



CSR REPORT 2015

Hulic Co., Ltd. CSR REPORT 2015

Integrated Report on Sustainability

HULIC CO., LTD.

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Tokyo, Japan 103-0011

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.

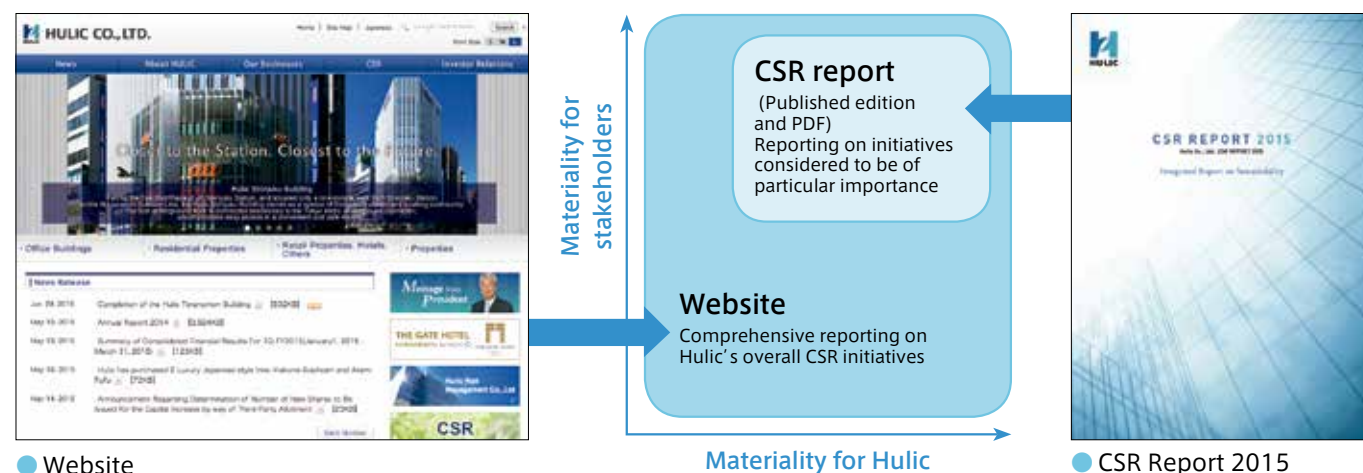
CSR Vision

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:



Reporting Media



- Website
- CSR <http://www.hulic.co.jp/en/csr/>
- IR <http://www.hulic.co.jp/en/ir/>

Editorial Policy

Hulic publishes various forms of communication tools to help investors and other stakeholders gain an understanding and objectively view its initiatives that seamlessly fuse strategy with CSR. The GRI Sustainability Reporting Guidelines Ver. 4 (G4) were 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, such as the G4 comparison table, can be found on our corporate website. Details of various investor relations activities can also be found on our corporate website ("Investor Relations").

Time of Issuance

June 2015 (Previous issue: June 2014, Next issue: June 2016 (scheduled))

Reporting Period

Fiscal year 2014 (from January 1, 2014 to December 31, 2014) Regarding a portion of the priority items, the activity report before and after the 2014 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 (m ²)		Total floor area (m ²)	
Hulic Shinjuku Building	9,780	Hulic Nakano Building	4,318
Toranomon First Garden	10,154	Hulic Kawasaki Building	6,003
Hulic Head Office Building	7,687	Hulic Aoyama Building	8,789
Hulic Shinbashi Building	13,982	Hulic Mita Building	6,228
Hulic Ginza Building	8,579	Hulic Osaka Building	30,353
Higashi Ote Building	7,207	Hulic Nanba Building	9,147
Hulic Kabutocho Building	6,578	Hulic Kobe Building	8,354
Hulic Kobunacho Building	17,172	Hulic Sapporo Building	14,254
Hulic Kakigaracho Building	4,696	Hulic Hamamatsu Building	5,537
Hulic Torigoe Building	5,954	Hulic Fukuoka Building	12,646

*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. *These include properties that were sold, retired and completed during fiscal year 2014. Environmental performance data for properties that were sold or retired during fiscal year 2014 has been tabulated up to the point in time when the property was sold or retired. Environmental performance data for properties that were completed during fiscal year 2014 has been tabulated after completion.

Head Office

Hulic Co., Ltd.

- Headquarters: 7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, 103-0011
- Established: March 1957
- Business Outline: Real estate holding, leasing, sales and brokerage
- Paid-in Capital: 22,290 million yen (as of end of December 31, 2014)
- 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.
- Avanti Staff Corporation

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Further strengthening business development as a corporation with a social presence, and contributing to the sustainable development of society.

Hulic's corporate philosophy is "Total commitment to our customers and the community. Creating productive environments. Creating amenity. Promoting peace of mind," and the Company aims to contribute to society by putting this philosophy into practice. To that end, we constantly approach our business from new perspectives while harnessing the Company's stable business foundation, and by doing so, strive to achieve sustained improvements in corporate value as well as gain the trust of all our stakeholders.

New Medium-Term Management Plan and CSR Strategy

In fiscal year 2014, we launched a new long-term management plan and a new medium-term management plan (2014–2016). The main contents of the medium-term management plan position the expansion of rentable areas for buildings in the heart of Tokyo, which is Hulic's strength, as the core of the plan. In addition, it establishes the goal of accelerating the speed of growth through means such as developing new business domains including newly developed businesses and the J-REIT business, and the implementation of the CRE project, which proposes and executes the effective utilization of real estate owned by the Company. Furthermore, with a view to Japan in the next decade, it also lays out the goal of strengthening efforts to develop projects with 3K business (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)) in mind. The plan also establishes the Company's aim to promote the value creation that focuses on CSR beliefs, and to improve corporate value while responding to the needs of society as a company with social presence. As a result of these efforts, we aim to achieve ordinary income of 38–40 billion yen by 2016, and ordinary income of 85 billion yen 10 years later in 2023.

Results for Fiscal Year 2014

In fiscal year 2014, based on the aforementioned new medium-term management plan, we focused on achieving the improvement of corporate value with our motto of "Changes and Speed" as the keywords. As part of our measures in line with this strategy, we secure stable profits in the real estate business, which is our core business, by utilizing leased properties in good locations near stations. From the perspective of further increasing leasing revenue, we are also investing in new properties and rebuilding properties in ways that take advantage of the characteristics of their locations. We have also developed a new growth strategy through the implementation of various measures, including the asset management business related to Hulic Reit, Inc., which became a listed company in 2014, new development projects in Toranomon, Yurakucho, and other locations, as well as hospital development in Sapporo. As a result of these activities, ordinary income increased by 8.3 billion yen year-on-year to 34.3 billion yen. In fiscal year 2015, we will remain committed to changes and speed, and will work toward maintaining and developing our business foundation with a view to achieving the goals laid out in the medium-term management plan as soon as possible.

Key CSR Challenges and Their Progress

Hulic believes that developing our CSR management and becoming a company with a strong social presence, as well as contributing to the sustainable development of society, will lead to the improvement of our corporate value. With regard to our efforts in the aspect of the environment, our long-term vision sets the reduction of total CO₂ emissions generated from buildings owned by the Company by 25% by 2020, against 1990 levels. In addition, we have established KPI targets that include the number of investments in renewable energy facilities and the reduction in the volume of waste generated. As examples of measures to achieve these targets, the Company is promoting measures to construct "buildings that do not fall in value even after 100 years," and has employed the designs in accordance with the Hulic Guidelines for Longer Life Service as the Company's standard design, and has been working to reduce the volume of waste generated and CO₂ emissions. We have also launched a large-scale solar power project in Fukushima Prefecture, and started an initiative that aims to create an offsite ZEB with net zero energy consumption, by allocating the electricity generated for consumption at the Head Office Building. Furthermore, with regard to KPIs in social aspects, we have established targets in areas such as quake-resistant measures for buildings owned by the Company, rates of taking childcare leave among employees, employment rates for disabled persons, and social contribution items. Hulic also takes a proactive stance toward career development for women, and has declared the goal of increasing the ratio of female managers to 20% of all employees by 2020. We also aim to reach the top level in Japan for providing support, including childcare assistance.

We also put effort into securing outstanding human resources by developing an environment where employees can work while raising their children, such as by establishing an in-house childcare nursery within the Head Office Building in 2014. With respect to the employment of disabled persons, we have achieved an employment rate of more than 2% of all group employees. The Company and executive officers are also keeping up efforts to donate every month to children who were orphaned in the Great East Japan Earthquake, through the "Ashinaga," which is a foundation providing educational support to children worldwide who have lost their parent(s). Going forward, with the goal of reflecting changes in Hulic's business environment, we will continue to take up challenges that will enable us to meet the demands of society.

To All Our Stakeholders

We believe that the source of our growth lies in meeting the various demands of society and working collectively to advance our business activities and CSR. Going forward, all Hulic employees will continue to work as one to strengthen communication with our stakeholders, and will work steadily to sustain our efforts. We sincerely appreciate your continued support and cooperation.

President, Representative Director and Chief Executive Officer
Saburo Nishiura

► Changes in Major Consolidated Management Index, etc.

	Unit	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	
Operating Revenue (Net Sales)	(Million Yen)	33,616	74,738	94,319	108,444	212,791	
Segment Earnings	Real estate business	(Million Yen)	30,428	68,096	84,346	95,726	199,910
	Insurance agency business	(Million Yen)	2,186	2,388	2,417	2,631	2,886
	Other	(Million Yen)	1,001	4,253	7,555	10,087	9,994
Operating Income	(Million Yen)	15,289	19,841	22,571	29,114	36,032	
Ordinary Income	(Million Yen)	12,396	16,896	20,033	25,983	34,314	
Net Income	(Million Yen)	11,562	9,336	11,487	15,970	22,352	
Total Assets	(Million Yen)	455,903	476,244	637,919	720,344	773,401	
Net Assets	(Million Yen)	98,644	104,356	149,895	177,280	205,421	
Consolidated Cash Flow	Net cash provided by (used in) operating activities	(Million Yen)	5,537	20,459	8,472	11,114	84,123
	Net cash provided by (used in) investing activities	(Million Yen)	(30,380)	(23,667)	(30,554)	(49,548)	(83,815)
	Net cash provided by (used in) financing activities	(Million Yen)	19,707	7,511	20,854	42,841	4,192
	Cash and cash equivalents at end of period	(Million Yen)	7,430	11,733	12,164	16,600	21,129
Equity Ratio ¹	(%)	21.3	21.6	23.2	24.4	26.1	
EBITDA ²	(Million Yen)	20,771	26,493	30,092	37,809	44,870	
Interest-Bearing Debt to EBITDA Ratio ³	(Times)	14.5	11.7	13.8	12.2	10.5	
Net D/E Ratio ⁴	(Times)	3.0	3.0	2.8	2.8	2.6	
Interest Coverage Ratio ⁵	(Times)	1.1	4.6	1.7	2.0	18.5	
Return on Equity ⁶	(%)	13.9	9.3	9.1	9.8	11.8	
Net Income per Share	(Yen)	73.0	54.6	22.3	27.0	37.7	
Dividend per Share ⁷	(Yen)	3.0	3.6	4.5	6.5	10.5	

