a step ahead. For example, as a real estate company, we implement a number of initiatives for the environment and also seismically reinforce new buildings. We also endeavor to reduce waste over long-term horizons through the target to build properties that will be comfortable to use even after a century has passed. We proactively assist the career development of female employees and have set the target to increase the ratio of female managers to 20% by the year 2020. To that end, we are working to become a leader in Japan in terms of supporting a work-life balance by offering support for childcare needs and other means. Hulic has also earned recognition as a leading business in terms of the employment of persons with disabilities. We continue to offer monthly donations to orphans of the Great East Japan Earthquake through company and employee donations made to the Ashinaga Scholarship Fund. Every year we attempt new ventures, such as launching the Hulic Student Design Competition to draw out the intellectual interests of students and the organizing of a summer festival and other community events.

► To Stakeholders

We believe that meeting various social demands and promoting an integrated approach to business and CSR represents one source of our growth. Our goal is for all employees to collectively carry out long-term initiatives in a steadfast manner while strengthening their communication with stakeholders. I ask for your continued and unwavering support and cooperation going forward.

President and Chief Executive Officer
Saburo Nishiura

Helping Realize a Society Filled with Peace of Mind and Trust

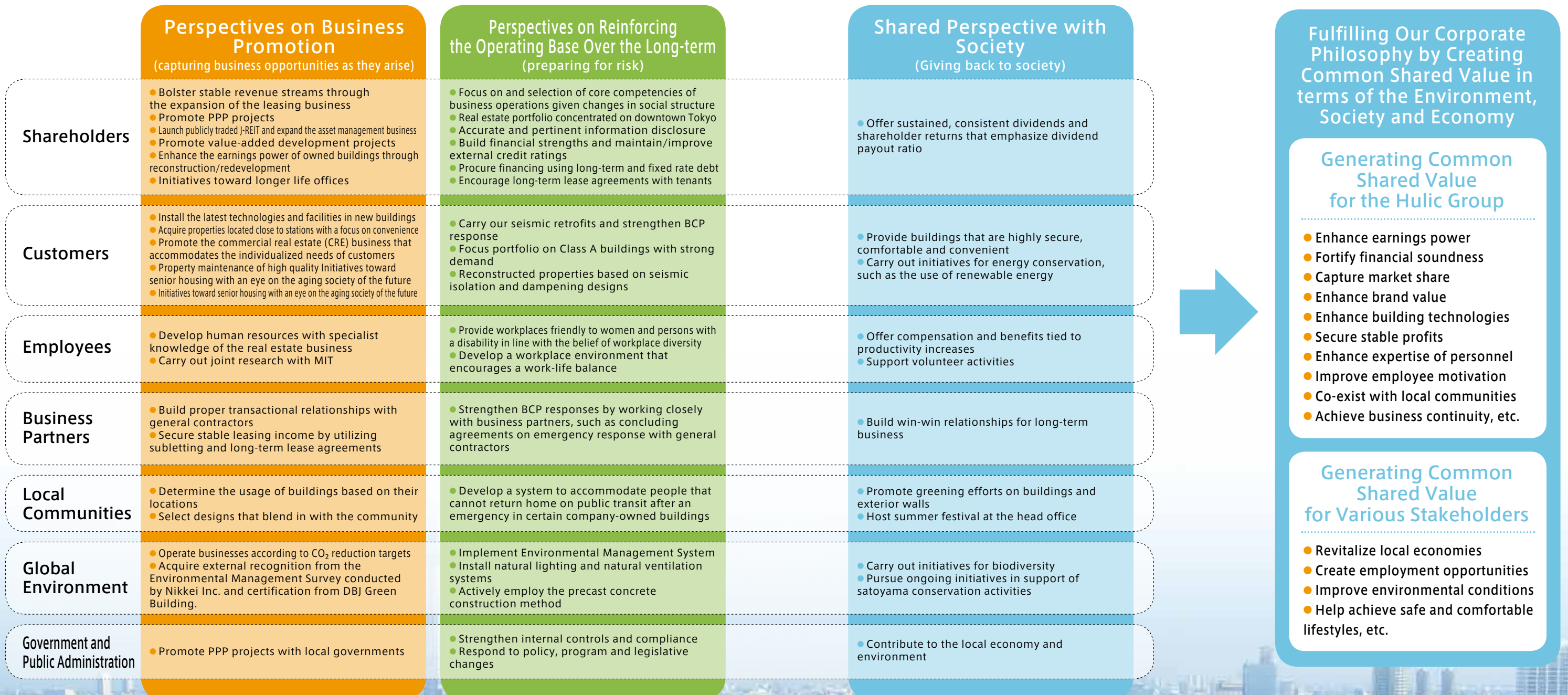
The Hulic Group provides buildings with excellent safety, environmental performance, and convenience that match the needs of society today (opportunities and risk) through a fusion of management and CSR, creating new added value in the process.

Opportunities

- Boost demand for safe and secure buildings
- Demands from society for eco-friendly buildings
- The 2020 Tokyo Summer Olympics and urban revitalization has spurred on a recovery in the housing market
- Increasing need for public assets and owned properties to be sold and used more effectively
- Growing market for seniors following advancements in aging societies

Risk

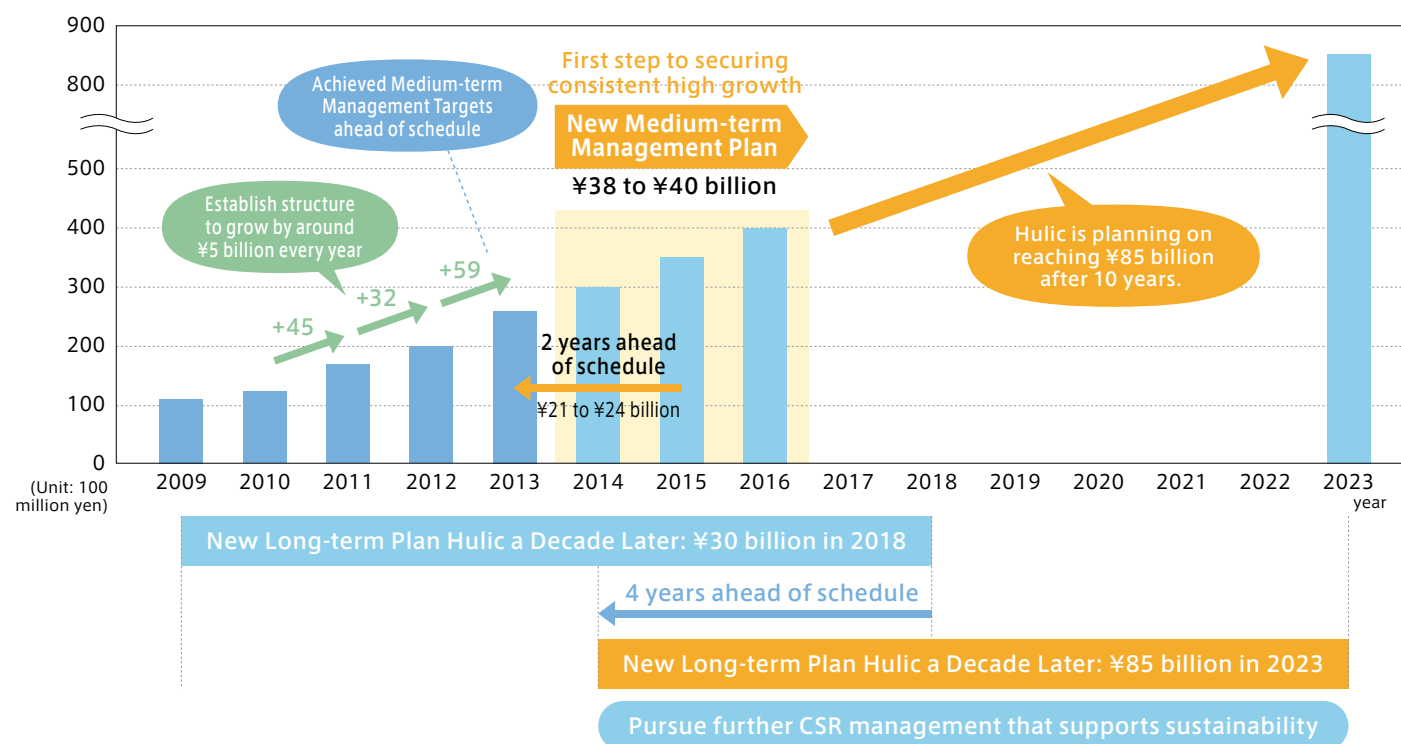
- Risk of earthquake occurring in Tokyo where our portfolio is concentrated
- Risk of deteriorating real estate market conditions due to a prolonged downturn in Japanese economy
- Risk of rising financing costs caused by turbulent financial markets



Toward Further Growth

The Hulic Group achieved the targets of its Medium-term Management Plan from 2012 through 2015 a full two years ahead of schedule in fiscal year 2013. As a result, we have newly formulated a long-term plan called "Hulic a Decade Later (2014 – 2023)" and a new Medium-Term Management Plan for 2014 to 2016 as the first step in this vision. Under this plan we will continue to expand and evolve our business model centered on our core real estate leasing business as well as seek to boost corporate value over the long term.

► Position of This Plan as seen from Ordinary Income



New Long-term Plan - Hulic a Decade Later (2014 to 2023)

Quantitative Target

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

Basic Policy on Business Expansion

① 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. We will develop and expand growth domains tied to current needs, with a primary focus on businesses for seniors, businesses for tourism and businesses for the environment (the 3K businesses).

② We will earn highly positive trust from the markets by carefully monitoring financial stability and business risk.

③ 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.

Information

In recognition of its CSR initiatives and efforts to disclose transparent information, Hulic's stock was selected for inclusion in the FTSE4Good Index Series in March 2012 and the Morningstar Socially Responsible Investment (MS-SRI) Index in January 2014.



New Medium-term Management Plan (2014-2016)

Basic Policy

Maintain our unique business model focused on the leasing business while also expanding into new areas such as asset management and property development to sustain high growth.

Basic Strategy

- Further increase earnings from the leasing business**
 - Enhance portfolio quality by steadily promoting reconstruction projects
 - Expand portfolio and increase investments in conveniently located properties
 - Maintain high portfolio utilization rates by further increasing the leasing
 - Generate earnings streams by reinforcing the development business**
 - Promote high quality Hulic-sized development projects situated in ideal locations
 - Launch a J-REIT and establish the asset management business after increasing its scale**
 - Aspire to increase the scale of Hulic Reit leveraging strong support
 - Promote a broadly focused CRE strategy that flexibly considers alliances with various sectors and companies**
 - Collaborate and partner with various sectors and companies to expand the scale of our business and business domains
 - Focus on M&A that fulfills the intended purpose
 - Develop new business domains**
 - Establish organizations for Koreisha (seniors), Kankyo (environment) and Kanko (tourism) (3K) businesses.
 - Always be half a step ahead in niche markets
 - Secure financial soundness and rigorously manage risk**
 - Secure financial soundness through financial controls and thoroughly manage business risks
 - Further strengthen business expansion as a company with a solid presence in society**
 - Promote value creation focused on CSR beliefs while addressing the needs of society
- ➔ P13-14 Mega Solar Project Initiatives
- ➔ P15-16 Business Continuity Initiatives for Disasters

Financial Targets

	Fiscal Year 2013 Results	Fiscal Year 2014 Forecast	Fiscal Year 2016 Plan
Operating Revenue (¥100 million)	1,084	2,000	—
Operating Income (¥100 million)	291	340	420~450
Ordinary Income (¥100 million)	259	300	380~400
Net Income (¥100 million)	159	180	230~250
EBITDA (¥100 million)	378	420	520~540
Interest-Bearing Debt to EBITDA Ratio (Times)	12.2x	12.5x	Under 12x
Net D/E Ratio (Times)	2.8x	3.0x	Under 3.0x

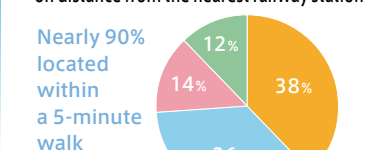
Information

Portfolio Distribution (As of December 2013)

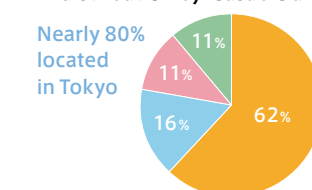
Total properties: 161

Office buildings: 120
(including commercial buildings)

Office building portfolio distribution based on distance from the nearest railway station



Office building portfolio distribution by leasable area



■ Tokyo's 23 wards: 329,000㎡
■ Other Tokyo/Greater Tokyo Metropolitan Area: 86,000㎡
■ Kyoto/Osaka/Kobe: 56,000㎡
■ Other: 61,000㎡

New Corporate Slogan

To mark the start of our new management plan, we created the all new corporate slogan, "Closer to the Station. Closest to the Future." This slogan shows that our properties are best characterized for their convenient locations and future-oriented specifications, such as the latest environmental and earthquake-resistance technologies. Under this new slogan, we will aim to be a company that is held in high esteem among stakeholders for the solid execution of its long-term and medium-term management plans.

Closer to the Station.
Closest to the Future.

Implementing CSR Management Based on Quantitative Indicators/KPI

In order to improve while objectively assessing CSR activities, "Priority Items" which are especially important in light of business contents are established, and we set Key Performance Indicators (KPI) and targets. Items other than the priority items are also positioned as "Promoted Items." In this way, we can now follow the results of our activities. While reflecting matters required by society after referencing the GRI Guidelines, targets were set in the context of our business reality and direction through surveys, hearings, and discussions. Furthermore, in fiscal year 2013, the KPIs were enhanced in accordance with the priority items. We will make efforts for constant improvement using the PDCA Cycle, while disclosing data on the progress of our CSR activities to the stakeholders.

Fields			Priority Items/ Promoted Items (★ attached to priority items)	Key Performance Indicators (KPI)	Targets	Scopes	Results					Major Achievements in FY2013	Evalu- ation	Reference
							FY2009	FY2010	FY2011	FY2012	FY2013			
Environment	Prevention of global warming	Measures against global warming at Hulic' s buildings ★	Power consumption (MWh)	Reducing 5% for five years from 2009 to 2013 compared with 68.42, an average during period from 2005 to 2007. (per unit floor area)	20 existing primary office buildings	29,843	30,370	27,095	26,028	25,633	● Environmental consideration for new buildings (natural lighting/natural ventilation system, adoption of LED lighting system, advanced heat shield/insulating multilayered glass, and highly efficient air conditioning system) ● Renovation works of existing buildings for energy saving (upgrading to highly efficient lighting equipment and air conditioning systems) ● Initiatives toward reduction of power consumption in collaboration with management companies and tenants (setting higher temperature of air conditioners, decreasing the number of lights on, adjusting brightness)	○	P20-22	
			Gas consumption (㎡)			620,086	683,318	561,116	612,235	588,551				
			Basic unit of CO ₂ emission※ ¹ (kg-CO ₂ /㎡)			60	66	56	68	77				
	Prevention of global warming	Using renewable energy and developing new technology ★	Number of capital investments for renewable energy	3 investments or more per fiscal year	All Hulic' s buildings	—	3	3	7	5	● Acquisition of Solar Power Plant in Hirono Town, Fukushima Prefecture ● Usage of natural ventilation, natural lighting ● Photovoltaic generation system installation	○	SPECIAL FEATURE 01, P22	
		Promotion of greening ★	Number of greening projects	1 project or more per fiscal year	All Hulic' s buildings	—	3	3	8	6	● Certified JHEP AA Rank for Hulic Residence Nishi Oi and Hospitalment Musashino, and JHEP A Rank for Granda Gakugeidaigaku and Aria Yoyogieuhara	○	P23	
	Reduction of waste/ Conservation of resources	Reduction of waste at Hulic' s buildings ★	Amount of waste (t)	Reducing 10% for 3 years from 2011 to 2013 compared with average during period from 2005 to 2007.	16 existing primary office buildings※ ²	1,317	1,307	1,179	1,145	1,102	● Achieved a reduction by 14%	○	—	
		Reduction in water consumption at Hulic' s buildings	Water consumption (㎡)	Reducing 15% for 3 years from 2011 to 2013 compared with average during period from 2005 to 2007.	20 existing primary office buildings	177,039	176,715	169,768	164,037	148,508	● Achieved a reduction by 20%	○	—	
		Reduction of waste in new buildings ★	Number of technological measures (PC construction method/extension of life span) implemented to reduce the amount of waste in reconstruction projects	1 case or more per fiscal year	All Hulic' s buildings	1	6	3	5	8	● Adopted Long-life structure for Hulic Asakusabashi Building, Nagatacho Hokkaido Square, Hulic Residence Nishi Oi, Hulic Residence Gotokuji, Granda Gakugeidaigaku, Sunny Life Funabashi, Aria Yoyogieuhara, and Hospitalment Musashino ● Adopted PC (Precast Concrete) method for Hulic Residence Nishi Oi	○	P26	
		Reduction of paper material' s volume in the office	Paper consumption per person (10thousand)	20,000 pieces or less per fiscal year	Hulic Head office Building	—	—	—	0.4 ※ ³	1.6	● Paper consumption reduction implemented at offices	○	—	
Society	Customers	Measures against disasters	Earthquake countermeasures for Hulic' s buildings ★	Percentage of properties with earthquake-absorbing structure, earthquake-damping structure, and earthquake- resistance over 1.25 times stronger the standard (%)	100%	All new office buildings completed	100% (1 building)	100% (3 buildings)	100% (2 buildings)	100% (3 buildings)	100% (2 buildings)	● Adopted earthquake-absorbing structures and earthquake-damping structures at office buildings	○	P27
			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	● Total disaster training and implementation of management articles for movement practice ● Implementation of AED operation training ● Certified highest DBJ BCM Rating for the first time in the real estate industry	○	SPECIAL FEATURE 02
		Improvement in customer satisfaction	Improvement in customer satisfaction ★	Number of surveys on customer satisfaction	Once or more per fiscal year	Hulic Group	1	1	0	1	1	● Surveys on satisfaction of tenants were conducted by Hulic Building Management Co., Ltd. acting as the point of contact	○	P28
	Employees	Work-life balance	Promoting the use of the next generation nurturing support system ★	Usage rate of childcare leaves (Number of person)	70% of eligible women or more in average and one man or more for four years from 2012 to 2015	All eligible female employees of Hulic (As of the end of December)	100% (3 eligible employees)	100% (1 eligible employee)	100% (1 eligible employee)	100% (1 eligible employee)	100% (2 eligible employees)	● Changed the amounts of celebration money for childbirth to 100,000 yen for first child, 200,000 yen for second child, and 1 million yen per child for third and subsequent children (previously 10,000 yen per child) ● Introduced Babysitter Program (Subsidizing all amount of enrollment fee of 21,000 yen and annual fee of 10,500 yen, as well as monthly fee up to 15,000 yen, providing discount tickets and coupons)	○	P31-32
					All eligible male employees of Hulic	2	0	1	1	0	○			
				Percentage of those who use the Childcare Center Subsidy System.	60% or higher per fiscal year	All eligible employees of Hulic (As of the end of December)	100% (8 users/8 eligible employees)	100% (5 users/5 eligible employees)	100% (6 users/6 eligible employees)	100% (7 users/7 eligible employees)	100% (8 users/8 eligible employees)		○	
			Promoting the planned use of paid leaves ★	Usage rate of paid leaves	60% or higher per fiscal year	All employees of Hulic	68%	64%	70%	71%	71%	● Continued to conduct a campaign to boost the leave usage rate	○	P31
		Restraining overtime works	Annual total number of employees who worked overtime for 45 hours or longer for three months in average	No target	All employees of Hulic	4	3	1	2	4	● Implemented inspections toward full-scale execution of No Overtime Day	—	P31	
		Promoting mental health care	Percentage of employees who received medical checkups (%)	100%	All employees of Hulic (As of the end of December)	100%	100%	100%	100%	100%	● Implemented a Health Committee through cooperation with industrial physicians ● 100% of employees received checkups	○	—	
		Diversity and human rights	Promoting employment of the disabled ★	Employment rate of the disabled	Maintaining the statutory employment rate of 2% or more	All employees of Hulic (As of June 1)	2.03%	5.26%	5.66%	5.30%	6.92%	● Newly employed two people with disabilities	○	P30
	Improvement of systems to develop women' s careers ★		Number of women' s career promotion project team meetings held	No target	Hulic	—	1	7	4	5	● In addition to meetings by the women' s career promotion project team, lunch meetings and meetings with those who had acquired maternity leave were held for female employees to exchange opinions	—	P29	
	Local communities	Contribution to society	Corporate social contribution ★	Number of social action programs	4 programs or more per fiscal year	Hulic Group	3	3	7	7	8	● Donations of used postal stamps and clothes, local cleanup activities, and various donations (Aflac National Associates, Keidanren Committee on Nature Conservation, Red Cross, and Ashinaga Scholarship Society)	○	P33
			Supporting employees to conduct social contribution activities ★	Number of social contribution activities by employees	3 programs or more per fiscal year	Hulic Group	2	2	4	5	6	● Satoyama conservation activities, donation to Ashinaga Scholarship Society, matching gift, monthly regional cleaning activities, collection of PET bottle caps, assistance for activities to support disaster-hit areas	○	P34

※1 For city gas, CO₂ emission coefficient of the Manual for Calculations and Reports of GHG Emissions* issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry is used. For electric power, an actual emission coefficient of a power supplier that relevant building uses is used. The basic unit of CO₂ emission increased because the CO₂ emission coefficient increased.

※2 16 primary office buildings are included in the scope of waste emissions, of which accurate data can be obtained.

※3 Paper consumption per person in FY2012 is only disclosed from October to December 2012 when accurate data could be obtained.

01

Mega Solar Project Initiatives

[The Example of a Solar Power Plant in Hirono Town, Fukushima Prefecture]

Hulic is Working Hard to Help Resolve Social Issues.

Background to Hulic's Involvement in this Mega Solar Project

With environmental issues becoming more serious, Hulic decided to invest and become involved in a mega solar power plant project located in Hirono Town, Fukushima Prefecture, in order to address society's need for such facilities and to strengthen its efforts toward environmental management, which represents one aspect of its 3K business. The other goal of our involvement is to provide assistance to the rebuilding effort in the aftermath of the Great East Japan Earthquake.

Overview of Hulic's Efforts

Hulic and Hulic Building Management Co., Ltd. together made around 1,200 million yen investment to acquire a solar power plant with a generating capacity of about 2,300kW situated on a 37,950m² plot of land at a former quarry in Hirono Town, Fukushima Prefecture, about 25 kilometers from the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant. This solar power plant will be connected to the distribution network of electric power companies in gradual phases, beginning with phase I of 998kW from the first half of 2014. The share of generated electricity equivalent to Hulic's stake will be used to power the Hulic Head Office Building located in Tokyo's Chuo Ward.



Collaboration with Hulic Group Companies

Hulic will own about a 40% stake in the solar power plant to be constructed in Fukushima. Hulic's share of the power generated at the plant will be allocated for use by the Hulic Head Office Building, which will effectively eliminate the building's use of power sourced from other power companies. The remaining 60% stake in the power plant will be owned by Hulic Building Management, which will sell its share of the electricity to the open market.

VOICE



Yoshinori Izumi
Special Project
Manager,
Asset Solutions
Department,
Hulic Co., Ltd.

My Involvement in the Mega Solar Project

I was involved in the mega solar project as the project manager in charge of all aspects, from schedule management to contract procedures. In October 2013, we received a proposal from our partner Advance Co., Ltd. and the schedule called for the contract to be signed before the end of the year, which was rather tight. This was also the first time Hulic was involved in such a project, so there was a lot of hard work involved. Nevertheless, I

felt a great deal of motivation knowing the project will end up reducing environmental impacts and helping out the earthquake reconstruction effort. We will soon be reaching the climax of the project, including the start of operations in fiscal year 2014 and the supply of electricity to our head office building. I plan on continuing to give my utmost efforts going forward, as this project will help Hulic to realize its CSR goals.

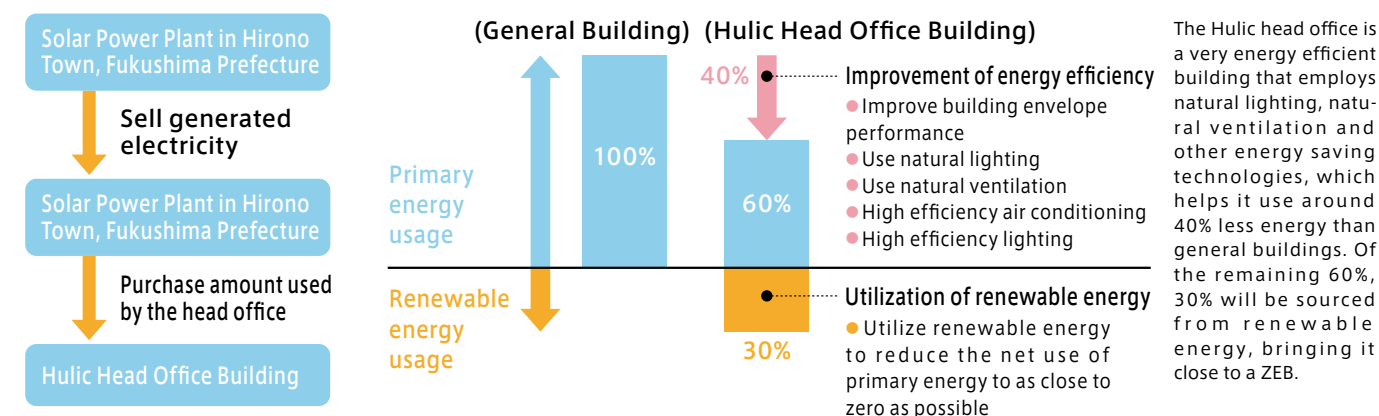
Purpose of the Project ①

Reduce GHG Emissions through the Use of Renewable Energy

Electricity generated by the solar power plant will be sold through a Power Producer and Supplier (PPS) for use by the Hulic Head Office Building, which will assist its efforts to become a net ZEB.

What is ZEB?

ZEB is an acronym for zero energy building. ZEB means that a building uses zero net primary energy annually thanks to improvements made in the energy efficiency of the building and its facilities as well as the use of renewable energy.



Purpose of the Project ②

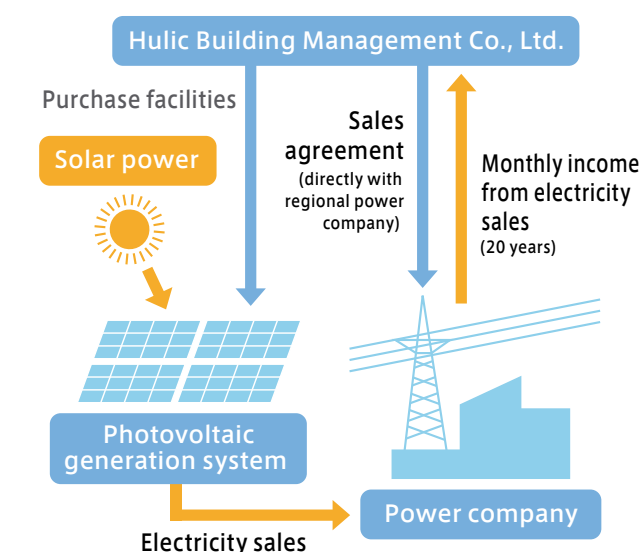
Electricity Sales and Maintenance Business

This project includes 20 years of maintenance costs and Hulic Group company Hulic Building Management will, in addition to receiving income from electricity sales, gain knowledge and expertise in the ancillary maintenance business, which it will then make inroads in and expand as a new business segment.

Operational Points

- Power generation visualization system: power generation and CO₂ reduction performance can be checked regularly over the Internet and web cameras will provide 24-hour viewing capabilities of the facilities.
- Remote monitoring system: equipment operations can be monitored or shutdown remotely, and parameters for voltage controls can be set up, making it possible to respond quickly in an emergency.
- Planting: Vegetation will be planted in the ground along with low-lying trees in the vicinity, not only creating harmony with the surrounding environment, but also helping to preserve power production, strengthen the ground, and reduce CO₂ emissions.

Illustration of electricity sales business



Purpose of the Project ③

Assisting the Rebuilding Effort after the Great East Japan Earthquake

Owning and operating a power plant in Fukushima Prefecture after the Great East Japan Earthquake will effectively utilize the land and contribute to the local economy, while the construction work and maintenance operations will be farmed out to local businesses, creating employment opportunities. In turn, this will serve as proactive contributions to the local rebuilding efforts. The development work for this power plant will be entrusted to local engineering and construction companies. Local individuals will also be hired to operate the power plant once it is completed, which will promote a revitalized local economy over a sustained and prolonged period.



02

Business Continuity Initiatives for Disasters

Hulic is Committed to Creating a Safer and More Secure Society.

Hulic's Approach

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.

BCP Training and Cooperative Structure

We have formulated the Fundamental Business Continuity Plan, under which we carry out regular BCP training. This allows us to use the PDCA cycle for our BCP structure. We have also established an inclusive cooperative structure with outside design companies, construction companies, property management companies and elevator companies to carry out joint disaster preparedness training. These highly effective efforts will enable us to continue the operation of our real estate business during an emergency situation. ● See pages 27 and 28

Improving the Earthquake Resistance Performance of Buildings

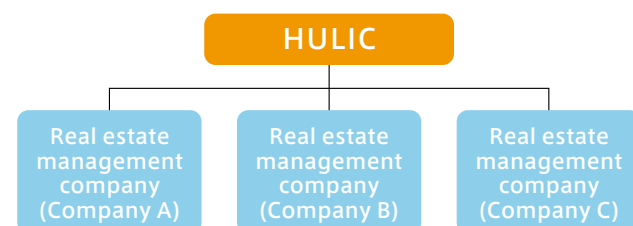
Hulic ensures that its new office buildings meet the highest earthquake resistance standards and feature advanced earthquake resistance or seismically isolated designs, in order to protect lives and operation of facilities in the event of a major earthquake. These standards are made known to the public in our KPI. Additionally, for existing office buildings, we carry out seismic retrofitting to ensure full compliance with new earthquake resistance standards, whereby ensuring the safety of occupants. ● See pages 27 and 28



Seismic isolation apparatus

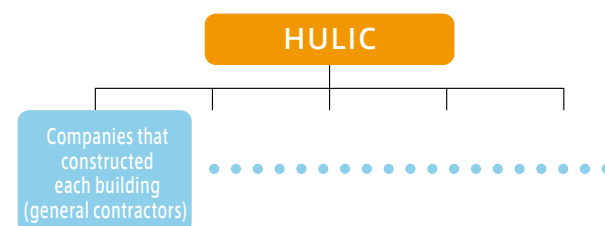
Immediate Confirmation of Damages

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



Response Aimed at Recovery of Operations

Emergency repair agreements (21 companies)



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.

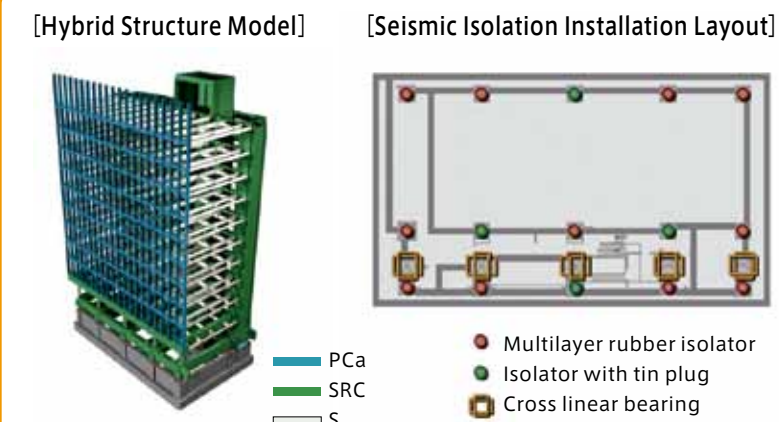
- 1 Employs seismically isolated design that enables building functions to operate even during an earthquake with a seismic intensity of seven;
- 2 Features emergency generators that can operate continuously for up to six days;
- 3 Has food and drinking water stores to last more than seven days, and
- 4 Uses wireless equipment for communications between the management office of other company-owned properties, etc.

The Hulic Head Office Building, which will serve as a hub during a disaster, has received the highest rating of DBJ BCM from the Development Bank of Japan for its preparations. In addition to our head office building, we are steadily stockpiling water resources and establishing a drainage system, as well as installing emergency back-up generators that will provide power up to three days at our buildings currently under construction, or buildings that completed construction in fiscal year 2013.