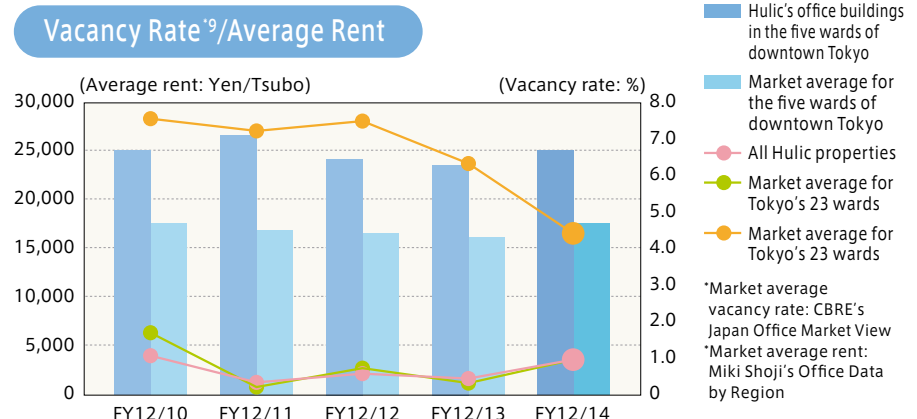
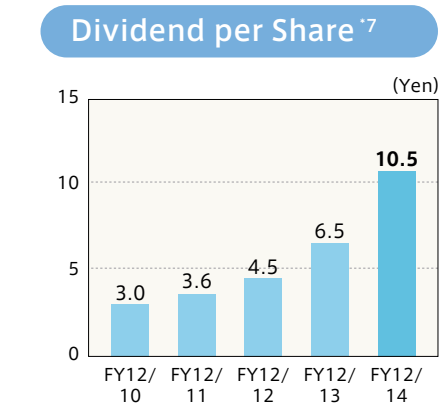
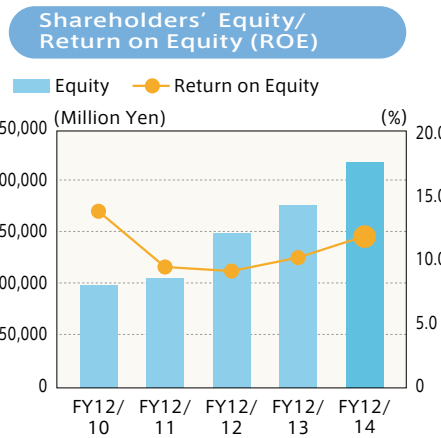
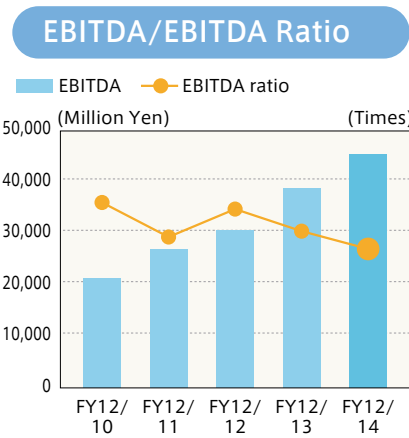
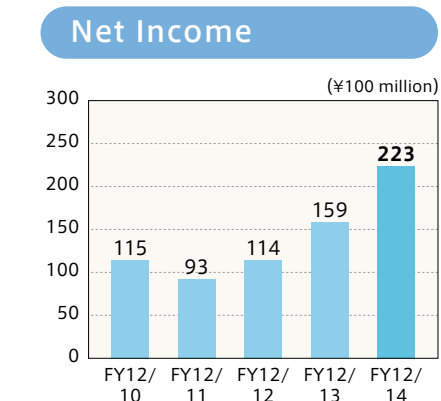
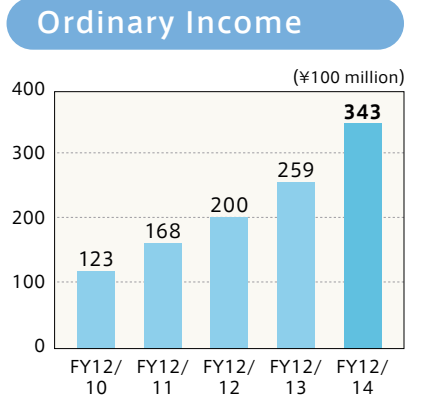
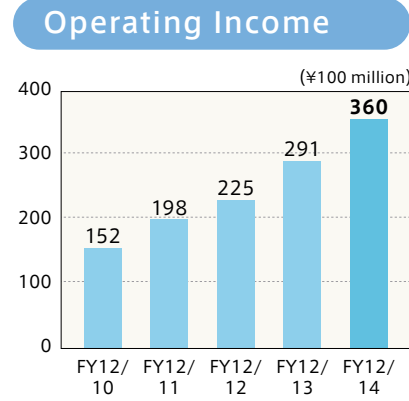
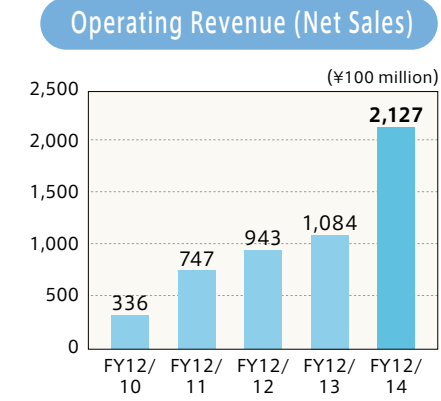
► Changes in Real Estate Business Related Index

Target: Real estate for rented possessions of this company ⁸

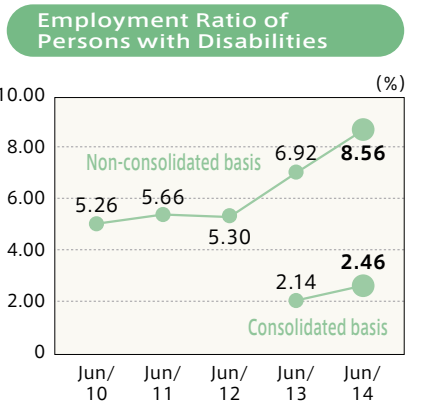
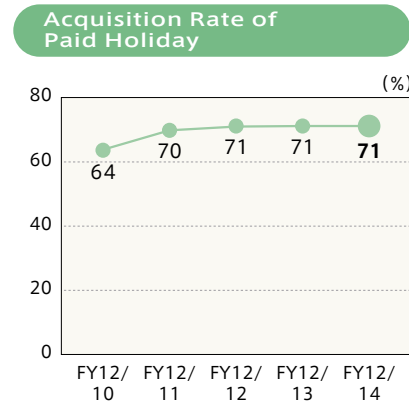
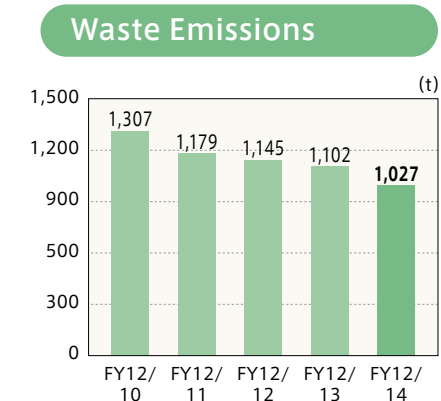
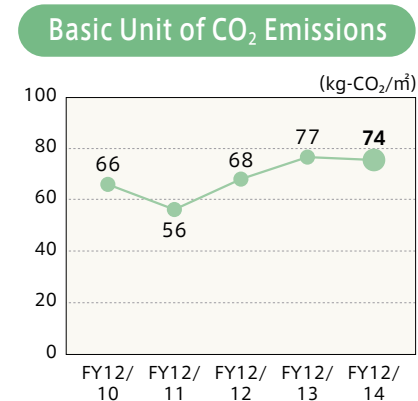
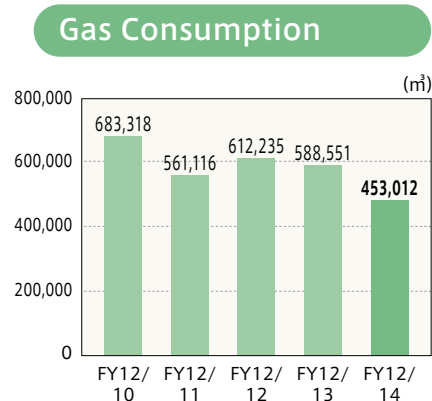
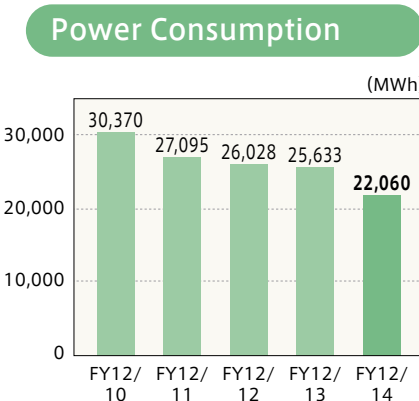
	Unit	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	
Vacancy Rate ⁹	(%)	1.0	0.3	0.6	0.4	0.7	
Average Rent	Entire country	(Yen)	19,933	20,571	20,024	19,817	20,759
	Tokyo central 5 wards	(Yen)	24,895	26,753	24,420	23,714	25,147
Number of Properties	Total	(Building)	129	131	163	161	167
	Tokyo area	(Building)	111	113	143	141	148
	Other	(Building)	18	18	20	20	19
Rentable Area	Total	(m ²)	452,474	492,422	723,924	679,672	774,615
	Tokyo area	(m ²)	353,122	393,191	553,333	537,582	633,918
	Other	(m ²)	99,352	99,231	170,591	142,090	140,696

On July 1, 2012, Hulic completed a consolidated merger (reverse acquisition) with Shoen Co., Ltd. The numerics in this book before the consolidation refer to ex-Hulic's numerics. Triangles before figures indicate negative amounts. ¹ Equity Ratio=Equity/Total Assets ² EBITDA=Ordinary Income - Equity in Earnings (Losses) of Affiliates + Interest Expenses + Depreciation and amortization ³ Interest-Bearing Debt to EBITDA Ratio=Interest-Bearing Debt/EBITDA ⁴ Net D/E Ratio=Net Interest - Bearing Debt/Shareholders' Equity ⁵ Interest Coverage Ratio=Operating Cash Flows/Interest Expenses Paid ⁶ ROE=Net Income/Average Equity ⁷ On July 1, 2012, three ex-Shoen shares were allocated for every ex-Hulic share, and data for 2010 to 2012 has been adjusted for this share allocation. ⁸ Excluding real estate held for resale ⁹ Excluding the unsigned floor space which was reserved due to the tenant's demands and reconstruction

► Main Financial Indicators

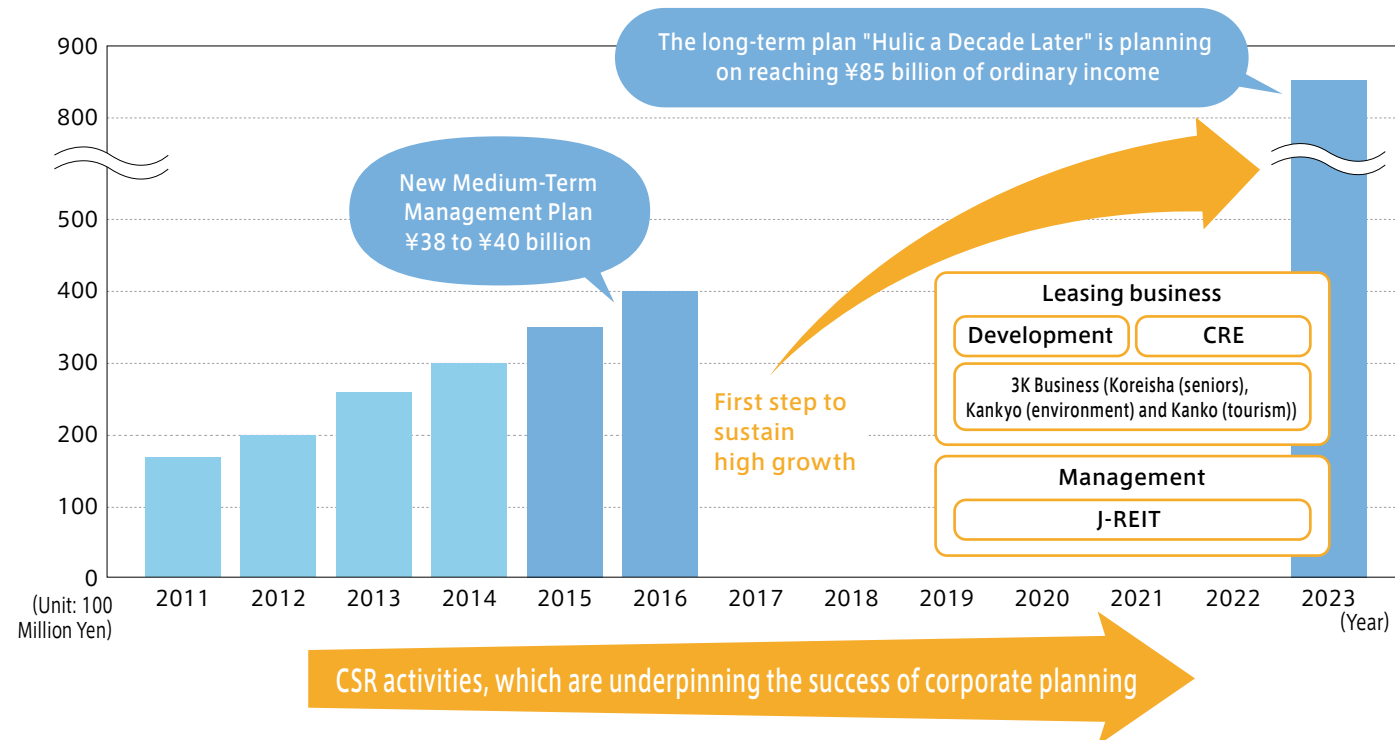


► Main Non-financial Indicators



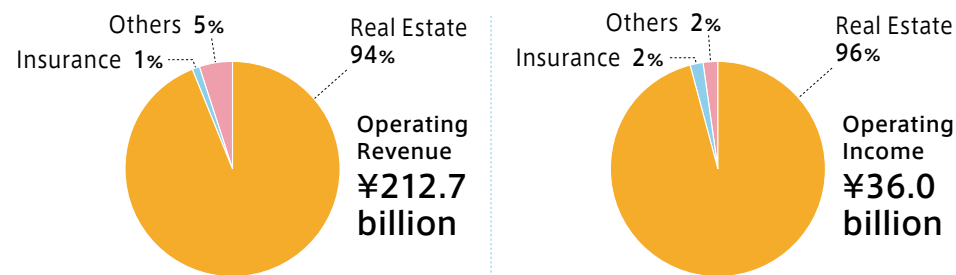
Toward Further Growth

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, in fiscal year 2014, we 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 real estate leasing business as well as seeking to boost everlasting corporate value.



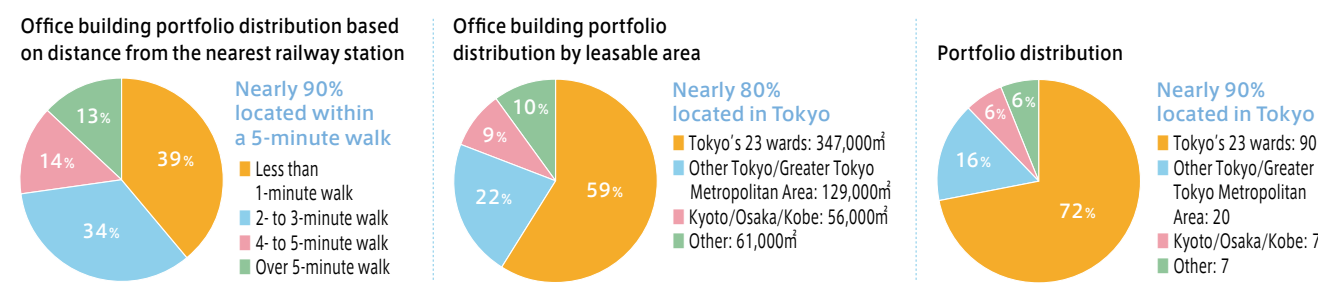
Hulic's Business Domains

Hulic is a real estate company focusing on leasing office buildings and other asset classes mainly located in Tokyo's 23 wards. We own more than 160 buildings nationwide that we lease to tenants. We have achieved growth by rebuilding our real estate properties as they age and acquiring new properties to increase the total lease area of our portfolio.



Portfolio Distribution (As of December 2014)

About 124 office buildings (including commercial buildings) out of the 167 properties in total



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

- We will establish a business structure whereby the leasing business secures stable profits and balances profit growth with consistent and stable earnings, while growing earnings in segments related to the leasing business. This includes expanding the development business, management business and CRE business. Furthermore, we will develop and expand our business domain in growing fields tied to current needs, with a primary focus on businesses for seniors, businesses for tourism and businesses for the environment (the 3K businesses).
- We will earn highly positive trust from the markets by carefully monitoring financial stability and business risk.
- We will further expand our CSR management and become a company with a solid presence in society. We will strive to be a company where female workers can thrive professionally and where females make up 20% of management positions by 2020.

New Medium-Term Management Plan (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.

	FY2014 Results	FY2015 Forecast	FY2016 Plan
Operating Revenue (¥100 million)	2,127	2,150	—
Operating Income (¥100 million)	360	420	420-450
Ordinary Income (¥100 million)	343	390	380-400
Net Income (¥100 million)	223	230	230-250
EBITDA (¥100 million)	449	523	520-540
Interest-Bearing Debt to EBITDA Ratio (Times)	10.5	11.2	Under 12x
Net D/E Ratio (Times)	2.6	2.9	Under 3.0x


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 3K businesses (businesses for seniors, businesses for tourism and businesses for the environment). Always be half a step ahead in growth 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


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.


Social Issues Requiring Solutions




● Prevention of global warming



● Measures to address aging in Japan



● Measures to prepare for natural disasters



● Reconstruction from the Great East Japan Earthquake

Business Opportunities

- Demands from society for eco-friendly buildings
- Rising demand for renewable energy
- Growing market for seniors following advancements in aging societies

- Boost demand for safe and secure buildings
- Spurring on the real estate market through the 2020 Tokyo Summer Olympics, the increase in the number of tourists to Japan, and urban revitalization

Business Risks

- Market changes caused by changes in social structure
- Risk of earthquake occurring in Tokyo where our portfolio is concentrated

- Risk of deteriorating real estate market conditions due to a prolonged downturn in Japanese economy
- Risk of rising financing costs caused by turbulent financial markets

Information Enhancing Corporate Value through Proactive Info Disclosure

Participation in the GRESB Survey

Hulic participated in the Global Real Estate Sustainability Benchmark (GRESB) Survey for the first time in 2014. The GRESB is a benchmark to measure the sustainability performance of the real estate sector established by a group of major European pension funds in 2009. Hulic received particularly high marks for its management and policies with regards to its initiatives for environmental consideration and sustainability, and earned the "Green Talk" status.




Inclusion in SRI Indexes

In recognition of its CSR initiatives and information disclosure transparency, 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.




Hulic's Contributions to Solutions for Social Issues

● Promote environmentally friendly businesses




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

● Proactively expand businesses targeting seniors




Development and investment in senior, nursing care and medical facilities

● Provide disaster resistant buildings



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

● Contribute to disaster reconstruction



Investment in mega solar projects in Fukushima

Capitalizing on Business Opportunities (Business Development)

- Standardize long-life building designs
- Upgrade equipment at existing buildings to highly energy efficient equipment
- Adopt environmentally friendly building methods
- Make efforts in developing senior housing in step with the growing senior population
- Develop, hold and invest in hospitals and long-term care facilities

- Proactively adopt seismically-isolated structures and earthquake-damping structures
- Introduce the latest technologies and equipment at newly constructed buildings
- Increase earnings of existing properties through rebuild projects
- Launch publicly offered J-REITs and improve asset management business
- Engage in tourism businesses centered on hotels

Preparations for Business Risk (Infrastructure Reinforcements with a Long-Term Perspective)

- Prioritizing business domains based on changes in social structure
- Establishing a business continuity plan (BCP)
- Establishing collaborative structures with outside organizations and conducting BCP training
- Improving the earthquake resistance of company-owned buildings

- Rebuilding with a focus on seismically-isolated and earthquake-damping structures
- Liquefaction countermeasures and measures against flood damage
- Real estate portfolio centered on downtown Tokyo
- Promoting long-term lease agreements with tenants
- Primarily long-term, fixed rate financing

Realizing Our Corporate Philosophy through the Creation of Shared Value with Society

Shared Value for Society

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

Shared Value for the Hulic Group

- Enhance earnings power
- Fortify financial soundness
- Capture market share
- Enhance brand value
- Enhance building technologies
- Secure stable profits

- Enhance expertise of personnel
- Improve employee motivation
- Co-exist with local communities
- Achieve business continuity, etc.

Special Feature

Business Initiatives for Seniors

Hulic proactively works to meet the needs of society and solve issues as part of its commitment to create social and economic value.



Charm Suite Shakujiikoen



Charm Suite Shakujiikoen's courtyard



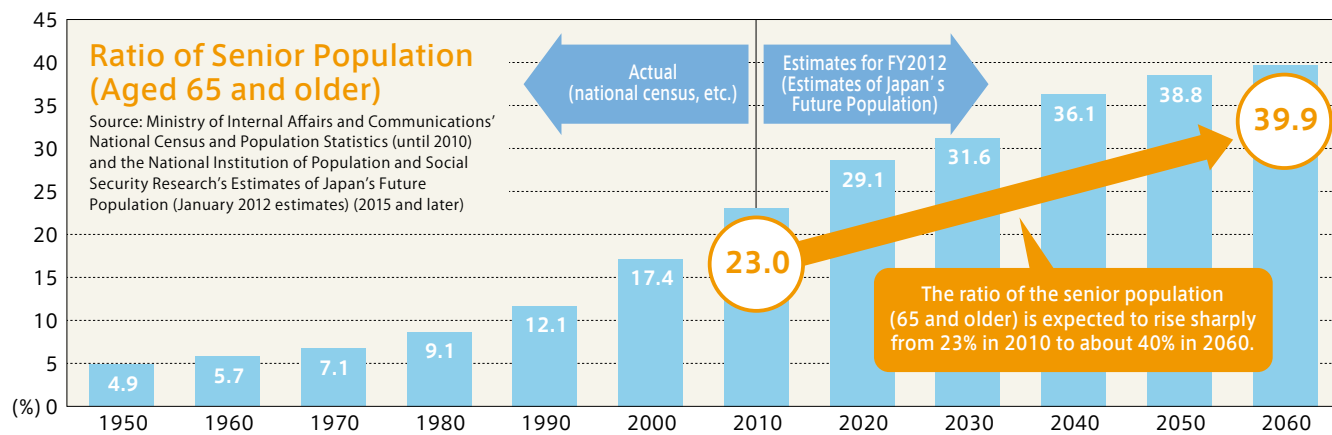
Sunny Life Tokyo Shinjuku's lobby



Sunny Life Tokyo Shinjuku

Under the medium- and long-term management plan and long-term plan drawn up in fiscal year 2014, Hulic is focusing on the "3K businesses". Among these, in terms of businesses for seniors, Hulic has mainly invested in and developed long-term homes. In 2014, we established the Senior Business Development Department to examine and promote senior businesses in new areas and to ensure our business development activities are a half step ahead of our peers.

*3K businesses refer to the Koreisha (seniors), Kanko (tourism), and Kankyo (environment) businesses, and "3K" represents the first letters in these three words. Engaging in 3K businesses means that Hulic, as a real estate company, will anticipate changes in the external environment and review as well as practice our business, which is a half step ahead from its peers, in order to respond to the progress of the aging of society going forward, the rising number of tourists, and the growing seriousness of environmental issues.



Growth Strategy

To respond to the continuing aging of Japan Hulic will leverage its unique traits as a real estate company to focus efforts on the following businesses.

- Invest in and develop senior facilities centered on private nursing homes
- Rebuild, invest in and develop hospitals as CRE* for healthcare corporations
- Propose other real estate solutions related to new businesses for seniors and for inheritance purposes.

*CRE business: CRE stands for Corporate Real Estate, which is a business to support a strategy aimed at enhancing corporate value, using real estate owned by private sector companies in Japan.

Direction of the Healthcare and Nursing Care Sectors

With growing needs for moving into the facilities for seniors, it is anticipated that the demand will continue to grow for these facilities, which include private nursing homes. From the market's perspective, healthcare assets* such as private nursing homes and hospitals are a promising asset for investment, and they will likely form a large market going forward.

*Healthcare: A collective term for health, nursing care and medical treatment.
*Healthcare assets: Nursing homes, hospital real estate, etc.

Example 1 Development Project for Howakai Sapporo Hospital

The number of medical institutions looking at reconstruction projects is expected to increase heading toward 2025 because of the rising number of hospitals facing aging facilities as well as the progress in healthcare and nursing care legislative reform and deregulation. As a result, Hulic teamed up with Capital Medica Co., Ltd. as part of its CRE business for healthcare corporations to develop and own a hospital in Oyachi, Atsubetsu-ku in Sapporo. In January 2015, Hulic concluded a capital and business tie-up agreement with Capital Medica (CEO: Atsushi Furukawa), Atsushi Furukawa, which excels in management consulting for hospitals and other healthcare related businesses, in order to examine investments and development projects for medical institutions as part of its senior business, and acquired an approximately 3% equity stake in Capital Medica.

Under this project, Hulic will develop and own a new hospital building for a medical institution supported by Capital Medica, and once the hospital achieves stable operations three to five years after completion, it will be sold off (Capital Medica will become the lessee after the completion of this project and provide management support to the healthcare corporation, which is the sublessee). By entering the real estate business for medical institutions through this project ahead of our competitors, Hulic will gain experience and skills in investing in and developing hospitals, opening up the door to new business opportunities and business growth for its CRE business for healthcare corporations (e.g., reconstruction solutions for older hospitals).



Exterior view of Howakai Sapporo Hospital



Interior view of Howakai Sapporo Hospital

Example 2 Project Leveraging the Former Site of Nippon Sport Science University's Fukasawa Women's Dormitory

This project involves leasing the former site of Nippon Sport Science University's Fukasawa Women's Dormitory for a period of 60 years to build and operate a facility that will be used for the university's educational research and that will also contribute to the local community.

The site is located in the Fukasawa neighborhood of Setagaya Ward in a quiet residential area. Given strong future demand for nursing care and in-home medical care because of the aging population, this project will construct a private nursing home and outpatient medical clinic.

In addition, a daycare for the university will also be housed there, a facility that more and more universities are adopting, to assist university faculty and research students and contribute to the further enhancement of the university's value. Plans call for the development of a facility that will link the local community with the university through its environmental design, greenery, disaster preparedness functions, and interactive spaces.

*As for the development schedule, plans call for construction to be completed in 2017 after discussions are held with Nippon Sport Science University and a basic agreement is reached.