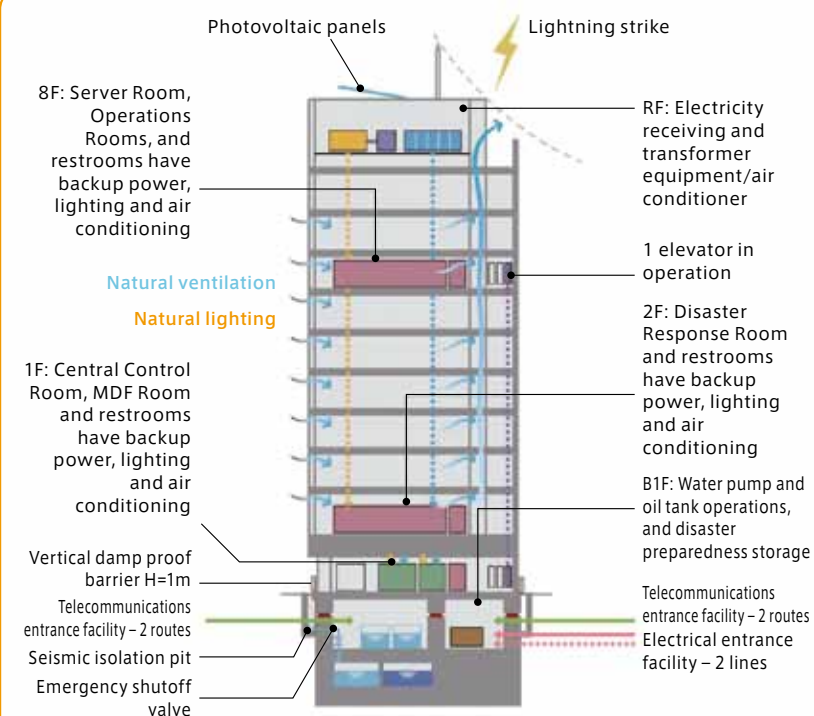


Emergency back-up generator

Diagram of Hybrid Structure Model



Maintaining Functions during a Disaster



Hulic was the First in the Real Estate Industry to Receive the Highest Rating of DBJ BCM

Hulic's business continuity framework highlighted above was recognized with a DBJ BCM rating from the Development Bank of Japan in November 2013. The results of the rating praised Hulic for its "particularly excellent business continuity planning initiatives." This marks the first time that a company from the real estate industry has received the highest rating from Development Bank of Japan.

Quick Summary of the DBJ BCM Rating

The DBJ BCM rating was established by the Development Bank of Japan (DBJ) and recognizes companies with particularly noteworthy business continuity management (BCM). The rating is based on a comprehensive evaluation using tangible and intangible aspects of a company's BCM initiatives, including its ability to quickly restore operations following a natural disaster.



VOICE



Nobuyoshi Tanaka
General Manager,
Technology and
Environment
Development
Department,
Hulic Co., Ltd.

Responding to a Major Disaster

With its head office located in Tokyo, one of the most important factors determining the continuity of Hulic's business is being prepared for a major earthquake that strikes directly below the city. Therefore, in order to maintain the functions of the head office in a disaster, we have actively improved the building's earthquake resistance capabilities, established an emergency contact system, stockpiled supplies, and installed emergency back-up generators.

Additionally, Hulic's portfolio is comprised mainly of real estate assets located in Tokyo's 23 wards, so

we are aware of the urgent need to have a response plan in place in case of a major earthquake in the area. Therefore, we confirm the earthquake resistance performance of our buildings, carry out seismic retrofits when necessary, confirm earthquake resistance during the design stage of new buildings, and install emergency back-up generators to ensure power supplies during temporary service outages. Going forward, we will further leverage our BCP response capabilities amassed as a real estate company to help various other companies improve their business continuity planning.

Hulic Environmental Policy

1

Environmental Compliance

We strive to create a sustainable society while conforming to environmental laws and regulations.

2

Environmental Management System

With environmental targets set, we make continuous efforts for improving them while contributing to the conservation of the global environment.

3

Environmental Performance

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

4

Recycling Society

We contribute to the creation of a recycling society, promoting 3R, "Reduce, Reuse, Recycle", through a life cycle of building.

5

Environmental Awareness and Education for Employees

We work on environmental education and awareness activities in order to enable each employee to voluntarily act toward the improvement in environmental performance.

6

Environmental Communication

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

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. In order to

monitor the progress in environmental activities of Hulic Group, we use evaluations by the "Risk Management Committee" for internal matters and by the "Environmental Advisory Council" for external ones. The result is reported to the CSR Committee and reflected in reviewing the environmental promotion system and setting targets.

TOPICS Ranking First in the Real Estate/Warehouse Industry for the Fourth Consecutive Year in an "Environmental Management Survey"

① 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 their answers to a questionnaire. Hulic has ranked first in the real estate/warehouse category for four consecutive years since the 14th Environmental Management Survey in 2010, and this year we received our first perfect score.

Score [Total]	Measures against global warming	Resource recycling	Systems to promote environmental management	Measures against pollution, biodiversity
400	100	100	100	100

② Our main initiatives evaluated by the Environmental Management Survey

Hulic's establishment of targets to reduce total CO₂ emissions and construction of eco-friendly buildings to achieve these targets as well as its planned use of renewable energy through the acquisition of a solar power plant in Fukushima Prefecture were recognized as "measures against global warming," while our system for incorporating external expert opinions by the Environmental Advisory Council were evaluated as "systems to promote environmental management." As for "resource recycling," our achievements in reducing waste emissions and water usage at our buildings and efforts to develop long lasting buildings that can be continually used for 100 years were recognized, while under "pollution measures/biodiversity," our work to develop properties that contribute to the conservation of local biodiversity while utilizing the JHEP certification program was praised.

Our continuing strong recognition through this survey has served to motivate us even further in integrating our conservation of the environment and company growth through environmental management.

Environmental Accounting

We have introduced environmental accounting since 2011, and publicized the result in our CSR Report, in order to conduct efficient and effective environmental conservation activities by understanding the costs to protect the environment in business activities, as well as the effects of these activities. Hulic has established the target to reduce total CO₂ emissions from all of its office buildings by 25% compared to 1990 levels by the year 2020, and to that end, we have actively implemented a number of environmental measures. By linking this CO₂ reduction plan and our environmental measures, we expect to achieve even more effective investments in energy conservation. Managing figures to understand what kinds of effects could be obtained from which investment makes it possible to effectively allocate budgets for environmental investments in subsequent years.

► Environmental Accounting Report for FY2013

- **Reporting Period:** January 1, 2013. December 31, 2013
- **Scope:** 66 buildings owned by Hulic Co., Ltd.
- **Calculation method:** Calculating based on "Environmental Accounting Guidelines 2005 (the Ministry of Environment)"
- **Standards for calculation:** Company spends on depreciable assets for the purpose of environmental conservation. "Cost amounts" are portions of the Company's overall expenses and are the amounts used for the purpose of environmental conservation. Cost amounts do not include depreciation costs.

► Environmental Conservation Cost ^{※1}

Environmental Conservation Cost			Figures in parentheses indicate the cost of FY2012 unit: thousand yen
Categories	Investment Amounts	Cost Amounts	Contents of Major Activities (in FY2013)
(1) Business area cost	633,680 (1,359,542)	2,467 (2,324)	
Breakdown	(1)-1 Pollution prevention cost	0	※2
	(1)-2 Global environmental conservation cost	625,558 (1,347,881)	1,360 (1,360)
	(1)-3 Resource recycling cost ^{※3}	8,122 (11,662)	1,107 (964)
(2) Upstream/downstream cost	0 (0)	242 (91)	Cost for recycling toner cartridges
(3) Administration cost	0 (0)	5,458 (4,293)	Preparation of CSR Report and ads related to Hulic's environmental efforts
(4) R & D cost	0 (0)	16,402 (5,118)	Joint research costs with MIT for development of natural ventilation and natural lighting for buildings
(5) Social activity cost	0 (0)	6,978 (5,779)	Cost for JHEP certification Activities to conserve secondary forests
(6) Environmental remediation cost	0 (0)	0 (0)	
Total	633,680 (1,359,542)	31,548 (17,606)	

※1 Costs of residential buildings are included.

※2 Pursuant to relevant laws and regulations, appropriate effluent treatment and measurement of gas emission were conducted, but costs were not calculated.

※3 Large investments in the energy efficiency of the Hulic Head Office Building were made in fiscal year 2012. Therefore, figures for fiscal year 2013 declined compared to fiscal year 2012.

► Effects of Environmental Conservation

Contents of Effects	Environmental Load Index			
	FY2013	FY2012	FY2013-FY2012	Base year (FY2006)
Power consumption per unit floor area (kWh/m ²)	135	138	- 3	161
Gas consumption per unit floor area (m ³ /m ²)	1.9	2.1	- 0.2	3.7
CO ₂ emission (electricity + gas) per unit floor area (t-CO ₂ /m ²)	76.0	68.8	7.2	68.4
Water consumption per unit floor area (m ³ /m ²)	0.7	0.8	- 0.1	1.01
Waste generated per unit floor area (kg/m ²)	6.8	7.2	- 0.4	7.5
Solar power generation amount (kWh)	58,707	30,176	28,531	-
No. of kinds obtaining biodiversity certification (kinds)	9	4	5	-

※ CO₂ emissions per unit floor area from electricity and gas usage increased 7% year on year due to higher CO₂ emission coefficient.

※ As the number of buildings is different from the one in "Progress of Priority Items," the CO₂ emission basic unit is different.

※ Occupancy rate is not taken into account in the calculation of basic unit per floor area.

※ The scope of waste generated per unit floor area includes only Hulic Head Office Building. The base year is FY2008.

※ For city gas, CO₂ emission coefficient of the "Manual for Calculations and Reports of GHG Emissions" issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry is used. For electric power, an actual emission coefficient used by a power supplier of a relevant building is used.

► Economic Effects of Environmental Conservation Counter-plan

Details of Effects	Results in FY2013 (comparison with FY2012)
Electricity charge (Yen/m ²) ^{※1}	- 362
Gas charge (Yen/m ²) ^{※1}	15
Water charge (Yen/m ²) ^{※1}	53
Solar power generation (Thousand yen) ^{※2}	1,174

※1 Electricity/Gas/Water charges per unit floor area in FY2012-Electricity/Gas/Water charges per unit floor area in FY2013

※2 This is an amount reduced thanks to solar power generation in FY2013, which is calculated on the basis of 20 yen per 1 kWh.

Aspiring to Resolve Environmental Issues

Road Map Toward the Reduction in CO₂ Emissions

In 2010, we formulated the medium and long-term plan aiming to reduce total CO₂ emissions from all the buildings Hulic owns 25% relative to the figure in 1990 by 2020. In terms of validity of this plan and accuracy of the figures, we obtained a third-party certificate from Smart Energy Co., Ltd., a third-party review organization, for the first time in the real estate industry.

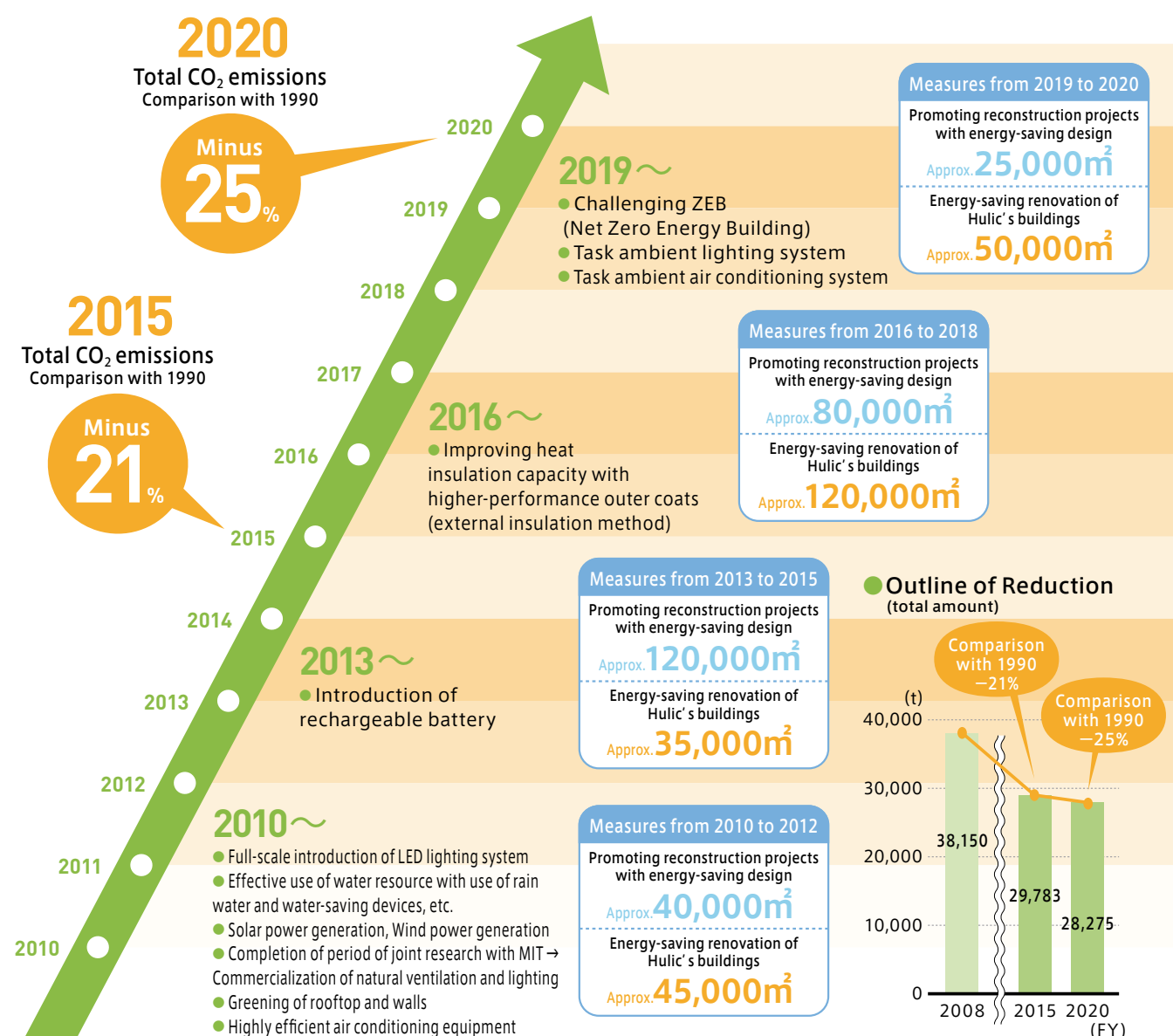
► Plan 1:

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

► Plan 2:

We have used the natural energy system (natural ventilation and natural lighting) jointly researched with Massachusetts Institute of Technology (MIT) to fundamentally improve the energy efficiency of lighting and air conditioning and reduce CO₂ emissions by curbing the energy consumption of buildings.

► Road Map Toward the Reduction (as of the end of December 2013)

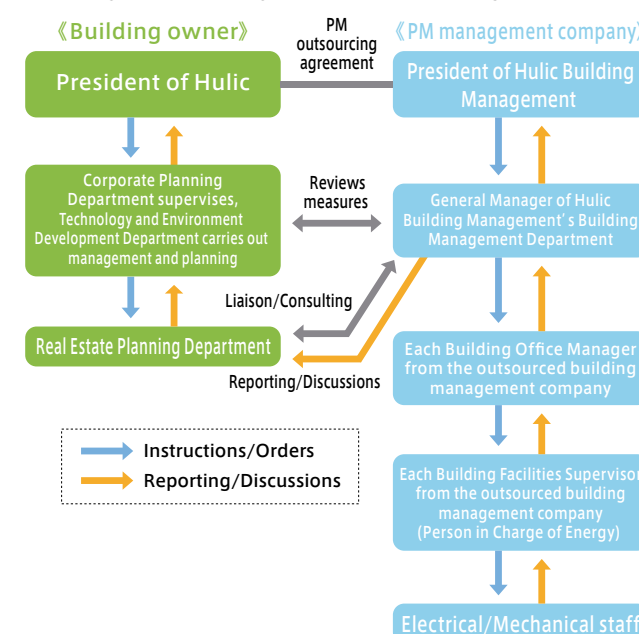


Energy Conservation Promotion Activities for Our Leased Buildings

● Controlling Energy using the Hulic Energy Management Indicator

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

► Energy Conservation Promotion Facilities Management Organizational Diagram



Measures to Enhance the Effectiveness of Energy Conservation Promotion Activities

● Promoting the Visualization of Energy

Hulic prepares a basic unit chart on the amount of energy used annually per square meter at each of its company-owned lease buildings in order to analyze and understand when, where, how much and for what reason energy sourced from outside each building is being used. The basic unit chart contains data for each year from fiscal year 2010, which makes it possible to evaluate current conditions and carry out more evaluates the supply of electricity conservation efforts by measuring energy consumption for each individual year. The basic unit chart also calculates and evaluates electricity, gas, heat (steam, hot water, cold water) and water usage for each tenant and facility. Going forward, measures will be considered for how to utilize this data in more energy efficiency renovations and improved building management practices.

Voluntary Action Plan toward a Reduction in Power Consumption

We formulated a voluntary action plan to reduce power consumption, and organized an environmental project team in order to work on various activities. We will tackle the further reduction of electricity consumption by introducing natural lighting and natural ventilation systems, LED lighting system with sensors to detect people and day light, and photovoltaic generation system at Hulic head office building.

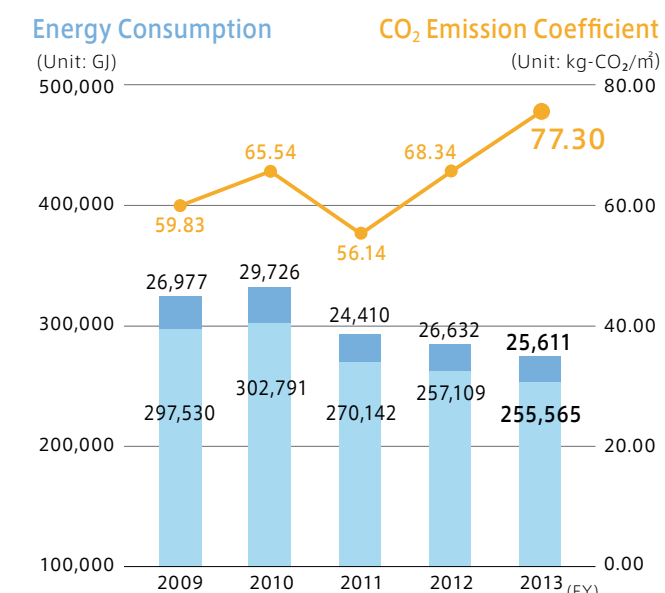
Energy Consumption of Hulic's Buildings

In fiscal year 2013, Hulic's buildings consumed 281,176GJ of energy, decreasing approx. 1% from a year earlier. In 2013, we actively worked to make our buildings and operations more efficient, including improving our building management methods through energy conservation promotion activities, carrying out energy conservation renovations, and implementing our voluntary action plan on reducing electricity usage. As a result, we assume that it led to the reduction in total energy consumption. CO₂ emission per unit floor area was 77.3 kg-CO₂ / m², increasing approximately 13% compared with the previous year. As the CO₂ emission coefficient increased, the CO₂ emission per unit floor area increased despite the achievement of energy consumption reduction.

► Energy Consumption and CO₂ Emission Coefficient

KPI: 5% reduction over the five-year period from 2009 to 2013 (benchmark: average value between 2005 and 2007 of 68.4)

— CO₂ Emission Coefficient — Electricity consumption — City gas usage



※Energy consumption and CO₂ emissions were calculated respectively based on the Ordinance for Enforcement of Rationalization in Energy Use Act (revised in November 2007) and the Enforcement Order of Law Concerning the Promotion of the Measures to Cope with Global Warming (revised in June 2008).

DBJ Green Building* Certification

Hulic has received DBJ Green Building Certification for the Hulic Asakusabashi Building, Hulic Head Office Building, and Sendai First Tower after it placed particular emphasis on eco-friendly building practices during the development planning phase. The Hulic Asakusabashi Building, which was completed in fiscal year 2013, was the first PPP project to receive Platinum Certification, while the Hulic head office's use of natural ventilation and natural sunlight systems jointly developed with MIT was also recognized with the first Platinum Certification for a small- or medium-sized building. Meanwhile, Sendai First Tower received high praises for its use of an energy usage monitoring system tied to its BEMS and the greening efforts in its atrium, receiving Gold Certification.

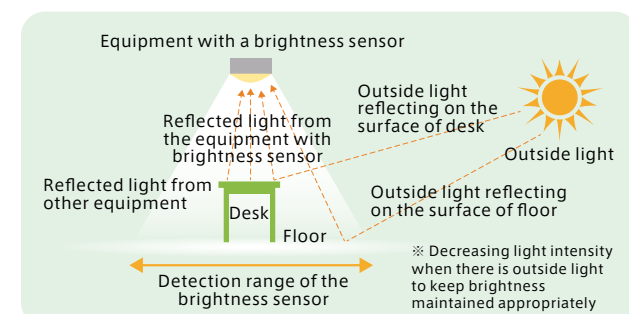
* DBJ Green Building Certification: A system developed by the Development Bank of Japan to comprehensively evaluate a building's environmental performance, security and disaster preparedness, user comfort and convenience, in collaboration with stakeholders.

MLIT Residential and Building CO₂ Reduction Leading Project

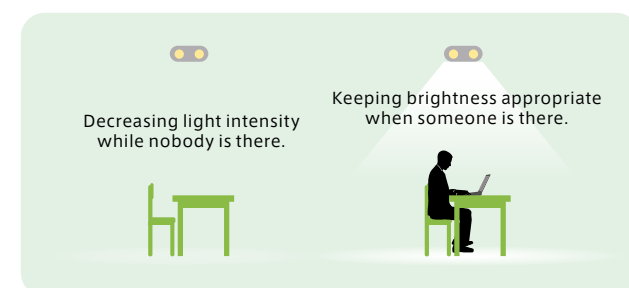
In the CO₂ Reduction Leading Project, measures for CO₂ reduction of housing and building are strongly promoted to boost their market value. In addition, with the aim of improving the housing and living environment, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) invites leading projects which can effectively reduce CO₂, and subsidizes and supports excellent proposals. Hulic's Head Office Building and Kaminarimon Building were adopted as a CO₂ Reduction Leading Project for their use of the latest CO₂ reduction technologies.

Updating to Equipment with High Energy Efficiency

Hulic has realized a significant 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.



Operating principle of a daylight sensor



Operating principle of human-detecting sensor

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. The Hulic Head Office Building, Hulic Ginza Sukiabashi Building, Hulic Asakusabashi Building, and Nagatacho Hokkaido Square all exclusively use LED lighting, while the common areas of our other recently completed buildings employ LED lighting as well. We are also steadily switching over to LED lighting at our existing buildings as part of energy efficiency renovation work.

Installation Results

Office Buildings:

- Hulic Head Office Building
- Hulic Kaminarimon Building (hotel and retail)
- Hulic Ginza Sukiabashi Building
- Hulic Asakusabashi Building (PPP project)
- Nagatacho Hokkaido Square (Joint, PPP project), etc.

Residential Properties:

- Hulic Residence Nishi Oi
- Hulic Residence Gotokuji
- Granda Gakugeidaigaku
- Sunny Life Funabashi
- Hospitalment Musashino
- Aria Yotogiuehara, etc.

Installed Natural Ventilation System at Nursing Home

We installed a natural ventilation system at Hospitalment Musashino where outdoor air that flows in from each room's windows passes through the hallway to the top of an atrium positioned at the center of the building and then gradually is ventilated out from the vent window in the ceiling.



Atrium (Hospitalment Musashino)

Conversion to a New Air Conditioning System

● Desiccant Air Conditioning System

The Hulic Head Office Building uses a desiccant air conditioning system (humidity controlled air cooling system), which provides a more comfortable indoor environment compared to temperature controlled air cooling systems, even when the temperature setting is high. Using a hybrid control of this air conditioning system and natural ventilation system, we have been able to reduce our annual CO₂ emissions by about 100 tons.

● Air-cooled Heat Pump Method

The air-cooled heating pump method ensures effective cooling by circulating refrigerants on each floor in order to meet the detailed temperature settings of individual tenants on each floor. This method also enables the temperature setting and usage time to be set for each floor.

● Ice Thermal Storage Method

The "ice thermal storage method" uses electric power accumulated with an ice thermal storage tank during the night for air conditioning during the day. With this method, economical nighttime electricity is available, and power consumption at daytime peak hour can be reduced.

Installation Results

Individual Air Conditioning

- Hulic Head Office Building (Desiccant air conditioning system)
- Hulic Ginza Sukiabashi Building
- Hulic Ogikubo Building, etc.
- Hulic Asakusabashi Building (PPP project)
- Nagatacho Hokkaido Square (Joint PPP project), etc.

Ice Thermal Storage Method

- Hulic Osaka Building
- Hulic Shinbashi Building
- Hulic Aoyama Building
- Hulic Kabutocho Building, etc.

Installation of Solar Heat Panels

Hospitalment Musashino features a solar water heating system that uses solar heat panels. Hot water created using this water heating system is supplied to the facility's main bathing area, individual bathrooms, and the kitchen.



Solar heat panel (Hospitalment Musashino)

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)

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 to practically visualize CO₂ emissions. The Hulic Residence Nishi Oi Building has a total of 120 photovoltaic cell modules installed on its roof. This has resulted in annual power generation capacity of around 23,100kWh and CO₂ reductions of around 10 tons.



Photovoltaic equipment (Hulic Asakusabashi Building)

Amount of Electricity Generated by Solar Power (designed value)

- Hulic Osaka Building: Approx. 10,000kWh per year
- Ginza Fuji Building: Approx. 6,500kWh per year
- Hulic Residence Myogadani: Approx. 5,200kWh per year
- Hulic Kyobashi Building: Approx. 4,700kWh per year
- Hulic Aoyama Building: Approx. 4,000kWh per year
- Hulic Court Motoyoyogi: Approx. 4,000kWh per year
- Hulic Court Yukigaya: Approx. 28,900kWh per year
- Hulic Head Office Building: Approx. 9,400kWh per year
- Hulic Asakusabashi Building (PPP project): Approx. 15,890kWh per year
- Hulic Residence Nishi Oi: Approx. 23,100kWh per year
- Granda Gakugeidaigaku: Approx. 4,600kWh per year
- Sunny Life Funabashi: Approx. 16,800kWh per year
- Aria Yoyogiuehara: Approx. 4,600kWh per year

Creating Urban Spaces in Harmony with the Environment

Approaches to Biodiversity

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.

► Declaration of Biodiversity Conservation

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 scheme* operated by the Ecosystem Conservation Society – Japan.



Name of Project	Rank of Certification	Date of Certification
Construction project of Granda Omori Sannou	A	October 2011
Construction project of Hulic Court Yukigaya	A	October 2011
Construction project of Hulic Residence Senriyama	A	December 2011
Construction project of Hulic Residence Tsudanuma/Hulic Garden Tsudanuma	AA	December 2011
Kyodo Project	A	January 2012
Construction project of Hulic Residence Nagaokakyo	A	December 2012
Construction project of Hulic Residence Nishi Oi	AA	February 2013
Construction project of Granda Gakugeidaigaku	A	May 2013
Construction project of Aria Yoyogiuehara	A	June 2013
Construction project of Hospitalment Musashino	AA	August 2013
Construction project of Hulic Residence Chofu Shibasaki	A+	March 2014
Shin Okubo Project	A	March 2014

* JHEP (Japan Habitat Evaluation and Certification Program): This is a program to evaluate and certify activities to contribute to conservation and restoration of biodiversity, which was established and is operated by Ecosystem Conservation Society-Japan. <http://www.ecosys.or.jp/>

JHEP AA Hospitalment Musashino Construction Project

This project involved the reconstruction of about 5,000 m² of a building located in the Nishikubo district of Musashino City in Tokyo from 2012 to 2013. The landscaping for the building features numerous native species, including quercus myrsinifolia, zelkova serrata, styrax japonica and rhododendron kaempferi, among others, in order to emphasize the original natural surroundings and changing seasons of the Musashino area. The site also features an open space that integrates with the adjacent Fuji Park. One corner of the site has an open area and established conservation zone of tall grass to promote a habitat for butterflies, grasshoppers, and other insects, which has earned it an esteemed reputation. Additionally, Japanese maple, holly, and other trees that were there prior to the reconstruction



Central courtyard



1F layout



Styrax japonica



Rhododendron kaempferi



Acer palmatum



Overview

project were preserved and transplanted to other parts of the site in order to pass on the original views of the community and help reduce the burden placed on the environment.

Photos courtesy of: Ecosystem Conservation Society

Greening at Our Office Buildings

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

► Greening on Rooftops and Premises

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

[Initiatives at the Hulic Asakusabashi Building]

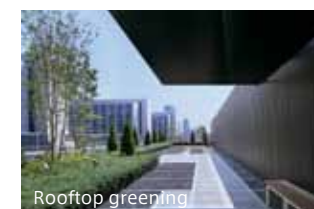
The Hulic Asakusabashi Building features planters with varied foliage representative of the four seasons located on the western side of the building to create a comfortable and attractive environment. The wall on the west-facing low rise part of the building has been greened to provide a sense of lushness to the exterior and to soothe passersby.



Wall greening

[Initiatives at Nagatacho Hokkaido Square]

Nagatacho Hokkaido Square used a PPP scheme where land owned by Hokkaido Prefecture was leased back to construct and operate a building containing the Tokyo Office of the Hokkaido Prefectural Government and other private sector businesses. Wood from Hokkaido was used for parts of the building in order to achieve the project concept of enhancing the value of Hokkaido Prefecture. The building's rooftop greening features mountain pine grown in Hokkaido and Hokkaido herbs in one section that can be freely harvested by tenants, providing a place of recreation and relaxation for all building tenants. Additionally, the wood deck on the rooftop was made from larch timber from forest thinning, which provides a sense of harmony with the natural environment of Hokkaido.



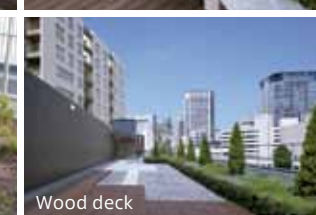
Rooftop greening



Herbs



Mountain pine



Wood deck

[Initiatives at Sendai First Tower]

Sendai First Tower has greened the 499m² wall surface of the open ceiling atrium space and the rooftop plaza by combining plants in containers. The atrium space has a structure where planting bases made of ceramic balls are stored in 1-5 levels of shelves installed on the indoor walls of containers. 24 kinds of foliage plants have been randomly arranged, which are resistant to conditions in cold areas, such as cold temperature in winter, temperature variation in summer, as well as low brightness. In recognition of these greening activities, we won the judging committee's special prize in the category of special wall greening in the "10th Roof, Wall, and Special Greening Technology Contest" hosted by the Organization for Landscape and Urban Green Infrastructure.



Open ceiling atrium

[Initiatives at Toranomon First Garden]

At Toranomon First Garden completed in August 2010, Hulic addressed urban greening with the large scale green wall reaching the 8th floor and planting plants on the ground, in addition to a green roof which tenants can use. Toranomon First Garden won the "9th Minato Ward Creation of Green Town Award" in recognition of this activity.



Green Wall



Site greening



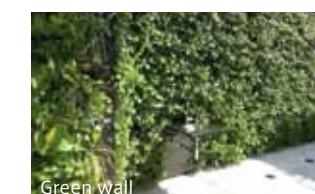
Rooftop garden

► Green Wall

Covering the building exterior with plants, the wall greening can be a countermeasure against the heat-island effect by utilizing the transpiration effect. In addition, as it improves amenity, the soothing affect to people walking on the street can be expected.

[Initiatives at the Hulic Head Office Building]

On the rooftop garden of Hulic Head Office Building, seven kinds of plants including Canarian ivy and Evergold were used to cover the wall surface, surrounding terrace benches for approximately 20 people, as measures against the heat-island effect use a transpiration effect. With this green wall over approximately 106 m², the rooftop garden is a space where employees can relax and rest, and feeling the nature while working in Tokyo.



Green wall



Rooftop garden

Working to Enhance Environmental Technologies

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

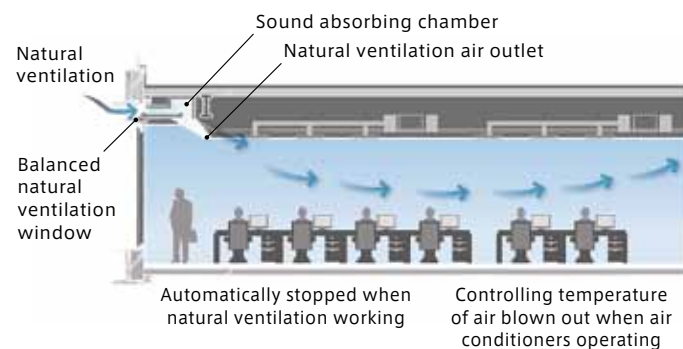
< Initiatives at the Hulic Head Office Building >

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 by the Hulic Head Office Building enables hybrid control with the air conditioning in which the most efficient of the following three operational methods is selected automatically by the system.