Architectural rendering



Conceptual image of lawn garden

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 2014, 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 FY2014	Evaluation ⁴	Reference		
					FY2010	FY2011	FY2012	FY2013	FY2014					
Environment	Measures against global warming at Hulic's buildings ★	Power consumption (MWh)	Reducing 5% for five years from 2010 to 2014 compared with 68.42, an average during period from 2005 to 2007. (per unit floor area)	20 existing primary office buildings	30,370	27,095	26,028	25,633	22,060	<ul style="list-style-type: none"> 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) 	○	P18		
		Gas consumption (m ³)			683,318	561,116	612,235	588,551	453,012					
		Basic unit of CO ₂ emission ¹ (kg-CO ₂ /m ²)			66	56	68	77	74					
	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	6	<ul style="list-style-type: none"> Acquisition of Solar Power Plant in Hirono Town, Fukushima Prefecture Usage of natural ventilation, natural lighting Photovoltaic generation system installation 	◎	P20	
		Promotion of greening ★	Number of greening projects	1 project or more per fiscal year	All Hulic's buildings	3	3	8	6	5	<ul style="list-style-type: none"> Certified JHEP A+ Rank awarded to Hulic Residence Chofu Shibasaki and JHEP A Rank awarded to Shinokubo Kateiryō, Charm Suite Shakujijōken, and Hulic Setagaya Certification of SEGES Urban Development awarded to Shinagawa Season Terrace 	◎	P23	
	Reduction of waste/ Conservation of resources	Reduction of waste at Hulic's buildings ★	Amount of waste (t)	Reducing 10% for 3 years from 2012 to 2014 compared with average during period from 2005 to 2007.	16 existing primary office buildings ²	1,307	1,179	1,145	1,102	1,027	<ul style="list-style-type: none"> Achieved a reduction by 17% 	◎	—	
		Reduction in water consumption at Hulic's buildings	Water consumption (m ³)	Reducing 15% for 3 years from 2012 to 2014 compared with average during period from 2005 to 2007.	20 existing primary office buildings	176,715	169,768	164,037	148,508	127,745	<ul style="list-style-type: none"> Achieved a reduction by 26% 	◎	—	
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	6	3	5	8	7	<ul style="list-style-type: none"> Adopted long-life structure for Hulic Residence Chiba Chuo, Hulic Residence Chofu Shibasaki, Charm Suite Shakujijōken, Sunny Life Tokyo Shinjuku, Hulic Shinjuku Building, and Hulic Setagaya Adopted PC (Precast Concrete) method for Hulic Residence Chofu Shibasaki 	◎	P22		
Reduction of paper material's volume in the office		Paper consumption per person (10 thousand)	20,000 pieces or less per fiscal year	Hulic Head Office Building	—	—	0.4 ³	1.6	1.5	<ul style="list-style-type: none"> 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%	100%	100%	100%	100%	<ul style="list-style-type: none"> Adopted earthquake-absorbing structures and earthquake-damping structures at office buildings 	◎	P25		
		Business Continuity Plan (BCP) ★	Number of inspections for BCP drills, stockpiled food and goods	Once or more per fiscal year	Hulic Group	1	1	1	1	1	<ul style="list-style-type: none"> Total disaster training and implementation of management articles for movement practice Conducted first-aid training 	◎	P35	
	Employees	Improvement in customer satisfaction	Improvement in customer satisfaction ★	Number of surveys on customer satisfaction	Once or more per fiscal year	Hulic Group	1	0	1	1	1	<ul style="list-style-type: none"> Surveys on satisfaction of tenants were conducted with Hulic Building Management acting as the point of contact 	◎	P26
			Work-life balance	Promoting the use of the next generation nurturing support system ★	Usage rate of childcare leaves (Number of people)	70% of eligible women or more on 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% (1 eligible employee)	100% (1 eligible employee)	100% (1 eligible employee)	100% (2 eligible employees)	100% (3 eligible employees)	<ul style="list-style-type: none"> Expanded in-house programs receiving subsidies for extended hours daycare, daycare for ill children, and Kids' Clubs Introduced the internet-based "Childcare wiiw Program" for supporting employees from prior to maternity leave up to their return to work Opened a company daycare nursery inside the Hulic headquarters 	◎
		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% (5 eligible employees)	100% (6 eligible employees)	100% (7 eligible employees)	100% (8 eligible employees)	100% (11 eligible employees)				
		Promoting the planned use of paid leaves ★		Usage rate of paid leaves	60% or higher per fiscal year	All employees of Hulic	64%	70%	71%	71%	71%	<ul style="list-style-type: none"> Continued to conduct a campaign to boost the leave usage rate 		
		Restraining overtime work	Annual total number of employees who worked overtime for 45 hours or longer for three months on average	No target	All employees of Hulic	3	1	2	4	4	<ul style="list-style-type: none"> Implemented inspections toward full-scale execution of No Overtime Day 	—	P29	
		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%	<ul style="list-style-type: none"> Implemented a Health Committee through cooperation with industrial physicians 	◎	—	
		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 Group (As of June 1)	—	—	—	2.14%	2.46%	<ul style="list-style-type: none"> Increased requests received from group companies and operating steadily 	◎	P27
			(Reference) Hulic (As of June 1)	5.26%	5.66%	5.30%	6.92%	8.56%						
Local communities	Contribution to society	Corporate social contribution ★	Number of social action programs	4 programs or more per fiscal year	Hulic Group	3	7	7	8	9	<ul style="list-style-type: none"> Held students' idea competition, hosted summer festivals, and donated used postal stamps and various donations (Kid's Door, Keidanren Committee on Nature Conservation, Kishikai Fukushima Shogi Festival, Red Cross, Ashinaga Scholarship Society, and opened the company daycare nursery to local community members) 	◎	P31	
		Supporting employees to conduct social contribution activities ★	Number of social contribution activities by employees	3 programs or more per fiscal year	Hulic Group	2	4	5	6	6	<ul style="list-style-type: none"> Satoyama conservation activities, donation to Ashinaga Scholarship Society, matching gifts, monthly community cleaning activities, donation of used books, assistance for activities to support disaster-hit areas 	◎	P32	

¹ For city gas, CO₂ emissions 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 emissions coefficient of the power supplier the relevant building uses is used. The basic unit of CO₂ emissions increased because the CO₂ emissions 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 fiscal year 2012 is only disclosed from October to December 2012 when accurate data could be obtained. ⁴ Key: ◎ denotes full achievement; ○ denotes mostly achieved but partly not achieved; and × denotes no achievement

Stakeholder Engagement

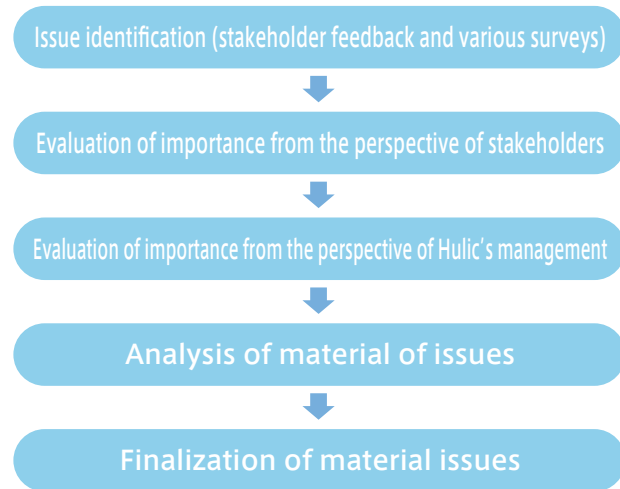
The Hulic Group is committed to realizing a sustainable society by delivering environmental, social and economic value through interactive communication with all of its stakeholders.



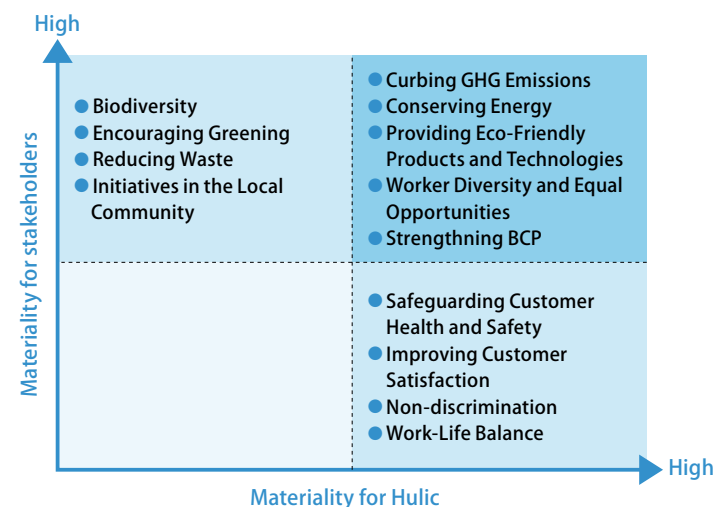
Process to Identify Material CSR Issues

In the selection of material CSR issues, crucial issues are determined by assessing them from both external stakeholder perspectives and internal Hulic perspectives, and analyzing the importance of each of them. In addition, issues identified as material will be revised as needed to improve our approach to CSR.

Perspective	Details
Perspective of stakeholders	<ul style="list-style-type: none"> Views and recommendations from external experts via third-party review or the Environmental Advisory Council, etc. Feedback of various SRI surveys CSR survey, etc.
Perspective of HULIC	<ul style="list-style-type: none"> Corporate value, policies, management strategy Concerns of stakeholders that highly depend on the organization Material risks and strengths, etc.



Material CSR Issues Identified



Hulic Environmental Policy

- 1 Environmental Compliance**
We strive to create a sustainable society while conforming to environmental laws and regulations.
- 2 Environmental Management System**
With environmental targets set, we make continuous efforts for improving them while contributing to the conservation of the global environment.
- 3 Environmental Performance**
We reduce as much of our environmental load as possible by introducing eco-friendly design from the planning stage of development in order to increase environmental efficiency.
- 4 Recycling Society**
We contribute to the creation of a recycling society, promoting 3R, "Reduce, Reuse, Recycle," through a life cycle of building.
- 5 Environmental Awareness and Education for Employees**
We work on environmental education and awareness activities in order to enable each employee to voluntarily act toward the improvement of environmental performance.
- 6 Environmental Communication**
We widely disclose information on Hulic's environmental contribution activities, and communicate with stakeholders including local communities in order to expand the circle of global environmental conservation.

Consideration for Sustainability in Real Estate Development and Investment

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

Environmental Management System (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.

Environmental Advisory Council

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

CSR Procurement Policy

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

CSR Procurement Policy

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

Toward the Prevention of Global Warming

Road Map toward the Reduction of CO₂ Emissions

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

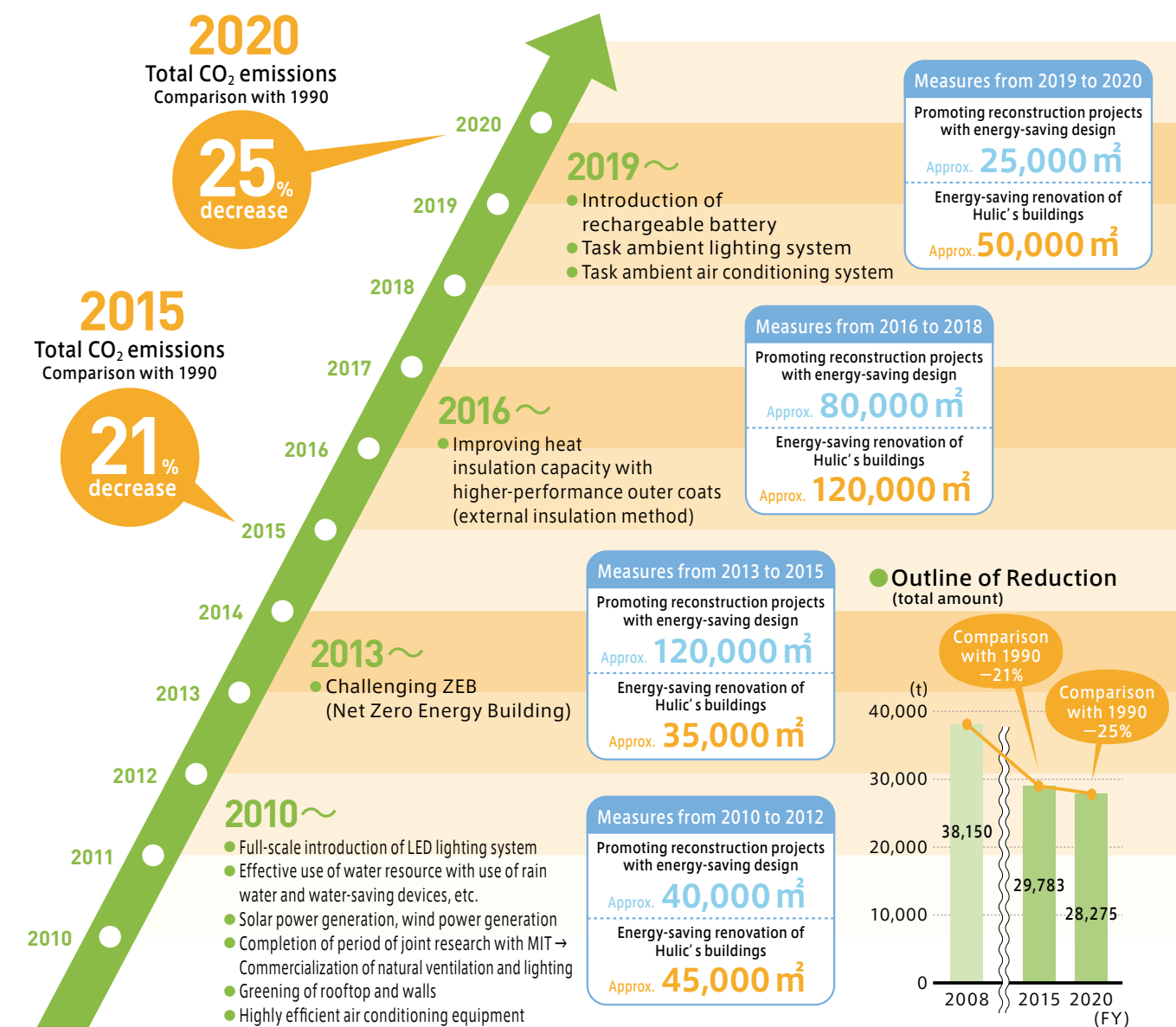
Plan 1:

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 the Massachusetts Institute of Technology (MIT) to fundamentally improve the energy efficiency of lighting and air conditioning and reduce CO₂ emissions by curbing the energy consumption of buildings.

Road Map toward Reduction (as of the end of December 2014)

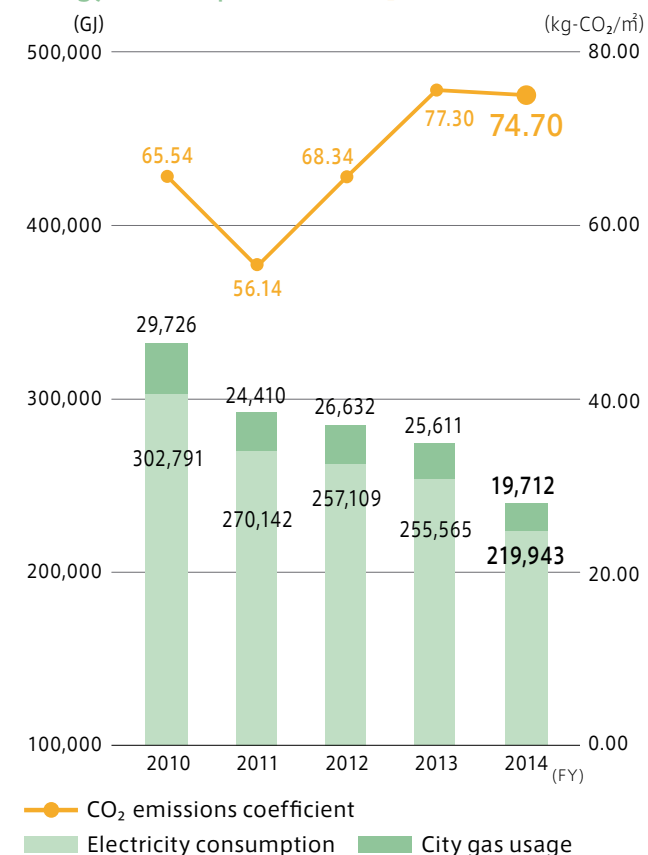


Situation of Greenhouse Gas Emissions

Energy Consumption and Greenhouse Gas Emissions at Hulic's Buildings

In fiscal year 2014, Hulic's buildings consumed 239,655 GJ of energy. In 2014, 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 expect that these activities led to the reduction in total energy consumption. CO₂ emissions per unit floor area were 74.7 kg-CO₂/m², decreasing by approximately 3% compared with the previous year. Meanwhile, CO₂ emissions fell 2,095 t-CO₂ year over year to 13,065 t-CO₂.

Energy Consumption CO₂ Emissions Coefficient



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

*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).

CO ₂ Emissions	FY2013	FY2014
	15,160 t-CO ₂	13,065 t-CO ₂

Indirect Greenhouse Gas Emissions Related to Business Activities (Scope 3)

The Hulic Group calculates not only its own emissions (Scope 1 and Scope 2), but also indirect emissions related to its business activities (Scope 3) to broadly understand and lower greenhouse gas emissions from across the entire value chain. For this reason, we have calculated the greenhouse gas emissions including the entire value chain based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.2 published by the Ministry of the Environment. The scope of this calculation includes carbon dioxide (CO₂) produced and emitted from business activities at the Hulic Head Office Building.

Scope/Category	Main Emissions Activities	Emissions (t-CO ₂)	
Scope 3	Purchased goods and services	Consumables, office goods, water and sewerage	17.3
	Upstream transportation and distribution	Shipping parcels and letters	25.1
	Waste generated from operations	Waste generated from the Head Office Building	2.1
	Business travel	Travel by train, bus or airplane, etc.	74.8
	Employee commuting	Commute by train, bus or personal car	37.7

*The specific unit of emissions is in accordance with the the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.2 published by the Ministry of the Environment. *We are currently examining the calculation methods and scope of other emissions that should be calculated, or these figures are not published because they are not available.

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

The "Environmental Management Survey," which is a survey that has been annually conducted by Nikkei Inc. since 1997, announces rankings of companies excellent in their approach to environmental management based on each company's answers to a questionnaire. Hulic has ranked first in the category of warehouse, real estate and others for five consecutive years since the 14th Environmental Management Survey in 2010, and this year we received our second perfect score, following our first last year. Given that we were able to achieve another perfect score, we stand more committed than ever before to combining global environmental conservation with corporate growth through heightened awareness of environmentally-conscious management.

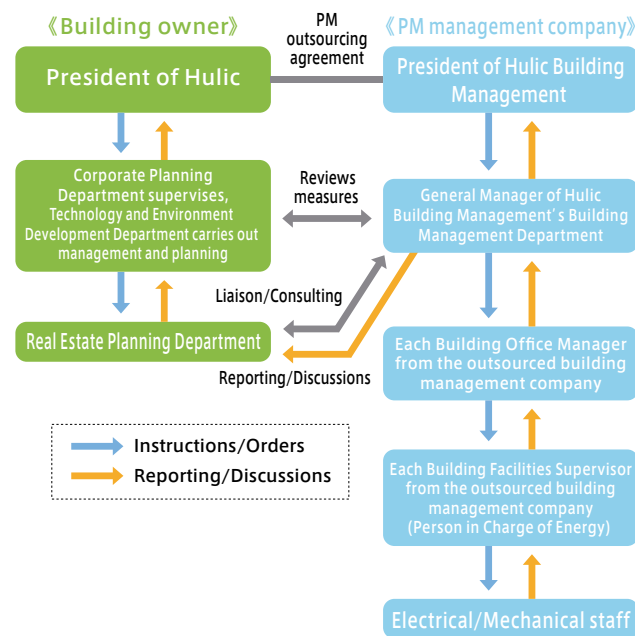
Score [Total]	Measures against global warming	Resource recycling	Systems to promote environmental management	Measures against pollution/biodiversity
400	100	100	100	100

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



Initiatives to Reduce Utilities Cost and CO₂ Emissions at Our Buildings

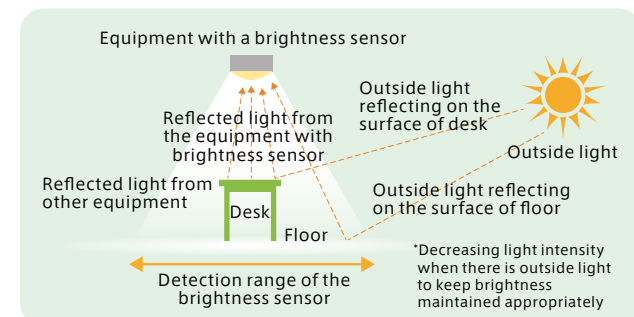
We have conducted an inspection to see if the facilities in our buildings are operating efficiently. For those found to have inefficient facilities, we have launched an initiative in cooperation with tenants to reduce utilities costs by reducing use of air conditioning and lighting. We monitor over 100 buildings and outsource energy conservation solution consulting. Adjustments are then made with each tenant based on the results, and reviewing of equipment settings, utility cost reduction through more efficient operations, and small-scale renovations for enhancing energy efficiency will be conducted as needed.

Introduction of LED Lighting

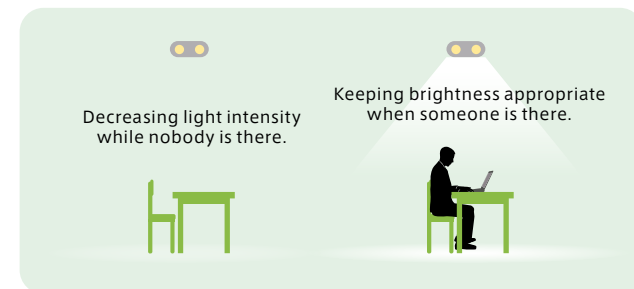
Use of LED lighting, which is brighter than incandescent lamps and fluorescents and uses less electricity, helps to significantly reduce power consumption and CO₂ emissions. Furthermore, as LED lighting is long lasting, it is possible to not only save the trouble of maintenance such as changing bulbs, but also reduce waste and effectively use resources. Our new office building development projects, including Hulic Head Office Building, Hulic Ginza Sukiwabashi Building, Hulic Asakusabashi Building, and Nagatacho Hokkaido Square, all use LED lighting exclusively. We are also switching over to high-efficiency lighting and LED lighting at our existing buildings as part of energy efficiency renovation work.

Updating to Equipment with High Energy Efficiency

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



Operating principle of a daylight sensor



Operating principle of human-detecting sensor

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)

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.

Natural Ventilation System

The Hulic Shinjuku Building introduces a natural ventilation system supplying outside air from the top of window sashes on the fifth floor and higher, and emitting the air from the rooftop via a natural ventilation shaft on each floor (solar chimney). Heat storage material is installed inside the solar chimney to promote natural ventilation by taking advantage of the sun's heat storage effect. Natural ventilation is not simply an auxiliary system for mechanical air conditioning. It was actually used to successfully cool the entire building during seasonal intervals.



Rooftop solar chimney (Hulic Shinjuku Building)

Installation of Solar Heat Panels

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

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



Solar heat collection panels (Hulic Setagaya)

Photovoltaic Generation System

When a photovoltaic cell module is installed on the rooftop of a building, the power generation status and the amount of CO₂ reduced are indicated on a "power generation display panel." The display panel is installed at a place where building users can easily see it to practically visualize CO₂ emissions. On the rooftop of Sunny Life Tokyo Shinjuku, completed in 2014, a 5 kW photovoltaic generation system with a capacity to generate upwards of 5,000 kWh of electricity every year has been installed.



Photovoltaic generation system panels (Sunny Life Tokyo Shinjuku)

Amount of Electricity Generated by Solar Power (designed value)

- Hulic Head Office Building: Approx. 9,400 kWh per year
- Hulic Asakusabashi Building (PPP project): Approx. 15,890 kWh per year
- Hulic Osaka Building: Approx. 10,000 kWh per year
- Hulic Ginza Building: Approx. 6,500 kWh per year
- Hulic Kyobashi Building: Approx. 4,700 kWh per year
- Hulic Aoyama Building: Approx. 4,000 kWh per year
- Hulic Court Yukigaya: Approx. 28,900 kWh per year
- Hulic Residence Nishi Oi: Approx. 23,100 kWh per year
- Sunny Life Funabashi: Approx. 16,800 kWh per year
- Sunny Life Tokyo Shinjuku: Approx. 5,000 kWh per year
- Charm Suite Shakujiko: Approx. 5,800 kWh per year
- Hulic Residence Chofu Shibasaki: Approx. 5,200 kWh per year

Installation of Photovoltaic Panels on an Exterior Wall

The Hulic Ogikubo Building is open to a major arterial road on its south side, providing ideal conditions for sunlight exposure. Capitalizing on this, we used a unique and extremely thin photovoltaic panel that is sandwiched between glass panes to create a building material for the facade (front of the building). The panels form part of a 3.5 kW system capable of generating upwards of 3,500 kWh of electricity annually.



Facade (Hulic Ogikubo Building)

Working to Enhance Environmental Technologies

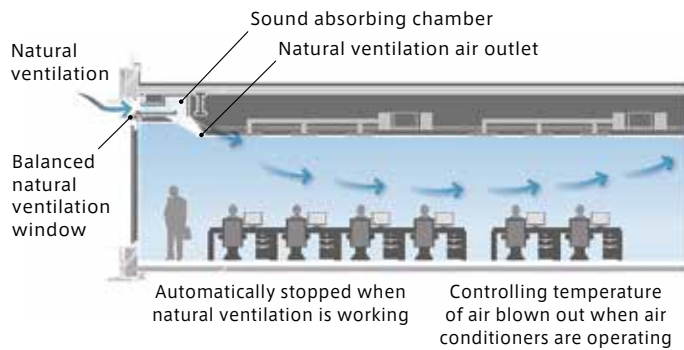
Natural Ventilation and Natural Lighting System Developed through Joint Research with the Massachusetts Institute of Technology (MIT)

<Initiatives at the Hulic Head Office Building>

Natural Ventilation System

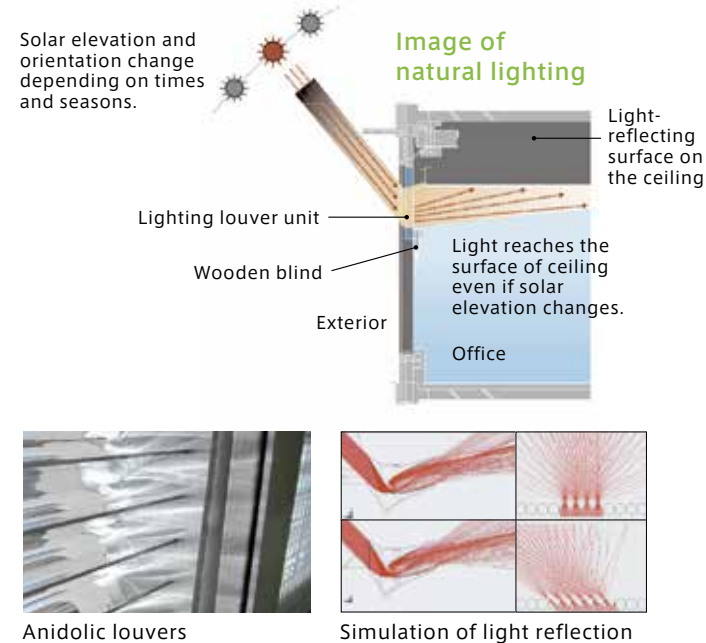
If the load from air conditioning can be lessened by making the maximum use of natural energy to curb energy consumption, CO₂ emissions can be reduced significantly. To introduce a natural ventilation system, joint research with MIT was conducted, in which the flow of air and other factors were meticulously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

Cross-Sectional View of Natural Ventilation



Natural Lighting System

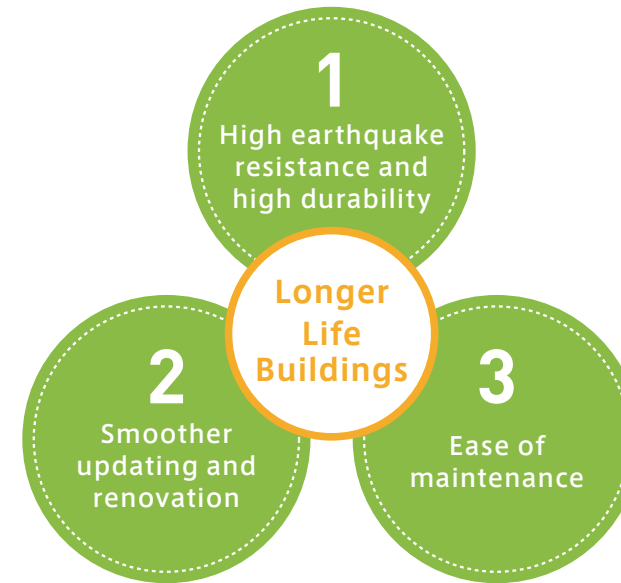
Our natural lighting system uses specially shaped natural lighting anidolic louvers co-developed with MIT to capture constantly changing sunlight on the ceiling of rooms during changing seasons and times (elevation and orientation) without the use of power. Highly reflective metal panels are used for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



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, having considered longer life building construction to be essential, we formulated the "Hulic Guideline for Longer Life Service." 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 for over 100 years in safety, and on the other hand we have created the possibility to reform a building's exterior to be up-to-date through a flexibly modified layout.