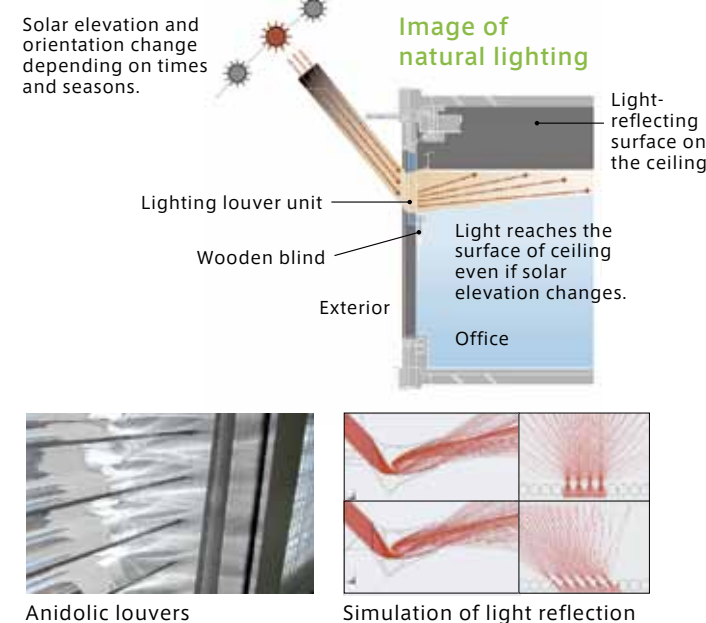
- Operating with only natural ventilation
- Operating the natural ventilation and the air conditioning equipment (high sensible heat-type multi-air conditioning system for buildings)
- Operating the air conditioning equipment and air processors with moisture adjustment function (desiccant air conditioning system)

Cross-sectional View of Natural Ventilation



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 was first introduced at the Hulic Head Office Building and has been installed on the ceilings of office space located on the fifth floor and higher. We currently have a patent pending for this natural lighting system.



Effects of CO₂ Reduction

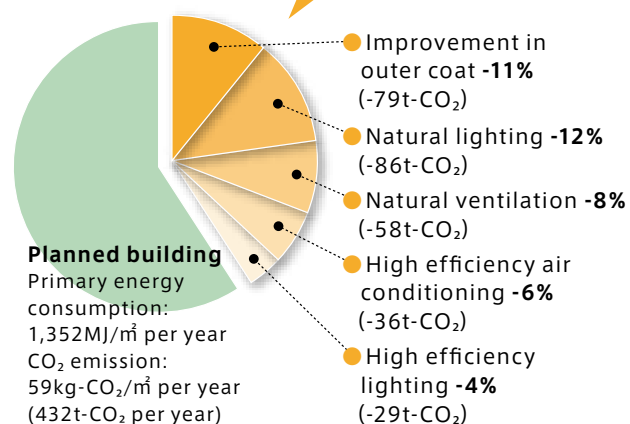
< Calculations at the Hulic Head Office Building >

CO₂ can be effectively reduced by introducing such top-level environmental technologies. In CASBEE (Comprehensive Assessment System for Built Environment Efficiency), BEE scored 3.3, corresponding to rank S.

- PAL * = 225MJ/year m² ... Standard value of office buildings minus 25%
 - ERR * = 35% ... The highest class in the energy-saving performance standard of Tokyo metropolitan government
 - CO₂ emissions reduction = 40% reduction compared to an average office building in the Tokyo Metropolitan Government's energy efficiency performance standards.
- = CO₂ emissions throughout the building's entire life cycle were reduced by 30%

* PAL=An assessment indicator for the energy efficiency of building plans and envelope (exterior walls and roof, etc.)
* ERR= Shows the percentage by which primary energy consumption has been reduced in facilities and systems

40% Reduction of CO₂ Emission

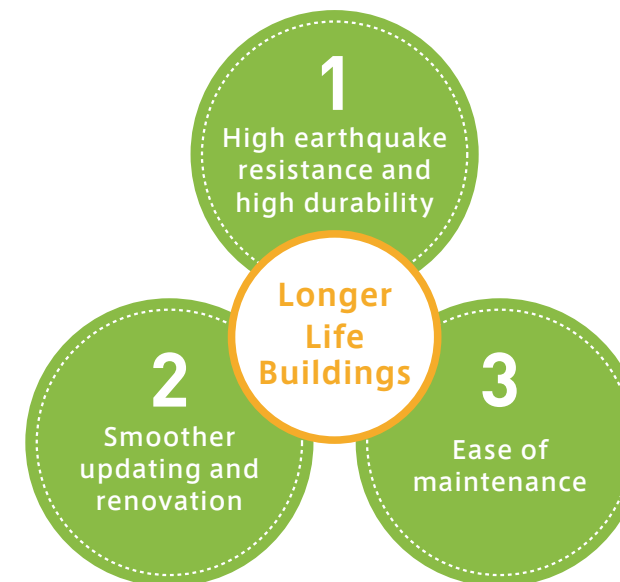


Longer Life Buildings

We are approaching a turning point from "the flow-type consumption in which buildings are constructed and demolished one after another" to "the stock-type consumption in which high-quality buildings are constructed, meticulously maintained in a timely manner, and carefully used for a long period of time." In this context, considering longer service life during building construction is essential, we formulated the "Hulic Guideline for Longer Service Life."

This guideline is composed of three ideas, 1) high earthquake resistance and high durability; 2) smoother updating and renewal; and 3) ease of maintenance. High-grade building frames are ensured so as to continue to be used 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 Guidelines for Longer Life Service



Adoption of the PC Method

From the standpoint of a business owner, we proactively adopt the PC method* which can significantly reduce the amount of waste. This method, which can shorten a construction period, and minimize impacts on surrounding environments during a period of construction, is highly appreciated in terms of longer service life. In fiscal year 2013, the PC method was used for Hulic Residence Nishi Oi.

* PC (Precast Concrete) method: Precast panels produced at a plant under consistent quality control are carried in a worksite and assembled.

► Effect of the PC Method

Reduction in Construction Traffic

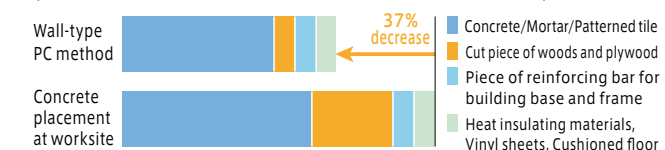
(Number of raw concrete mixers and pumper trucks decreased by half)



- As the number of vehicles to carry temporary materials and concrete to be casted at worksite decreased, loads on surrounding environment such as noise and exhaust gas during idle time was reduced.

Reduction in Industrial Waste

(Waste reduction with effective use of valuable resources)



- Reduce plywood formworks for mold making.
- Reduce loss of concrete and use of mortar.
- Reduce industrial waste by 37% compared to the conventional reinforced concrete (RC) method, in general.

CO₂ Reduction

(Helpful for curbing global warming)

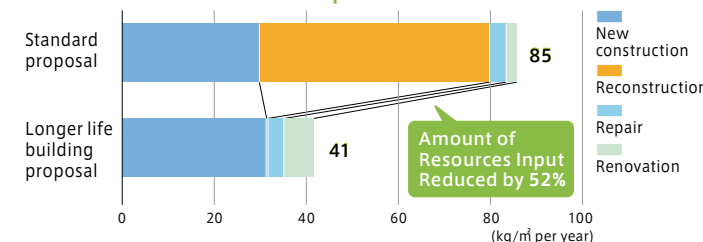


- Reduce CO₂ derived from construction and demolition works by 25%

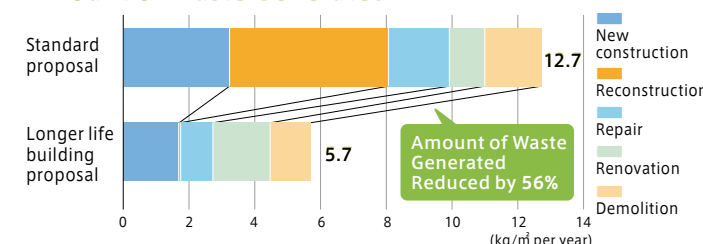
Source: Taisei U-LEC Corporation

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

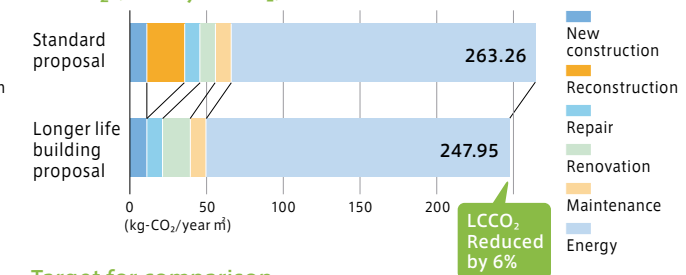
Amount of Resources Input



Amount of Waste Generated



LCCO₂ (Life-cycle CO₂)



Target for comparison

Standard proposal: The case of reconstruction twice in 40 years
Long life building proposal: The comparison of long life building which can be renovated without the need to move tenants out

Effects

As 3/4 of LCCO₂ or more is CO₂ accompanies energy consumption, the effect of reduction in CO₂ emission thanks to extended service life is underestimated. However, the amounts of resources injected and waste generated are reduced 50% or more.

* Calculated with LCA tool of Architectural Institute of Japan

Aiming for Value Creation Filled with Peace of Mind and Trust

Thorough Implementation of Earthquake-resistance Diagnosis and Seismic Reinforcement

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

Earthquake-resistance diagnosis, Reinforcement Works, and Confirmation of Validity of Structural Calculation

We diagnosed the earthquake resistance of all Hulic's properties that were built before the new earthquake resistance standards 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.

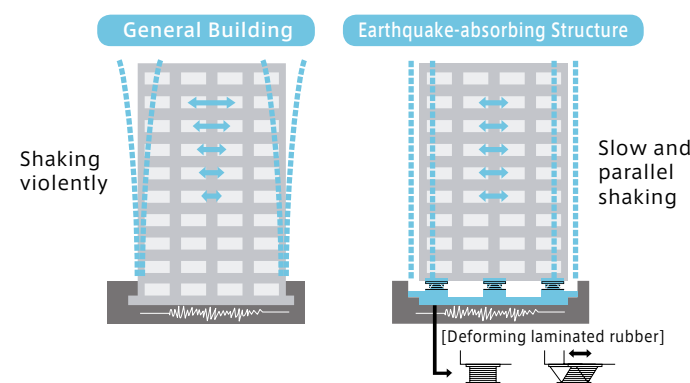
^{*1} Excludes buildings with box frame type concrete construction and buildings that will be demolished
^{*2} Includes office buildings for which appropriate structural calculations could not be reconfirmed. For example, if the architectural firm that implemented the structural calculation had already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

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.

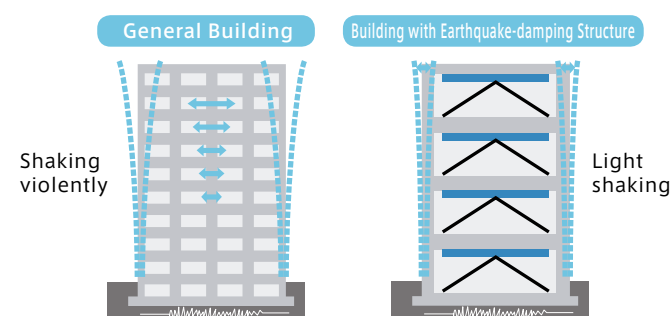
Earthquake-absorbing Structures

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



Earthquake-damping Structure

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



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.

Providing a Comprehensive Package of Business Continuity Consulting

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

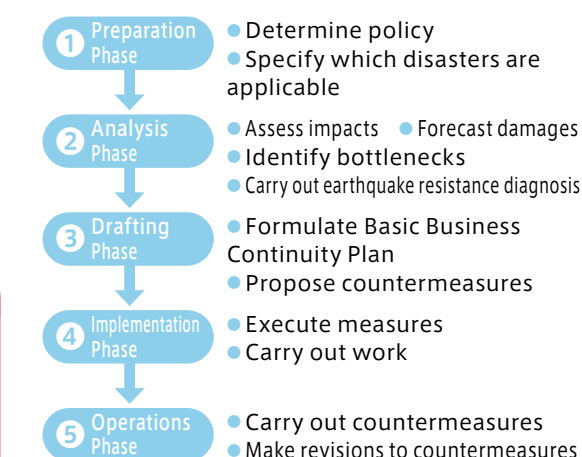
Tangible Countermeasures

- Hulic**
- Seismic reinforcement of building and facilities
 - Measures against lifeline dependence through use of natural, renewable energy
 - Countermeasures against Tsunami, etc.

Intangible Countermeasures

- Somp Japan Nipponkoa Risk Management**
- Preparation of risk scenarios
 - BCP formulation
 - BCP training

Service Implementation Steps



Quality Control of Office Buildings

Hulic's personnel responsible for buildings conducts visits of the property management companies which manage Hulic's buildings once a year to inspect management conditions. Items to be evaluated include legal compliance, inspection of building and facilities, risk management, cleanup situation, and security. By providing feedback to the property management company about improvement plans, when needed, we are taking steps in all buildings to maintain high quality.

Additionally, we strive to carry out maintenance and preventive measures as well as systematically repair and make improvements to facilities, and in order to respond to complaints from customers, such as a temporary breakdown in equipment, personnel from the relevant property management company and Hulic's engineers with expertise would quickly head to the customer's site. Through our early response capabilities, we support the comfortable life of customers. In terms of safety, our persons in charge of each building travel to these buildings each year to take part in disaster training and disaster preparedness training, in order to ensure visitors are able to use the building with added peace of mind.

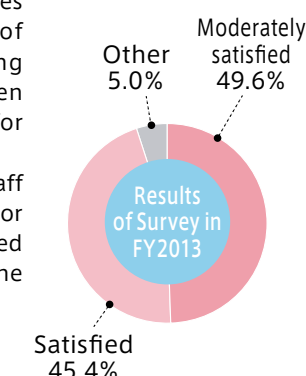
In relation to ongoing reconstruction projects, we are working on enhanced design standards and rules in order to ensure superior quality in terms of the environment, longer service life, disaster response, and design. A check sheet or regular discussions are used to check the progress, which enables us to better management quality, including designs, structures, and facilities.

Customer Satisfaction Survey

We conduct a customer satisfaction survey once a year to ensure tenants of Hulic's office buildings (corporate tenants) are able to utilize the buildings comfortably. Survey items include matters concerning building hardware and software, and customer views on their everyday life. We check the responses of customers and then take steps to identify latent customer needs and make improvements.

As a result of the survey in fiscal year 2013, some 95% of corporate tenants or more were satisfied overall. This has helped us earn a highly positive reputation for our quick response to troubles and facility reinforcement for resolving issues, such as eliminating odors, as well as our systematic approach to facilities improvement (upgrading of air-conditioning and parking facilities), which leads to even greater overall satisfaction for the building.

Furthermore, responsible staff explained individually about or responded to matters requested by customers in relation to the survey items.



VOICE



Jun Ikeda
 Deputy General Manager,
 Building Management
 Department, Hulic Building
 Management Co., Ltd.

Providing Comfortable Office Spaces

Hulic is carrying out a number of tangible measures in order to improve customer satisfaction.

Specifically, we carry out preventative maintenance to ensure customers never have to be inconvenienced by problems with building facilities or other aspects of the property.

We regularly visit buildings to visually check the condition of equipment and exterior appearance and develop improvement work plans based on the results of various inspections and interviews with the property

management company. This helps us to prevent issues before they happen.

By systematically replacing air conditioning and lighting based on their service life, we are able to enhance comfort as well as achieve greater energy efficiency through improved performance realized from new equipment.

Going forward, I am committed to providing the most comfortable office space possible to our customers.

Hulic's Approach to Diversity, Equal Opportunities and Non-discrimination

We aim to create an environment in which employees with a variety of backgrounds, such as first-class architects, real-estate appraisers, engineers, lawyers, certified public accountants, and tax accountants, can work lively. It is considered possible to differentiate us from competitors because we proactively take advantage of diversity in our business, which leads us to the sustainable growth of the Company.