►Hulic Guidelines for Longer Life Service



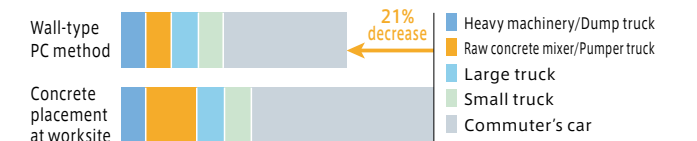
Adoption of the PC Method

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 2014, the PC method was used for Hulic Residence Chofu Shibasaki

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

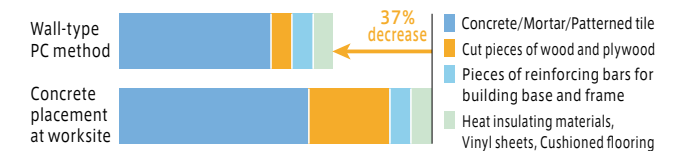
►Effect of the PC Method

Reduction in Construction Traffic
(Number of raw concrete mixers and pumper trucks decreased by half)



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

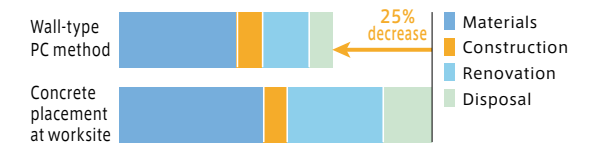
Reduction in Industrial Waste
(Waste reduction with effective use of valuable resources)



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

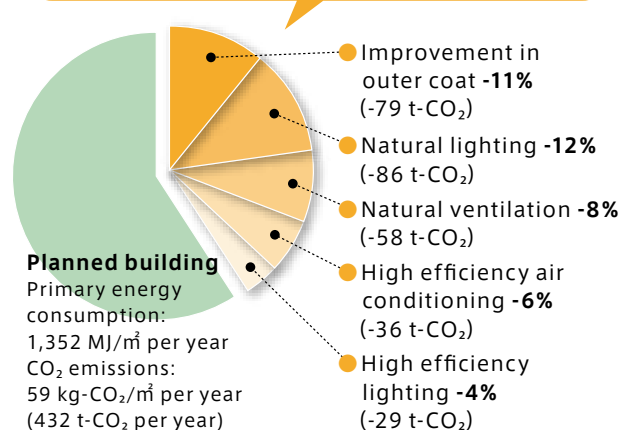
Effects of CO₂ Reduction <Calculations at the Hulic Head Office Building>

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

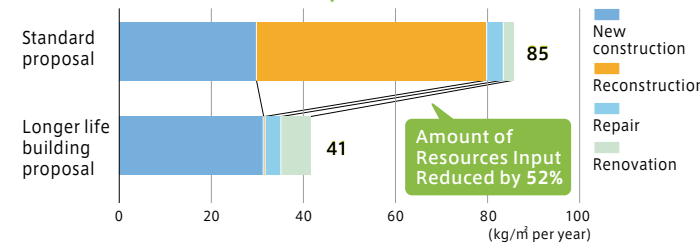
*PAL=An assessment indicator for the energy efficiency of building plans and envelope (exterior walls and roof, etc.) *ERR= Shows the percentage by which primary energy consumption has been reduced in facilities and systems

40% Reduction of CO₂ Emissions

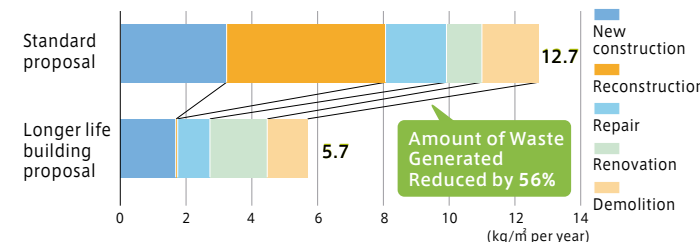


►Environmental Advantages of Longer Life Buildings (comparison over a 100-year span)

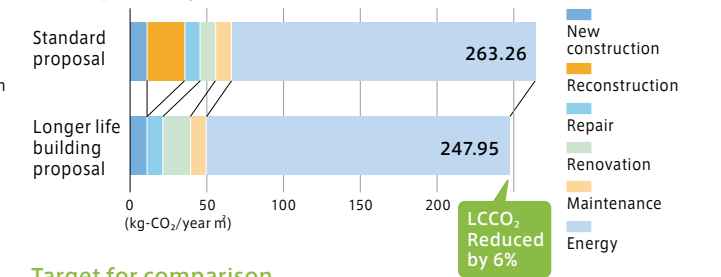
Amount of Resources Input



Amount of Waste Generated



LCCO₂ (Life-Cycle CO₂)



Target for comparison

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

Effects

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

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

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.

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.

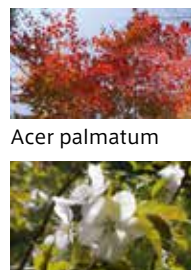


Name of Project	Rank of Certification	Date of Certification
Construction of Hulic Residence Nishi Oi	AA	February 2013
Construction of Granda Gakugeidaigaku	A	May 2013
Construction of Aria Yoyogiuehara	A	June 2013
Construction of Hospitalment Musashino	AA	August 2013
Construction of Hulic Residence Chofu Shibasaki	A+	March 2014
Shin Okubo Project	A	March 2014
Construction of Charm Suite Shakujiiikoen	A	September 2014
Construction of Hulic Setagaya	A	November 2014

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



●Charm Suite Shakujiiikoen



Acer palmatum

Styx japonica

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 to harmonize with nature while considering biodiversity.

Greening on Rooftops and Premises

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

●Nagatacho Hokkaido Square



Roof greening

●Hulic Shinjuku Building



Green wall

Green Wall

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

Initiatives at Shinagawa Season Terrace (Joint Project)

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



Conceptual image of Shinagawa Season Terrace



Promoting More Effective Environmental Conservation

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 FY2014

Reporting Period	From January 1, 2014 to December 31, 2014
Scope	66 buildings owned by Hulic Co., Ltd. and Fukushima Mega Solar Power Plant
Calculation method	Calculated based on "Environmental Accounting Guidelines 2005 (the Ministry of Environment)"
Standards for calculation	Company expenditures 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 Cost¹

Environmental Conservation Cost	Investment Amounts		Cost Amounts		Contents of Major Activities (in FY2014)	
	FY2014	FY2013	FY2014	FY2013		
(1) Business area cost	671,984	633,680	2,799	2,467		
Breakdown	(1)-1 Pollution prevention cost	0	0	0	²	
	(1)-2 Global environmental conservation cost ³	671,984	625,558	1,543	1,360	Energy saving design introduced with reconstruction of Hulic's buildings/Renovation of Hulic's buildings for energy conservation/Investment in mega solar power plant projects
	(1)-3 Resource recycling cost	0	8,122	1,256	1,107	Recycling confidential documents
(2) Upstream/downstream cost	0	0	215	242	Cost for recycling toner cartridges	
(3) Administration cost	0	0	6,605	5,458	Plant/vegetation maintenance costs/Preparation of CSR Report / Ads related to Hulic's environmental efforts	
(4) R&D cost	0	0	3,028	16,402	Development costs for thin layered green wall	
(5) Social activity cost	0	0	7,781	6,978	Activities to conserve secondary forests/Cost for JHEP certification	
(6) Environmental remediation cost	0	0	0	0		
Total	671,984	633,680	20,430	31,548		

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 Fukushima Mega Solar Power Plant were made in fiscal year 2014. Therefore, figures for fiscal year 2014 increased compared to fiscal year 2013.

► Effects of Environmental Conservation

Contents of Effects	Environmental Load Index			
	FY2014	FY2013	FY2014-FY2013	Base year (FY2006)
Power consumption per unit floor area (kWh/m ²)	132.2	135.0	-2.8	161.0
Gas consumption per unit floor area (m ³ /m ²)	1.6	1.9	-0.3	3.7
CO ₂ emissions (electricity + gas) per unit floor area (kg-CO ₂ /m ²)	75.0	76.0	-1.0	68.4
Water consumption per unit floor area (m ³ /m ²)	0.7	0.7	0.0	1.0
Waste generated per unit floor area (kg/m ²)	8.0	6.8	1.2	7.5
Solar power generation amount (kWh)	70,587	58,707	11,880	-
No. of kinds of biodiversity certification obtained (kinds)	8	9	-1	-

¹ As the number of buildings is different from the one in "Progress of Priority Items," the CO₂ emissions basic unit is different. ² Occupancy rate is not taken into account in the calculation of basic unit per floor area. ³ The scope of waste generated per unit floor area includes only the Hulic Head Office Building. The base year is fiscal year 2008. The amount of waste generated in fiscal year 2014 increased compared to fiscal year 2013 due to an increase in the number of staff at the Head Office Building and other factors. ⁴ The amount of electricity generated by the mega solar project in Futaba County, Fukushima Prefecture, which commenced operations in October 2014, was not included in the above tabulation. ⁵ For city gas, the CO₂ emissions 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 emissions coefficient used by the power supplier of the relevant building is used.

► Economic Effects of Environmental Conservation Counter-Plan

Details of Effects	Results in FY2014 (comparison with FY2013)
	Electricity charge (yen/m ²) ¹
Gas charge (yen/m ²) ¹	7
Water charge (yen/m ²) ¹	-9
Solar power generation (Thousand yen) ²	1,694

¹ Electricity/Gas/Water charges per unit floor area in fiscal year 2013 - Electricity/Gas/Water charges per unit floor area in fiscal year 2014. The economic effect associated with environmental conservation measures was negative due to an increase in electricity costs. ² This is an amount reduced thanks to solar power generation in fiscal year 2014, which is calculated on the basis of 24 yen per 1kWh.

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 established¹, 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 reconfirmation² 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.

Liquefaction Countermeasures

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

Measures against Water Damage

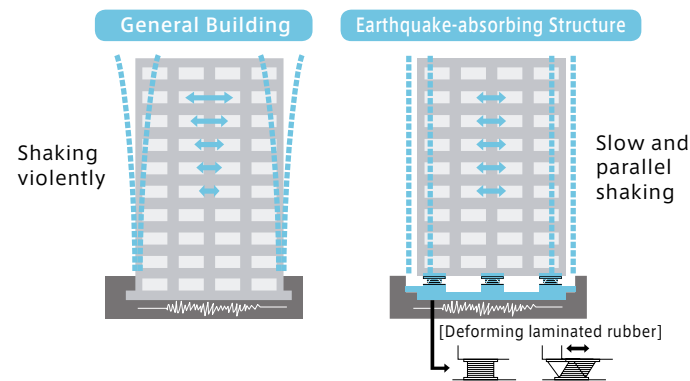
When electric facilities, etc. are damaged by flood in a basement, the supply of power which is essential for the use of buildings may stop. We investigate the status of buildings with power receiving and transforming facilities and private power generators installed in the basement, and implement necessary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

Proactive Adoption of Earthquake-absorbing and Earthquake-damping Structures

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

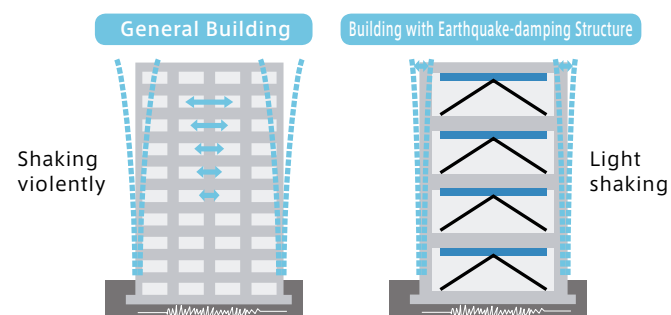
Earthquake-absorbing Structures

By 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 an earthquake-absorbing structure, we preferentially employ the earthquake-damping structure in the case that the earthquake-absorbing structure is physically unavailable due to constraints including land contours. Hulic has incorporated this method in many properties.