Employment of Diverse Human Resources

Participating in the joint declaration on the charter of corporate ethics concerning employment made by KEIDANREN (Japan Business Federation), we have proactively employed new graduates in accordance with the purpose of the charter. When hiring new graduates, we make efforts for widely ensuring diverse human resources based on their ability, regardless of backgrounds and gender.

The rate of female managers has increased, as a result of active efforts for adopting female employees with the enhanced system to support the development of the next-generation. One of our goals under the new long-term plan Hulic a Decade Later (2014 to 2023) is to become a company where female employees can thrive professionally and have females account for 20% of our managerial positions by the year 2020.

Going forward, in addition to our previous efforts, we will also focus on hiring more professionals, such as first-class architects, real-estate appraisers, lawyers, certified public accountants, and tax accountants.

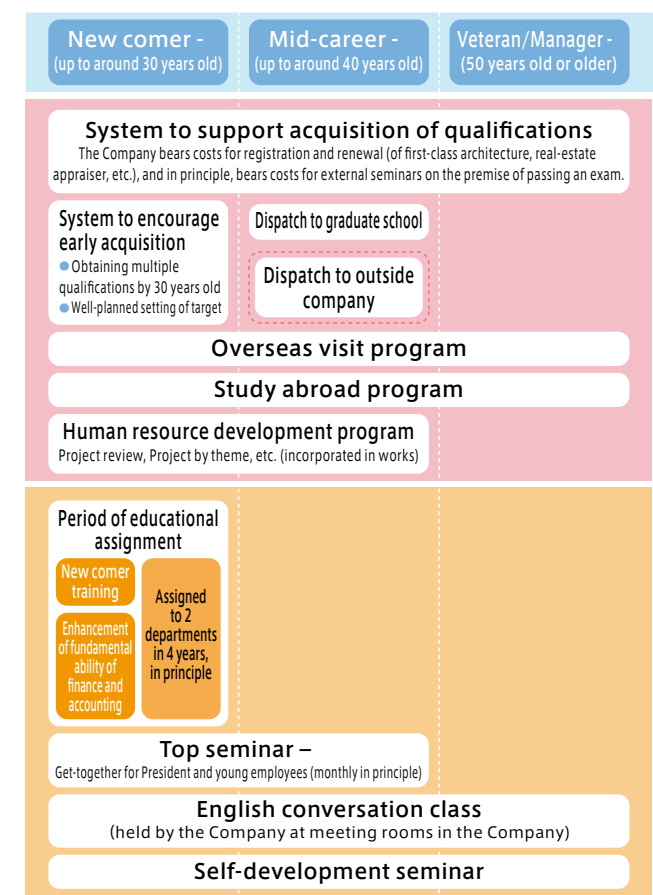
Enhancement of Systems to Develop Women's Careers

Hulic's basic approach is for the work of each employee to be aligned with their abilities, aptitude, and personality. For this reason it is imperative to provide opportunities and assignments, irrespective of gender, and in particular we are strengthening initiatives for women's career development. With the aim of enhancing the environment in which women can comfortably work, the women's career promotion project team was established as an organization to make proposals, conduct researches, and promote planning from women's viewpoint. The project team discuss in line with each theme once in two months.

Project members are chosen at random, regardless of if they belong to the real estate business division or the planning and administration division. Project members are swapped in and out as part of a rotation system, presenting them with opportunities to think about the development of their respective careers. In fiscal year 2013, we held lunch meetings for female employees centered on members of the women's career promotion project team where views were exchanged on the theme of developing female managers. Additionally, in order to hold discussions on balancing childcare with one's professional life, we organized a meeting with female employees that had taken childcare leave. Based on views shared during this meeting, we started an initiative to secure a communication channel with the company to ensure that the transition back to work is easier for employees on childcare leave, by giving them an opportunity to learn about what is new at their workplace during their leave and right before they return to work.

Enhancement of the Training Systems

As it is important to focus on human resource development aiming to be a professional team with a selected few, as well as strengthening of each employee's ability in order to take advantage of diversity, Hulic has put in place training systems. In Hulic, employees with various specialties are active, such as first-class architects, real-estate appraisers, engineers, lawyers, certified public accountants, and tax accountants. We put emphasis on acquisition of qualifications which support such specialties, and subsidize their costs. Aiming to obtain multiple qualifications by 30 years of age, young employees formulate a plan to obtain qualifications under instruction of their boss. In addition, we offer a variety of menus, such as dispatching them to graduate schools, English conversation classes in the early morning, and encouraging of reading, etc. in order to help employees enlighten themselves.



► Trends in Average Training Cost per Person (Non-consolidated)

FY	2010	2011	2012	2013
Total Amount	134,075 yen	213,690 yen	227,108 yen	217,788 yen

Employment of the Disabled

The Hulic Sugunami Office marked its 6th anniversary, and as of June 2013 its employment rate of persons with disabilities was 6.9%. Currently, 6 employees with disabilities, instructors with experience of coaching, and a chief administrator are working at the Hulic Sugunami Office, where they carry out operations such as the dispatch of direct mail for Hulic Group companies. A monthly meeting with the Human Resources Department is held to ensure operations integrated with the head office are being put into practice. In recognition of our activities to play a leading role in employing persons with disabilities and proactively develop their abilities, in September 2010 Hulic was certified as an excellent corporation in employment of the disabled in Tokyo. Additionally, in 2013 we were recognized as an excellent corporation in the employment of the disabled for the FY2013 Tokyo district (Chairman's Prize) by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED), administered by the Ministry of Health, Labour and Welfare. We will make efforts for improving the workplace where people with disabilities can feel something worth living through their work.



Logo of excellent corporation in employment of the disabled in Tokyo



Job Return System

Hulic has instituted a job return system that allows employees who left the company due to marriage, giving birth, childcare, caring for a family member, or other unavoidable reason, to return to their same job within a five year period with the same compensation and benefits as before. The purpose of this system is to support a balance between work and childcare as advocated in the Act on Advancement of Measures to Support Raising the Next Generation and to secure human resources that have wide ranging experience and a depth of professional knowledge.

VOICE



Ayano Tsukada
Finance Department,
Hulic Co., Ltd.

My Experience as a Member of the Women's Career Promotion Project Team

The goal of the women's career promotion project team is to create a workplace environment where female employees can maximize their skills and talent, based on the themes of female manager development and work-life balance. Every two or three months we meet to discuss issues and when necessary work closely with related departments to create or modify company systems. Occasionally, we will meet with other female employees outside the project team to hear their views and

reflect these in our activities. As Japan's working population declines due to its decreasing birthrate and aging society, Hulic has been stepping up its hiring of female employees, and I feel that offering an environment where we get the most out of our employees is essential to raising productivity as well. Going forward, I hope to contribute to a better workplace environment by focusing our discussions on the perspective of diversity-focused management as well.

Reemployment System for Seniors

We have introduced a reemployment system for seniors in accordance with the revised Act on Stabilization of Employment of Elderly Persons. Under this system we rehire any employee that has reached the mandatory retirement age but who wishes to continue working until the age of 65.

In 2010, we made changes to our reemployment system to make the working environment more comfortable for seniors. For example, systems of staggered commuting and a half-day leave were introduced for rehired employees. Full-time rehired employees can use the leave and absence systems almost equal to the ones for active employees. We expect various knowledge and expertise to be inherited through communication beyond generations between employees with abundant knowledge and experience and younger employees.

Promoting Communication between Various Employees

Hulic is run by a small workforce, which enables a close distance between employees, as well as between top management and foremen.

The company-wide trends are communicated to all employees through "Message from President" every month. As it is possible to know what other departments are doing through the message, the horizontal communication beyond the borders of departments can be made.

In order to promote vertical communication, employees share their opinions directly with the President through the "President Questionnaire" conducted twice a year, in consideration of the interactive communication with the President. Employees write down their views and opinions on the prescribed form and submit it to a post box, and then the President responds to each in writing. Examples of changes made based on these employee opinions include improvements to our benefits system (subsidies for single employees to use the company dormitory and next generation nurturing support system), digitization of internal documents, greater information sharing, improvements in operating methods of the head office building, implementation of social contribution activities, and enhancement of the self-improvement support system. Additionally, an environment has been established at the head office cafeteria that enables wide ranging interaction between executives and employees as a means to promoting open communication that transcends management and departments.

Our Approach to Work-life Balance

Hulic is aiming to be a professional team consisting of a selected few who sincerely work on all issues with a sense of ownership. In order to attract excellent employees and provide them the environment in which they can make the best use of their abilities, efforts to strike a work-life balance are essential.

Efforts to Support Employees Foster the Next Generation

The falling birth rate and aging population, and women's social advancement are important issues for Japan's economy. In relation to the support for development of the next generation, Hulic aims at a higher level than the legal standard and has established various systems. Additionally, we have established an action plan to encourage more male employees to take childcare leave and become a company where male employees, too, can achieve a work-life balance and take part in childcare. Under this action plan we are providing additional economic support to employees that take childcare leave. In recognition of our efforts, Hulic has received certification as a "first-grade business owner conforming to the standard" based on the Act on Advancement of Measures to Support the Next Generation by the Tokyo Labor Bureau for four consecutive years. This recognition also earned us the right to use the "Kurumin" next-generation accreditation logo. By creating an environment that is easy for all employees to work in and where employees can balance work and childcare, so that all employees can fully display their abilities, we have drawn up action plans as follows.



General Business Owner Action Plan under the Act on Advancement of Measures to Support the Next Generation

- Period: January 1, 2014 to December 31, 2016
- Details
- Goal 1.** Encourage more than one eligible male employee to take childcare leave and ensure at least 70% of eligible female employees take childcare leave
- [Measures]** Starting January 2014 educate employees about the childcare leave system and opportunities
- Goal 2.** Further expand assistance for balancing childcare with work
- [Measures]** Starting January 2014 begin preparations on the opening of onsite daycares at Hulic offices

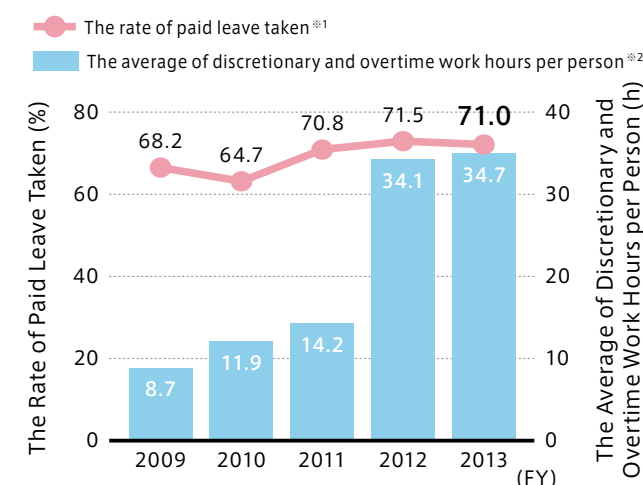
Preparations to Open an Onsite Daycare

We are currently moving forward with preparations to open the Odenma Fureai Daycare inside the Hulic Head Office Building sometime around October 2014. By opening this daycare at our head office, we will be able to provide an environment for employees to raise children and work productively. The daycare will also be open to children in the local community, which will help to alleviate the problem of children having to be wait-listed for daycare.



Planned Use of Leaves and Restraint of Overtime Work

In order to boost the rate of leave taken by employees and be further conscious about their health, we have conducted a campaign to improve the rate of leave taken. The purposes of the campaign include making all employees take a three-day vacation once a year and making all employees take a one-week vacation once a year. Individual departments discuss plans to take vacations in consideration of the planned use of leave. In FY2013, while the rate of paid leave taken was 71.0% and the average of discretionary and overtime work hours per person was 34.7 hours. Four employees worked over 45 overtime hours on average over three months. This was caused by organizational restructuring and other factors. We will strive to allow employees to take more paid leave and reduce overtime working hours through guidance and advice provided by the Risk Management Committee and the Health Committee.

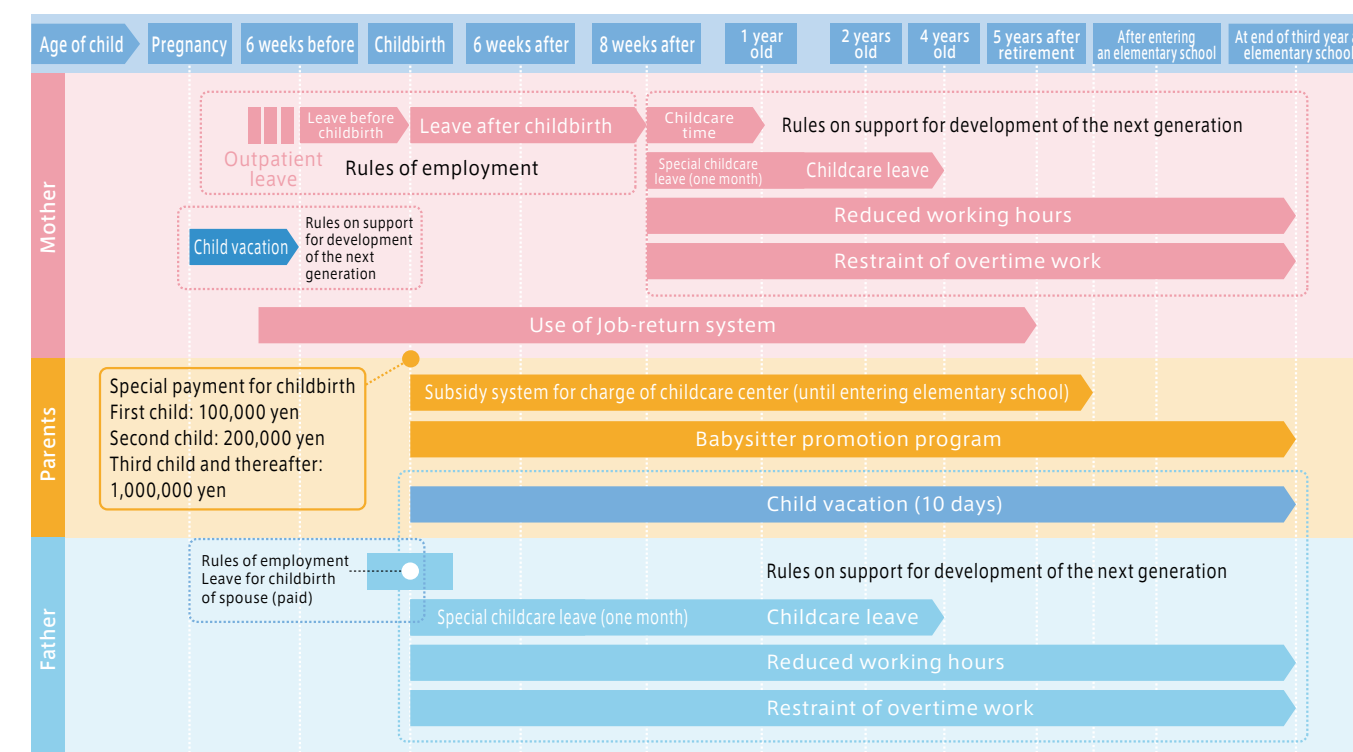


*1 Calculated with limit of 20 days excluding leave carried forward
*2 Excluding Hulic Insurance Service Co., Ltd. in and after 2010

Implementation of No Overtime Day

Every Wednesday has been set aside as No Overtime Day, with the aim of preventing health issues arising from excessive work. Each Wednesday we use our intranet system to remind employees about leaving work on time. The status of implementation is inspected and grasped every month. In FY2013, the rate of implementation increased 11% year on year to 59% on average. Going forward, we will also review the way of working, for example, by making operations well-modulated and more efficient, to increase the implementation rate of No Overtime Day. We will also issue more proactive reminders to employees of departments with a low implementation rate.

Relation between Age of Child and the System to Support Employees to the Next Generation



Personnel Performance Data

* Data of Hulic Co., Ltd. Only (except Number of employees (consolidated))
* Excluding transfer between the Group companies

Item	Unit	FY2009	FY2010	FY2011	FY2012	FY2013
Number of employees (non-consolidated)	Men	172	83	77	96	90
	Women	76	31	29	33	35
	Total	248	114	106	129	125
Number of employees (consolidated)	Person	327	298	375	429	461
Annual salary in average	Ten thousand yen	725	908	1,023	1,086	1,120
Number of employees who left their job	Person	6	1	1	1	2
Number of employees in managerial position (excluding executive officers)	Men	68	38	37	56	53
	Women	4	3	4	5	4
Employment rate of the disabled	%	2.03	5.26	5.66	5.30	6.92
Number of employees who took childbirth leave	Person	3	1	1	1	1
Number of employees who took childcare leave	Men	2	0	1	1	0
	Women	3	1	1	1	2
Number of employees who returned to work after childcare leave	%	100	100	100	100	100
Number of employees who took day off for family care	Person	0	0	0	2	2
Number of employees who took family care leave	Person	0	0	0	0	0
Number of employees who took day off for nursing care (absorbed previous nursing care leave)	Person	-	20	17	15	17
Number of employees who took leave to take part in volunteer activities	Person	24	22	39	3	21

VOICE



Yuji Harada
Associate Director-General, Appraisal Department,
Hulic Co., Ltd.

Using the Next Generation Nurturing Support System

When my two year old son was six months old I began using our subsidy system for daycare. I have found that raising a child requires a lot of money and the monthly 30,000 yen stipend has been a very big help. Also, I have taken advantage of our child leave system to take my son to the hospital instead of my wife. In this manner, Hulic's clear support for supporting childcare is very encouraging and it has made me

think about how I can give back to the company by working even harder. The next generation nurturing support system assists not only economically, but also helps to alleviate mental burdens, too. I hope that others raising children at Hulic will take advantage of this system to achieve a diverse work-life balance, which in turn will contribute to ways to prevent Japan's declining population.

Social Contribution Activities

Policy for Social Contribution Activities has been established as a basic policy of Hulic's social contribution activities. The policy expresses our determination to devote ourselves to resolving difficult social problems, such as the global environmental issues and the falling birth rate and aging population, through individual activities in hope of leading to a sustained development of the entire society.

Policy for Social Contribution Activities

Social Contribution as a Company

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

Support for Employee's Social Contribution Activities

Hulic proactively supports each employee to conduct social contribution activities.

Social Contribution as a Company

Held the 1st Hulic Student Design Competition called Tokyo Complex 2020

As a real estate company, this contest was held to provide an opportunity for students to propose urban planning and architectural ideas. The 1st Hulic Student Design Competition received innovative new ideas from various fields on the theme of mixed use buildings planned for downtown Tokyo in 2020. A total of 182 submissions were received and during the secondary screening session held in September 2013 students made passionate presentations of their ideas and answered questions from the contest judges. In the end, the idea called "Urban Planter" presented by a graduate school student from the Kyoto Institute of Technology was selected as the winner.



Donation to Ashinaga Scholarship Society

Hulic Group decided to start from June 2011, and continue for four years to monthly donate to Ashinaga Scholarship Society 500,000 yen, and a specific amount from directors and employees who want to join the program, in hope of providing continuous support to living and learning children who will play an important role in the future. Since then, 22,305,500 yen in total has been donated by the Company and individuals until December 2013. In order to keep donators interested in it after donation, "Ashinaga Family Tsushin" sent by the Society is posted on the Company's intranet.

Hulic Odenma Summer Festival

In October 2012, Hulic moved its head office to Nihonbashi Odenma-cho. On July 25, 2013, we held the "Hulic Odenma Summer Festival" at the Hulic Head Office Building, partly in order to greet people in the community. Various people came to the festival, including local children and workers in the neighboring area, thanks to the cooperation of the community associations of Odenma-cho and Ninobe-cho. We hope to be able to deepen ties among people in the communities through such activities. In addition, we donated proceeds of 103,900 yen from sales at the festival to a volunteer organization, in addition to the money collected through the fifth matching gift program.



Held Charity Valentine Event

In February 2014, we partnered with two other major companies to host a charity Valentine event organized by the NPO Refugees International Japan (RIJ) that was held at The Gate Hotel Kaminarimon by Hulic, which is operated by Hulic Hotel Management. Donations totaling 308,000 yen received at this sociable event were presented to RIJ for use in its refugee assistance activities.



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. Hulic, Hulic Insurance Service, Hulic Building Management, and Hulic Proserve have worked together on this activity. We will continue the donation activities, as providing opportunities of social contribution to employees who cannot make the first step despite being interested in it.

As of September 30, 2013, employees had donated a total of 543,124 yen over the previous one-year period. This amount was combined with a donation from the Company and the proceeds from the Hulic Odenmacho Summer Festival held in July 2013, bringing the total donation presented to Florence to one million yen. Florence is an NPO that is working to address issues related to childcare for sick children, assist single parent households and help resolve other childcare issues facing society. Employees reached a consensus to present Florence with a donation because of their hope to make it easier for people to balance childcare and work and the growing emphasis on helping to develop the next-generation.



Community Cleanup Activities

We have participated in Garbage Zero Emission Day, organized by Chuo Ward and held every May 30 since fiscal year 2011. Starting in fiscal year 2013, Hulic, Hulic Building Management and Hulic Proserve have teamed up to take part in Machikado Cleanup Day, held on the 10th of every month and also organized by Chuo Ward, on occasion of the head office's relocation to Nihonbashi Odenma-cho, and a monthly rotation was set up where 10 to 15 employees were selected to participate. This enabled nearly every employee to take part in these volunteer activities at least once a year. These activities have gained a strong foothold as a new place for communication with the local community and other employees while beautifying the surrounding neighborhood.



Paid Leave for Employees Involved in Volunteer Activities

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



VOICE



My Participation in Satoyama Conservation Activities

Mariko Murata
Asset Solutions
Department,
Hulic Co, Ltd.

I used the company's paid leave for volunteer activities to take part in a satoyama conservation project. During the project, people from NPOs instructed participants on how to cut and harvest rice plants and after that we learned about the history and nature of the local area. A satoyama is an area surrounded by rich nature and home to myriad fauna and flora species. Having the chance to experience such an area has made me want to protect it even more. I hope to use this unique experience in my work by focusing on ways we can be considerate of biodiversity.

PET Bottle Cap Collection Campaign

Based on feedback from our CSR supporters, we decided to initiate a campaign to collect the bottle caps of PET bottle beverages consumed at the Hulic Group. The goal of this campaign is to contribute to society by collecting and recycling bottle caps normally disposed of as garbage, which reduces CO₂ emissions from the garbage incineration process. In fiscal year 2013, we collected a total of 80kg (about 30,600) of PET bottle caps. In turn, these caps were sold through the NPO Bottle Cap Coin Bank Promotion Network and the proceeds donated to the Japan Committee Vaccines for the World's Children where they are used to fund projects for delivering vaccines and healthcare supplies to children fighting illness around the world.

Concept of Corporate Governance

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, such as shareholders, customers, business partners, local communities, and employees.

Management Decision-making

The Board of Directors meets once a month in principle, and holds extraordinary meetings as needed. Comprised of nine directors (as of June 2014), the Board of Directors resolves important matters concerning Hulic's business activities, including CSR and comprehensively supervises the execution of duties by directors and executive officers. In March 2012, Hulic appointed its first female outside director, and since then we have been promoting multifaceted business management based on diversity. As an advisory organization of the President, the management conference is held once a week in principle, which deliberates especially important matters related to business execution.

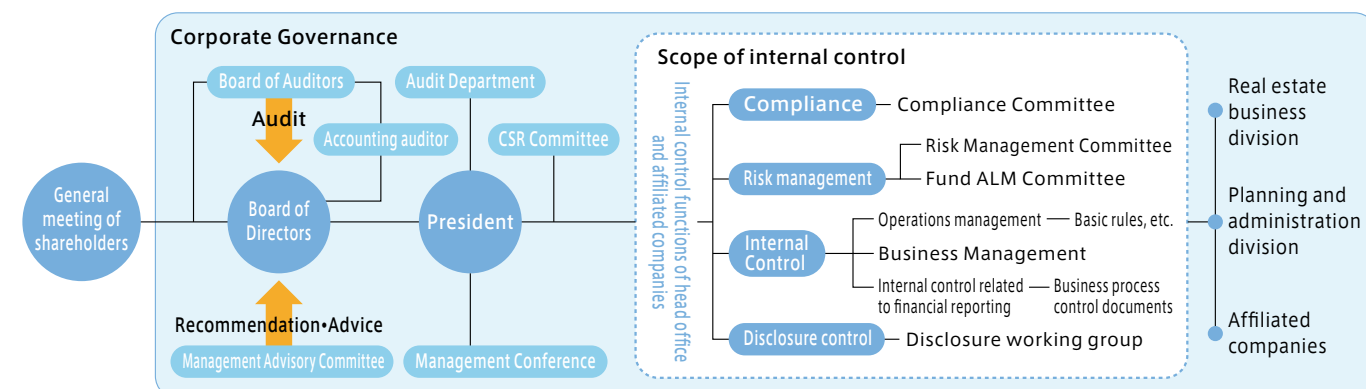
Management Advisory Committee

The Management Advisory Committee comprises five members (as of June 2014) selected from legal professionals, public accountants, academics, and business professionals. The Management Advisory Committee provides advice and recommendations to the Board of Directors on all aspects of management, including matters discussed by the Board of Directors, in order to ensure the independence of the company and the interests of stakeholder are not damaged.

Supervision and Audit of Management

We have adopted the corporate auditor system. All four auditors including the full-time auditor (as of June 2014) are external auditors stipulated in the Companies Act and the Ordinance for Enforcement of the Companies Act. In accordance with the audit basic policy and the audit basic plan formulated by the Board of Auditors, the audit director executes the duties through attendance at the Board of Directors meetings, full-time auditor's attendance at the management conference, hearing about status of execution of duties, and browsing important documents.

Corporate Governance System Chart (As of June 2014)



Policy for Determining Compensation and Calculation Method

Per the approval given at its general shareholders' meeting, Hulic has set a compensation limit of 4.5 million yen for directors per business year and 1 million yen for corporate auditors. Director compensation consists of a fixed component determined based on the importance of their duties and a variable component that fluctuates based on their contribution to the company's performance for the applicable business year.

Director Compensation for the Fiscal Year Ended December 2013

- 6 Directors (excluding Outside Directors): 254 million yen (base pay of 194 million yen and bonus of 59 million yen)
- 7 Outside Directors: 100 million yen (base pay of 90 million yen and bonus of 10 million yen)

Risk Management

Pursuant to basic rules of risk management, we manage various risks related to Hulic Group's businesses. In the Risk Management Committee held once in three months, a variety of risks are identified, for example, risks peculiar to real estate business such as soil contamination and asbestos, IT risks including information leaks, and risks in affiliated companies, in order to enable the president and relevant departments to understand risks to formulate and implement countermeasures. The Committee also collects and analyzes monitoring indices every month. Through this PDCA cycle, we carry out risk management on a continuous basis to stabilize our business. Internal audits are carried out on all departments and operations in order to verify the reasonableness and appropriateness of risk management practices.

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. Therefore, the CSR Committee is chaired by the President, consists of Senior Executive Managing Officers, the Chief of Human Resources and General Affairs Department, the Chief of Real Estate Planning Department, the Chief of Property Development Department, and the Chief of Corporate Planning Department. The Committee is held annually in principle, and as needed. Company-wide CSR activities are performed in accordance with the basic policy decided by the CSR Committee. To be more specific, the Committee formulates various kinds of policies concerning Company-wide CSR activities and an annual CSR schedule, sets concrete numerical targets, and considers and deliberates diverse proposals made by employees, etc. Like this, in the Committee as a place to practically implement CSR management, there are a lot of active discussions. Activities of the CSR Committee are reported to Board of Directors on a regular basis.

Summary of CSR Committee Meeting

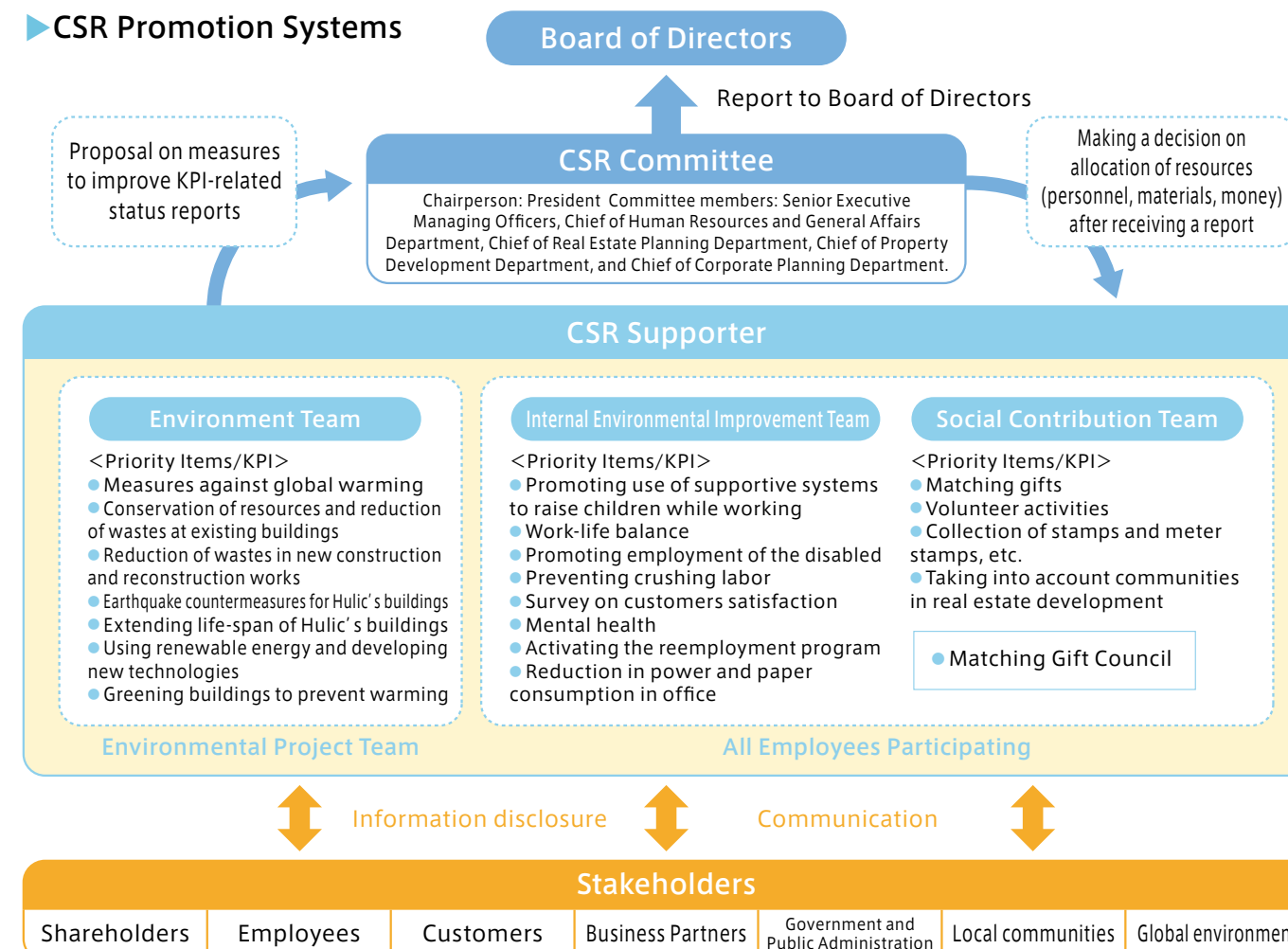
- 7th Meeting (September 2013)
- Fiscal year 2012 performance / CSR plan for 2013 / Areas of improvement

Activities of CSR Supporters

Previously, the CSR Task Team was in charge of promoting CSR activities at workplaces including improving the internal environment and social action programs. In 2009, however, with an eye to raising all employees' awareness of promoting CSR activities, CSR Supporters started to conduct them in place of CSR Task Team. One person is appointed as a CSR supporter from a unit composed of about ten people, and is relieved by another member of the unit after completing one-year term of office. Since 2011, CSR supporters have been appointed also from Hulic Group companies, and made efforts for establishing CSR activities in all employees of Hulic Group. In the environmental field, an environmental project team consisting mainly of members of Real Estate Division discusses environmental measures.



CSR Promotion Systems



Compliance

Compliance Promotion and Implementation

In accordance with the compliance rules, we have built the 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 following the compliance program is regularly reported to the Board of Directors through the Compliance Committee. The "Compliance Manual" is shared across the entire HULIC Group, which familiarizes employees with matters to be adhered to in day-to-day operations. The Compliance Manual requires that employees immediately report compliance issues or possible issues to the Compliance Office, who will then investigate the matter as necessary, identify the cause and implement the necessary measures to prevent future reoccurrences.