Providing a Comprehensive Package of Business Continuity Consulting

Hulic and Sampo Japan Nipponkoa Risk Management Inc. have concluded a business tieup agreement to develop and commercialize a service for jointly supporting the business continuity planning of companies that own office buildings and other business facilities and for providing consultations regarding building and facility earthquake resistance 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 Sampo Japan Nipponkoa Risk Management to provide business continuity planning support to customers that must maintain a high degree of business continuity.

Tangible Countermeasures

Hulic

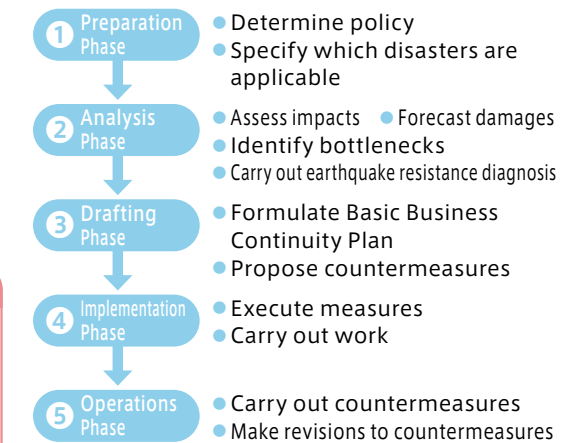
- Seismic reinforcement of building and facilities
- Measures against lifeline dependence through use of natural, renewable energy
- Countermeasures against Tsunami, etc.

Intangible Countermeasures

Sampo Japan Nipponkoa Risk Management

- Preparation of risk scenarios
- BCP formulation
- BCP training

Service Implementation Steps

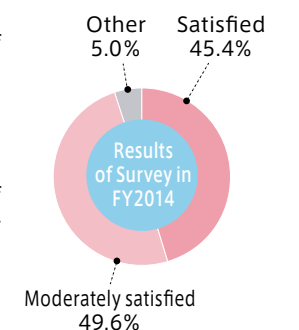


Quality Control of Office Buildings

While property management companies conduct management work for the buildings owned by Hulic, personnel from the Hulic Group responsible for buildings conduct visits each of these property management companies once a year to inspect their management conditions. Items to be evaluated include legal compliance, inspection of building and facilities, risk management, 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 systematically carry out maintenance and repair work in an effort to ensure preventative maintenance. However, when we receive complaints from customers due to a temporary breakdown in equipment and other troubles, not only personnel from the relevant property management company but also Hulic Group engineers with expertise quickly head to the customer's site. Through our early response capabilities, we provide a full support for the comfortable life of customers. In terms of safety, persons from the Hulic Group 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 2014, 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.



Hospitalment Musashino Wins 2014 Good Design Award

Hulic-owned building Hospitalment Musashino received a 2014 Good Design Award from the Japan Institute of Design Promotion. The Good Design Award is a comprehensive commendation program for design run by the Japan Institute of Design Promotion. Hospitalment Musashino, which was completed in August 2013 as a private nursing home, features a three-story high atrium and open space in the middle of the building with rooms allocated around this space, creating a unique structure, which connects people so

that the residents in the nursing home do not feel isolated. The building's layout was also designed with the changing of the seasons in mind so that residents can experience greenery, light, and wind in every space. The concrete used for the building's frame is JASS5 compliant with a lifespan of 100 years. The building also has an equivalent seismic rating of Grade A (importance factor: 1.25 times), (importance factor: 1.25 times) and considers the peace and safety and safety of residents.



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 enthusiastically. It is 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.

Respect for Human Rights

Hulic's "Our Code of Conduct," the standard that must be followed at all times to practice a set of corporate principles, contains "Respect for Human Rights and Prohibition of Discrimination and Sexual Harassment," and clearly states that human rights are to be respected and discrimination based on creed, religion, age, sex, birthplace or physical or mental disability will not be allowed or tolerated. Respect for human rights encompasses all fundamental human rights found in the Constitution, Labor Standards Act, and Universal Declaration of Human Rights as well as human rights related to equal employment, the prohibition of forced labor and child labor, the freedom of association, and the guarantee to labor negotiations stipulated in the ILO's international labor standards. To foster a workplace that respects human rights, in fiscal year 2014 Hulic made postings on its in-house intranet on the theme of power harassment that extends beyond physical violence or verbal abuse. Opinion exchange sessions were also held at each department for all employees on the theme of sexual harassment and changes in the Equal Employment Opportunity Act for Men and Women.



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.

Employment of the Disabled

The Hulic Sugunami Office marked its 7th anniversary, and as of June 2014, the Hulic Sugunami Office's employment rate of persons with disabilities was 2.5% on a consolidated basis and 8.6% on a non-consolidated basis. Currently, six employees with disabilities, instructors with experience in 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 fiscal year 2013 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 so people with disabilities can feel worth in their work.



Logo of excellence in a corporation employing the disabled in Tokyo

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 leave and absence systems almost equal to the ones for active employees.

We expect a variety of knowledge and expertise to be inherited through communication beyond generations between employees with abundant knowledge and experience and younger employees.

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 reasons, 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.

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.

The women's career promotion project team was established with the aim of enhancing the environment in which women can comfortably work. The team members meet together roughly once every two months to hold discussions in line with different themes for each meeting.

In fiscal year 2014, the project team carried out various activities with a focus on submitting an application to be considered for the Diversity Management Selection 100 run by the Ministry of Economy, Trade and Industry. The aim of these activities is to promote to the general public Hulic's proactive support for the professional careers of women.

In November 2014, a seminar and networking session for female employees was held, inviting Atsuko Fukushima, External Director of Hulic, as a lecturer. The seminar and network session received positive feedback, which included an opinion that participants were able to share with one another their anxieties and troubles concerning their careers.

The annual lunch meeting between the project team, the President of Hulic and the Chief of the Human Resources and General Affairs Department is held to create an opportunity for female employees to share their thoughts and concerns with senior management.



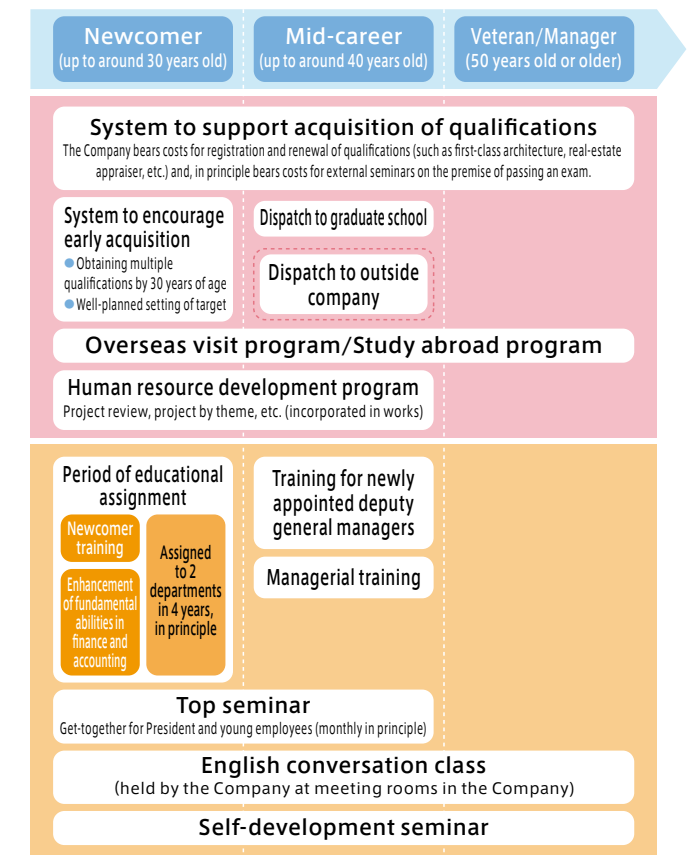
Promoting Communication between Various Employees

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

In 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. Additionally, an environment has been established at the head office cafeteria that enables wide-ranging interaction between executives and employees as a means of promoting open communication that transcends management and departments.

Enhancement of the Training Systems

As it is important to focus on human resource development when aiming to be a professional team with a selected few, in addition to strengthening each employee's ability in order to take advantage of diversity, Hulic has put in place training systems. At 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 the instruction of their boss. In addition, we offer a variety of options, such as dispatching them to graduate schools, English conversation classes in the early morning, and encouragement of reading, etc. in order to help employees enlighten themselves.



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

FY	2011	2012	2013	2014
Total Amount	213,690 yen	227,108 yen	217,788 yen	282,484 yen

Recognized for Inclusion in Diversity Management Selection 100

Diversity Management Selection 100 is a commendation system run by the Ministry of Economy, Trade and Industry since 2012 to recognize companies of various sizes and from different sectors for their proactive initiatives towards diversity management as a contributing factor behind the economic growth of Japan. Holding the motto of "Change and Speed," Hulic aims to achieve growth as a high profit company where its small workforce one after

another implements new business ventures. From the standpoint of empowering female employees and helping employees improve their career skills, we are working to transform our organizational structure, develop an employee-friendly work environment, and further enhance our benefit programs. We believe that Hulic's inclusion in Diversity Management Selection 100 was the result of a comprehensive recognition given to these initiatives.



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 an environment in which they can make the best use of their abilities, efforts to strike a work-life balance are essential.

Efforts to Foster the Next Generation

The falling birth rate, aging population, and women's social advancement are important issues for Japan's economy. In relation to the support for development of the next generation, Hulic aims at a higher level than the 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 offering a work-life balance where male employees can also actively take part in childcare. Under this action plan, we are providing economic support to employees that take childcare leave, as well as working to develop a work environment in which male employees can take this leave more easily. 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 five consecutive years. This recognition also earned us the right to use the "Kurumin" next-generation accreditation logo.



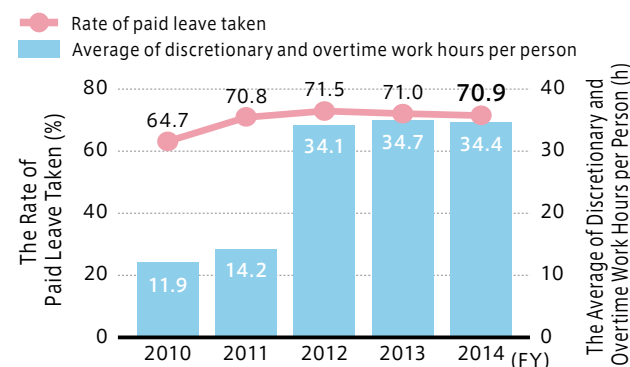
Opening of Hulic's Onsite Daycare Nursery

In October 2014, we opened the Odenma Fureai Daycare Nursery inside the Hulic Head Office Building in order to promote a more employee-friendly work environment for our employees to raise children while working. In addition, to make this daycare nursery more accessible, employees using this service are allowed to drive their car to work and park it in the Head Office Building's lot free of charge. This daycare nursery is also open to some children* in the local community, hoping that this will be of some help in reducing the number of children on nursery waiting lists. (*Conditions for use differ from those of employees)
 Odenma Fureai Daycare Nursery website
<http://www.hulic.co.jp/csr/employee/nursery/>