- ① Respect for Human Rights and Prohibition of Discrimination and Sexual Harassment
- ② Compliance with Laws and Rules
- ③ Carry Out Duties in an Honest and Fair Manner
- ④ Proper Handling of Information
- ⑤ Insider Trading Regulations
- ⑥ Avoid Relationships with Anti-Social Forces
- ⑦ Consideration toward Environmental Conservation
- ⑧ Maintain and Encourage the Best Communication Possible
- ⑨ Respect Intellectual Property Rights
- ⑩ Business Entertainment/Gift Giving and Prohibition of Bribery



Compliance Manual

Compliance Hotline

When it is expected not to take appropriate corrective actions after consulting with a compliance officer of the department the person belongs to, or when the person feels resistance in consulting because of the nature of the problem, direct reporting to Compliance Hotline is available. The Compliance Hotline investigates the fact, and promptly carries out countermeasures, carefully taking into account the informer's privacy.

- Internal Contact: Chief of Legal & Compliance Department
- External Contact: Law Offices

Compliance Seminar

Themes are regularly decided on and implemented by HULIC, and all employees are provided with compliance seminars. So far, seminars on how to handle anti-social forces, power harassment, and insider trading regulations have been conducted.

In addition to these overall themes, in consideration of compliance peculiar to the real estate business, we conduct a "seminars by theme" concerning important themes, and place news and Q&A related to compliance on the Company's intranet once a month.

In addition, we hold discussions within departments on CSR related themes as needed.

We compile comments on compliance seminars as feedback, and use them for subsequent seminars.

► Compliance Seminars in FY2013

- Frequency: 4 seminars implemented, transmission of information 12 times
- No. of participants: All employees (including temporary staff)

Compliance through Outsourcing Contractors

As for outsourcing by the real estate business division, we have made fair trades based on "rules for real estate outsourcing management," respecting relevant laws and regulations, as well as instructions by administrative organizations.

When selecting an outsourcing contractor, we carefully check their past performance and abilities to execute operations, the clarity of appropriate procedures in their business execution system, the appropriateness of the operation management system, and other necessary matters.

After selecting an outsourcing contractor through this confirmation, the Legal & Compliance Department checks the relationship for anti-social forces.

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 instance 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 2013, there was no case and accident related to information leaks.

Board of Directors & Audit Committee Members of Supervisory Board (as of June 2014)



Board of Directors

- President and Chief Executive Officer / **Saburo Nishiura**
- Representative Director (Senior Executive Managing Officer) / **Hidehiro Shiga**
- Director (Senior Executive Managing Officer) / **Shinji Furuichi**
- Director (Senior Executive Managing Officer) / **Hajime Kobayashi**
Chief of Corporate Planning Department
- Director (Executive Managing Officer) / **Takaya Maeda**
Chief of Real Estate Planning Department
- External Director / **Tsukasa Miyajima**
Professor of Keio University, Faculty of Law, Doctor of Law
Trustee of Meiji Yasuda Life Insurance Company
Member of Management Advisory Committee, HULIC Co., Ltd.
- External Director / **Hideo Yamada**
External Auditor of Taiyo Chemical Industry Co., Ltd.
External Director of Sato Corporation
External Director of Lion Corporation
External Auditor of Ishii Food Corporation
External Auditor of Mikuni Corporation
External Auditor of Seibu Lions Co., Ltd.
Member of Management Advisory Committee, HULIC Co., Ltd.
- External Director / **Atsuko Fukushima**
Member of Management Council at Shimane University
Journalist
Member of Management Advisory Committee, HULIC Co., Ltd.
- External Director / **Masatoshi Satou**
Chairman of Sompo Japan Insurance Inc.

Audit Committee Members of Supervisory Board

- Corporate Auditor (External) / **Manabu Yoshidome**
- External Corporate Auditor / **Koichi Nezu**
Vice President of Institute for the Fashion Industries
Board Chairman and Director of The Nezu Museum
Board Chairman of Tobu Department Store Co., Ltd.
Board Chairman of Tobu Utsunomiya Department Store Co., Ltd.
President of Musashi Academy of the Nezu Foundation
Member of Management Advisory Committee, HULIC Co., Ltd.
- External Corporate Auditor / **Nobuyuki Kobayashi**
Auditor of the Japan Arts Council
Member of Management Advisory Committee, HULIC Co., Ltd.
- External Corporate Auditor / **Kenichi Sekiguchi**
Special Adviser of Meiji Yasuda Life Insurance Company

Corporate Officers

- Executive Managing Officer / **Shigeo Nakane**
Chief of Accounting Department
- Executive Managing Officer / **Hiroshi Kitano**
Chief of Finance Department
- Executive Managing Officer / **Yasuki Yakabi**
Chief of Asset Solutions Department
- Executive Managing Officer / **Takeshi Uratani**
Chief of Property Development Department
- Managing Officer / **Kenkichi Naito**
Chief of Human Resources and General Affairs Department
- Managing Officer / **Shin Ito**
Chief of Corporate Communications & Investor Relations Department
- Managing Officer / **Takuya Asai**
Chief of Legal & Compliance Department
- Managing Officer / **Taichi Nakamura**
Chief of Development Project Department
- Managing Officer / **Yoshito Nishikawa**
Chief of Real Estate Investment Department
- Managing Officer / **Noritaka Takahashi**
Chief of Tourism Business Development Team

Consolidated Balance Sheets

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)
Assets		
Current assets		
Cash and deposits	13,164	17,600
Notes and operating accounts receivable	1,795	2,096
Merchandise	—	0
Real estate for sale	52,691	90,116
Real estate for sale in process	—	8,160
Costs on uncompleted construction contracts	16	55
Supplies	34	41
Operational investment securities	410	1,286
Deferred tax assets	7,612	2,552
Other	1,245	1,463
Allowance for doubtful accounts	△2	△4
Total current assets	76,967	123,371
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	170,780	179,950
Accumulated depreciation	△45,143	△50,186
Buildings and structures, net	125,636	129,764
Machinery, equipment and vehicles	1,233	1,420
Accumulated depreciation	△448	△533
Machinery, equipment and vehicles, net	784	887
Land	311,417	335,364
Construction in progress	8,048	7,287
Other	1,575	1,417
Accumulated depreciation	△826	△743
Other, net	748	674
Total property, plant and equipment	446,635	473,978
Intangible assets		
Goodwill	1,120	916
Leasehold right	17,043	12,451
Other	444	396
Total intangible assets	18,608	13,764
Investments and other assets		
Investment securities	89,127	101,601
Long-term loans receivable	0	—
Guarantee deposits	2,959	3,324
Deferred tax assets	465	539
Other	3,102	3,722
Allowance for doubtful accounts	△1	△0
Total investments and other assets	95,654	109,188
Total noncurrent assets	560,898	596,931
Deferred assets		
Business commencement expenses	53	41
Total deferred assets	53	41
Total assets	637,919	720,344

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)
Liabilities		
Current liabilities		
Short-term loans payable	—	6,300
Current portion of long-term loans payable	102,380	70,883
Short-term bonds payable	12,998	57,994
Accrued expenses	1,589	1,600
Income taxes payable	3,932	3,018
Advances received	3,410	3,773
Provision for bonuses	52	68
Provision for directors' bonuses	82	103
Other	3,586	5,521
Total current liabilities	128,033	149,264
Non-current liabilities		
Bonds payable	12,100	32,100
Long-term loans payable	288,943	294,657
Deferred tax liabilities	17,456	21,814
Provision for retirement benefits	407	456
Provision for directors' retirement benefits	13	9
Long-term guarantee deposited	39,502	42,862
Other	1,567	1,897
Total non-current liabilities	359,990	393,798
Total liabilities	488,024	543,063
Net assets		
Shareholders' equity		
Capital stock	21,951	22,205
Capital surplus	38,016	38,270
Retained earnings	83,418	96,422
Treasury shares	△127	△189
Total shareholders' equity	143,258	156,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,773	18,736
Deferred gains or losses on hedges	△511	△289
Foreign currency translation adjustment	102	853
Total accumulated other comprehensive income	5,364	19,299
Minority interests	1,272	1,273
Total net assets	149,895	177,280
Total liabilities and net assets	637,919	720,344

Consolidated Statements of Income

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)
Operating revenue	94,319	108,444
Operating cost	63,686	69,732
Operating gross profit	30,633	38,711
Selling, general and administrative expenses	8,062	9,597
Operating income	22,571	29,114
Non-operating income		
Interest income	94	5
Dividend income	1,021	1,487
Equity in earnings of affiliates	414	—
Other revenue - termination of lease contracts	577	422
Other	344	158
Total non-operating income	2,452	2,074
Non-operating expenses		
Interest expenses	4,618	4,933
Equity in losses of affiliates	—	19
Other	371	252
Total non-operating expenses	4,990	5,205
Ordinary income	20,033	25,983
Extraordinary income		
Gain on sales of noncurrent assets	263	1,759
Gain on sales of investment securities	400	829
Gain on investments in silent partnership	—	1,584
Gain on negative goodwill	2,312	—
Other	107	324
Total extraordinary income	3,084	4,498
Extraordinary losses		
Loss on sales of noncurrent assets	200	319
Loss on retirement of noncurrent assets	2,015	2,246
Loss arising from building reconstruction	2,132	899
Loss on sales of investment securities	189	0
Loss on valuation of investment securities	462	2
Impairment loss	—	907
Provision of allowance for doubtful accounts	0	—
Other	13	76
Total extraordinary losses	5,014	4,451
Income before income taxes and minority interests	18,102	26,030
Income taxes - current	6,689	7,088
Income taxes - deferred	△151	2,898
Total income taxes	6,537	9,986
Income before minority interests	11,564	16,043
Minority interests in income	77	72
Net income	11,487	15,970

Consolidated Statements of Comprehensive Income

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)
Income before minority interests	11,564	16,043
Other comprehensive income		
Valuation difference on available-for-sale securities	754	12,471
Deferred gains or losses on hedges	△511	221
Foreign currency translation adjustment	102	749
Share of other comprehensive income of entities accounted for using equity method	94	492
Total other comprehensive income	440	13,934
Comprehensive income	12,005	29,978
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,928	29,905
Comprehensive income attributable to minority interests	77	72

Consolidated Statements of Changes in Net Assets

Previous consolidated accounting period (ended December 2012)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	8,207	8,629	8,071	△2,996	21,911
Changes of items during period					
Balance at the end of previous period of Acquiree	△8,207	△8,629	△8,071	2,996	△21,911
Balance at the end of previous period of Acquirer	12,326	11,966	73,990	△123	98,161
Increase by merger	△4,128	12,296		△4	8,163
Issuance of new shares	13,677	13,677			27,354
Issuance of new shares - exercise of subscription rights to shares	75	75			150
Dividends of surplus			△2,059		△2,059
Net income			11,487		11,487
Purchase of treasury stock				△0	△0
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	13,744	29,386	75,346	2,868	121,346
Balance at the end of current period	21,951	38,016	83,418	△127	143,258

Previous consolidated accounting period (ended December 2012)	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	
Balance at beginning of current period	2,185	—	—	2,185	55	—	24,153
Changes of items during period							
Balance at the end of previous period of Acquiree	△2,185			△2,185	△55		△24,153
Balance at the end of previous period of Acquirer	4,924			4,924		1,271	104,356
Increase by merger							8,163
Issuance of new shares							27,354
Issuance of new shares - exercise of subscription rights to shares							150
Dividends of surplus							△2,059
Net income							11,487
Purchase of treasury stock							△0
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	849	△511	102	440	—	1	441
Total changes of items during the period	3,587	△511	102	3,178	△55	1,272	125,742
Balance at the end of current period	5,773	△511	102	5,364	—	1,272	149,895

Current consolidated accounting period (ended December 2013)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	21,951	38,016	83,418	△127	143,258
Changes of items during the period					
Issuance of new shares - exercise of subscription rights to shares	253	253			507
Dividends from surplus			△2,966		△2,966
Net income			15,970		15,970
Purchase of treasury stock				△105	△105
Disposal of treasury stock		0		0	0
Change in equity in affiliates accounted for by equity method-treasury stock				43	43
Net changes of items other than shareholders' equity					
Total changes of items during the period	253	253	13,003	△61	13,449
Balance at the end of current period	22,205	38,270	96,422	△189	156,708

Current consolidated accounting period (ended December 2013)	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	Total accumulated other comprehensive income		
Balance at the beginning of current period	5,773	△511	102	5,364	1,272	149,895
Changes of items during the period						
Issuance of new shares - exercise of subscription rights to shares						507
Dividends from surplus						△2,966
Net income						15,970
Purchase of treasury stock						△105
Disposal of treasury stock						0
Change in equity in affiliates accounted for by equity method-treasury stock						43
Net changes of items other than shareholders' equity	12,962	221	750	13,934	0	13,935
Total changes of items during the period	12,962	221	750	13,934	0	27,385
Balance at the end of current period	18,736	△289	853	19,299	1,273	177,280

Consolidated Statement of Cash Flows

	(Unit: Million Yen)			(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)		Previous consolidated accounting period (ended December 2012)	Current consolidated accounting period (ended December 2013)
Cash flows provided by (used in) operating activities			Cash flows provided by (used in) investing activities		
Income before income taxes and minority interests	18,102	26,030	Payments into time deposits	△1,000	△1,000
Depreciation and amortization	5,855	6,873	Proceeds from withdrawal of time deposits	1,110	1,000
Impairment loss	—	907	Purchase of property, plant and equipment	△36,199	△66,725
Increase (decrease) in allowance for doubtful accounts	0	0	Proceeds from sales of property, plant and equipment	1,397	9,500
Increase (decrease) in provision for bonuses	9	15	Purchase of intangible assets	△461	△171
Increase (decrease) in provision for directors' bonuses	17	20	Proceeds from sales of intangible assets	321	753
Increase (decrease) in provision for retirement benefits	41	48	Purchase of investment securities	△4,700	△1,149
Increase (decrease) in provision for directors' retirement benefits	△58	△4	Proceeds from sales of investment securities	3,122	3,426
Interest and dividend income	△1,115	△1,493	Proceeds from redemption of investment securities	5,000	—
Interest expenses	4,618	4,933	Collection of loans receivable	2	0
Equity in (earnings) losses of affiliates	△414	19	Other, net	851	4,815
Loss on retirement of noncurrent assets	2,015	2,246	Net cash provided by (used in) investing activities	△30,554	△49,548
Loss (gain) on sales of property, plant and equipment	△46	△1,053	Cash flows provided by (used in) financing activities		
Loss (gain) on sales of intangible assets	△16	△386	Net increase (decrease) in short-term loans payable	△10,450	6,300
Loss (gain) on sales of investment securities	△211	△828	Net increase (decrease) in short-term bonds payable	2,970	44,959
Loss (gain) on valuation of investment securities	462	2	Proceeds from long-term loans payable	122,700	84,300
Loss (gain) on investments in silent partnership	—	△1,584	Repayments of long-term loans payable	△119,628	△110,082
Gain on negative goodwill	△2,312	—	Proceeds from issuance of bonds	—	19,901
Decrease (increase) in notes and accounts receivable - trade	198	△301	Proceeds from sales of treasury stock	0	0
Decrease (increase) in inventories	△6,025	△14,080	Proceeds from issuance of common stock	27,248	—
Decrease (increase) in investment securities for sale	△410	△5,154	Proceeds from exercise of stock options	150	507
Decrease (increase) in guarantee deposits	△1,050	△354	Purchase of treasury stock	△0	△2
Increase (decrease) in guarantee deposits received	727	3,231	Cash dividends paid	△2,059	△2,966
Decrease (increase) in other assets	354	50	Cash dividends paid to minority shareholders	△74	△72
Increase (decrease) in other liabilities	△307	2,355	Other, net	△2	△2
Subtotal	20,434	21,494	Net cash provided by (used in) financing activities	20,854	42,841
Interest and dividends income received	1,184	2,975	Effect of exchange rate change on cash and cash equivalents	85	28
Interest expenses paid	△4,854	△5,382	Net increase (decrease) in cash and cash equivalents	△1,141	4,436
Income taxes paid	△8,322	△7,972	Cash and cash equivalents at beginning of period	18,364	12,164
Income taxes refund	30	—	Cash and cash equivalents at beginning of period of Acquiree	△18,364	—
Net cash provided by (used in) operating activities	8,472	11,114	Cash and cash equivalents at beginning of period of Acquirer	11,733	—
			Increase in cash and cash equivalents from newly consolidated subsidiary	426	—
			Increase in cash and cash equivalents resulting from merger	1,145	—
			Cash and cash equivalents at end of period	12,164	16,600