Planned Use of Leaves and Restraint of Overtime Work

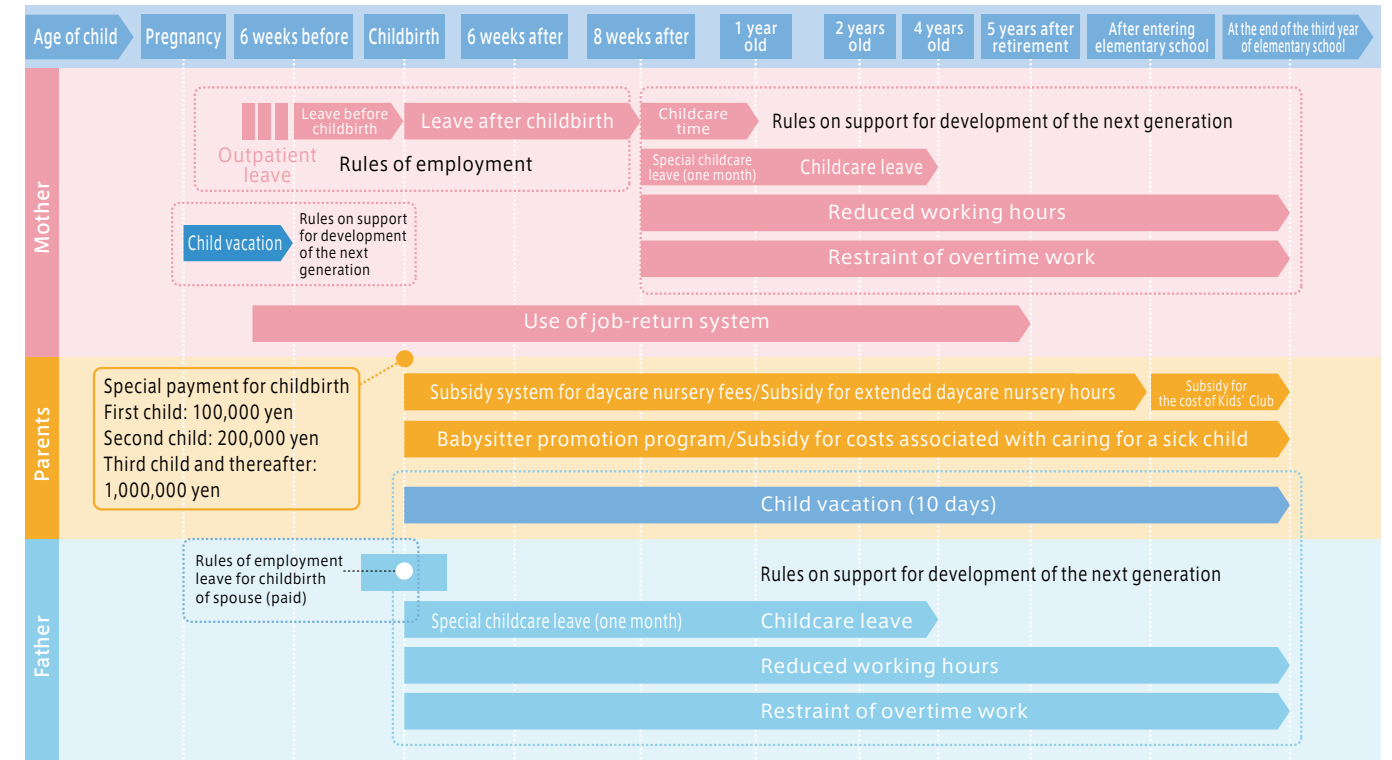
In order to boost the rate of leave taken by employees and be further conscious about their health, we have conducted a campaign to improve the rate of leave taken. The goals of the campaign include making all employees take a three-day vacation once a year and making all employees take a one-week vacation once a year. Individual departments discuss plans to take vacations in consideration of the planned use of leave. In fiscal year 2014, the rate of paid leave taken was 70.9%, the average of discretionary and overtime work hours per person was 34.4 hours (including overtime hours as defined in the Labor Standards Act), and four employees worked over 45 overtime hours on average over three months. This was caused by special factors such as projects and competition. In fiscal year 2014, we launched a new initiative to reduce overtime hours in which employee surveys were conducted and hearings held to review the ways in which meetings are run, simplify meeting handouts and revise the administrative process. We will strive to allow employees to take more paid leave and reduce overtime hours through improved management of indicators related to working hours by the Risk Management Committee, guidance and advice provided by the Health Committee, an appeal from a member of the Health Committee to each employee, and taking care of each other within each division.



Implementation of No Overtime Day

Every Wednesday has been set aside as No Overtime Day, with the aim of preventing health issues arising from excessive work. Each Wednesday we use our intranet system to remind employees about leaving work on time. The status of implementation is inspected and analyzed every month. In fiscal year 2014, the rate of implementation increased 14% year on year to 73% on average. This can be attributed to heightened awareness of employees to leave work on time thanks to weekly appeals and other efforts. Going forward, we will continue to review the way of working, for example, by making operations well-modulated and more efficient, and by further increasing the implementation rate of No Overtime 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 (excluding the number of employees (consolidated) and the employment rate of persons with disabilities (consolidated))

Item	Unit	FY2010	FY2011	FY2012	FY2013	FY2014	
Number of employees (non-consolidated)	Men	Person	83	77	96	90	85
	Women	Person	31	29	33	35	31
	Total	Person	114	106	129	125	116
Number of employees (consolidated)	Person	298	375	429	461	753	
Average annual salary	Ten thousand yen	908	1,023	1,086	1,120	1,268	
Number of employees who left their job	Person	1	1	1	2	1	
Number of employees in managerial positions (excluding executive officers)	Men	Person	38	37	56	53	43
	Women	Person	3	4	5	4	4
Employment rate of the disabled (non-consolidated)	%	5.26	5.66	5.30	6.92	8.56	
Employment rate of the disabled (consolidated)	%	—	—	—	2.14	2.46	
Number of employees who took childbirth leave	Person	1	1	1	1	3	
Number of employees who took childcare leave	Men	Person	0	1	1	0	2
	Women	Person	1	1	1	2	3
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	2	2	0	
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	31	
Number of users of the subsidy system for daycare nursery fees	Person	—	6	7	8	11	
Number of employees who took leave to take part in volunteer activities	Person	22	39	3	21	18	



Yasuko Iwasaki
 Property Development Department
 Hulic Co., Ltd.

VOICE Using Hulic's Onsite Daycare Nursery

Last year, I returned to work from childcare leave arranging the schedule to correspond to the opening of Hulic's onsite daycare nursery, and since then I have been commuting every morning with my son to the nursery. I was concerned whether I could return to work when I was pregnant due to many reports on the problem of children being waitlisted for daycare nurseries. Once it was announced that Hulic would be establishing an onsite daycare nursery, I was very relieved and was able to spend my childcare leave without having any worry about this issue. The great thing about having an onsite

daycare is the peace of mind knowing that my child is looked after in the same building and the warmth I feel from other employees watching over the growth of the children in the nursery. At first, it was somewhat of a challenge riding the train to work with my son every morning, but he seems to have become quite used to it and now the time we spend on the train is a valuable time for me to communicate with him. I look forward to devoting even greater efforts to work and childcare thanks to the work environment at Hulic, which provides support for both work and childcare.



Social Contribution Activities

Hulic's Policy for Social Contribution Activities has been established as a basic policy of Hulic's social contribution activities. In 2014, we formulated a Policy on Social Contribution Activities that more clearly lays out our basic philosophy on social contributions and activity guidelines, given changes taking place in our business environment. The policy expresses our determination to resolve social problems through individual efforts, leading to the sustained development of society.

Policy for Social Contribution Activities

Basic Philosophy

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

Activity Guidelines

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

Social Contribution as a Company

The 2nd Hulic Student Design Competition Held with the Theme of "Shibuya-Style" Architecture

As a real estate company, this contest was initially planned to provide an opportunity for students to propose urban planning and architectural ideas. With the theme of Shibuya-style architecture, which refers to utilizing land to its fullest in unique ways as seen in Tokyo's Shibuya district, the 2nd Hulic Student Design Competition invited free and innovative ideas. A total of 163 submissions were received and during the secondary screening session, which was open to the public, students made passionate presentations of their ideas and had a Q&A session with the contest judges. In the end, after much debate, the judges selected one grand prize, three first prizes and six honorable mentions.



Donation to Ashinaga Scholarship Society

The Hulic Group has been making a monthly donation of 500,000 yen to the Ashinaga Scholarship Society since June 2011, and a certain amount of money has also been donated every month to this Scholarship Society for four years from the Company's directors and employees who wish to participate in this initiative in an effort to provide continuous support for the living and schooling of the children who will forge the future of this country by supporting children left as orphans following the Great East Japan Earthquake. May 2015 represents the initially agreed upon end of the donations, but we have decided to continue making these donations for another four years given the fact that continuous support for mental healthcare and other areas is still needed in the disaster-hit areas. Since the outset, 31,115,000 yen in total has been donated by the Company and individuals as of December 2014. In order to keep donors interested after donation, the "Ashinaga Family Tsushin" sent by the Society is posted on the Company's intranet.

2nd Hulic Odenma Summer Festival

In October 2012, Hulic moved its head office to Nihonbashi Odenma-cho. In July 2013, we held the "Hulic Odenma Summer Festival" at the Hulic Head Office Building, partly intending to introduce ourselves to the people in the community. Thanks to the overwhelmingly positive feedback, we decided to hold the 2nd Odenma Summer Festival in July 2014. Various people came to the festival, including local children and workers in the neighboring area, thanks to the cooperation of the community association of Odenma-cho-Ninobu.

We hope to be able to deepen ties among people in the communities through such activities. In addition, we donated proceeds of 158,400 yen from sales at the festival to a volunteer organization, in addition to the money collected through the sixth matching gift program.



The Great East Japan Earthquake Reconstruction Assistance Sponsorship of the Fukushima Products Fair

Hulic partnered with the Mizuho Financial Group to assist with the Fukushima Products Fair held in June and October of 2014 and again in February 2015 at the Mizuho Bank Otemachi Head Office Building in order to support the reconstruction effort in Fukushima Prefecture after the Great East Japan Earthquake. Hulic Office Service was responsible for the overall operation of the event, from sales support and product displays to marketing. In the end, the event was a huge success.



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, providing opportunities of social contribution to employees who cannot make the first step despite being interested in it.

In 2014, the total amount of donations collected from employees during the year reached 461,000 yen. Combining this amount with donations from the Company and the proceeds from the 2nd Hulic Odenma Summer Festival held in July 2014, a total of 1.2 million yen was donated to Kid's Door, an incorporated NPO. Kid's Door is a group that conducts various activities such as free study sessions for children in financial need due to various hardships, providing educational and learning support to enable these children to open up their educational path. Kid's Door was selected as a recipient of these donations because its mission aligns with Hulic's commitment to actively support the next generation, and the decision was made based on the consensus of employees that donations be part of the driving force behind the organization's ongoing activities.



Community Cleanup Activities

Hulic, Hulic Building Management and Hulic Proserve participate in the monthly Machikado Cleanup Day organized by Chuo Ward. Additionally, Hulic Office Service as well as these three other companies take part in Garbage Zero Emission Day, a cleanup activity held on May 30, which is also organized by Chuo Ward. These activities are gradually establishing themselves as a new space for communication with the local community and other employees while advancing the beautification of the town.

Paid Leave for Employees Involved in Volunteer Activities

The Hulic Group has established paid leave for employees involved in volunteer activities in order to support and nurture their efforts to give back to the community and help to foster an attitude of wanting to address issues facing society. Employees are eligible to take up to 20 consecutive days of paid leave (considered a special leave of absence) to take part in philanthropic activities that give back to society. To encourage employees to use this leave, we provide not only information on social contribution activities, but also increase interest by sharing the volunteer experiences of employees with the entire Company through our in-house intranet system. In fiscal year 2014, we continued Satoyama conservation activities, which we had been conducting annually since fiscal year 2009 as a participatory volunteer activity involving our employees. A total of 25 employees from Hulic, Hulic Building Management and Hulic Insurance Service took part.



Stipend Program for Participating in Activities that Benefit the Disaster-Hit Areas

The Hulic Group established a program in which a stipend of up to 40,000 yen is provided to its employees to be used for the cost of participating in volunteer activities in support of the Great East Japan Earthquake's reconstruction assistance effort. The number of employees who used this program was 15 in fiscal year 2011, two in fiscal year 2012, one in fiscal year 2013 and two in fiscal year 2014. We hope that this program will be an opportunity for more employees to learn about the local situations and become interested in making a difference. To enable us to take prompt responses to various disasters that might occur going forward, in fiscal year 2014 the scope of this program was expanded from the Great East Japan Earthquake reconstruction assistance to volunteer activities in any disaster-hit areas. In addition, we will continue to encourage participation in these activities by sharing information about the results of volunteer activities and impressions, the situation in disaster-hit areas, and reconstruction assistance tours to all employees through the Company's intranet.



Kazuo Tamura
Deputy General Manager
Medical Insurance Sales Department
Hulic Insurance Service Co., Ltd.

VOICE My Experience Participating in a Reconstruction Assistance Volunteer Program in Disaster-Hit Areas

I volunteered to serve as event management staff for a festival bringing together old and new residents in a district of Miyako City that was relocated to higher ground. Nearly 1,000 people, from children to the elderly, attended the festival held at an elementary school, where various events took place. One of the scenes etched in my mind was that of children playing on the inflatable trampoline. At first, they were not excited at all, but after they tried out the trampoline a couple of times, they really got into it and they all began

to smile. The needs of these disaster-hit areas of course include the improvement of infrastructure, but this event taught me that local needs are further broken down into tangible and intangible forms, and in particular, I strongly felt the need to care for children. Damage continues even after the earthquake and tsunami have gone. I believe that connecting us with the disaster-hit areas in some form or another is leading to the prevention of this disaster from becoming forgotten. I hope to continue more assistance activities in the future.

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 further meetings as needed. The Board of Directors is comprised of 10 directors, of which four are designated and reported as independent directors based on the stipulations of the Tokyo Stock Exchange (as of June 2015). Directors determine important matters concerning Hulic's business activities, including CSR, and supervise the execution of duties. In March 2012, Hulic appointed its first female external director, and since then we have been promoting multifaceted business management based on diversity. As an advisory organization of the President, the Executive Management Committee is held once a week in principle, which deliberates especially important matters related to business execution.

Management Advisory Committee

The Management Advisory Committee comprises of five (as of June 2015) 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 Audit & Supervisory Board system. Of Hulic's five Audit & Supervisory Board members (two are full-time auditors), three are external auditors as stipulated in the Companies Act and the Ordinance for Enforcement of the Companies Act (as of June 2015). In accordance with the audit basic policy and the audit basic plan formulated by the Board of Auditors, Audit & Supervisory Board members execute duties through attendance at Board of Directors meetings, (full-time auditors) attend the management conference, hold hearings about status of execution of duties, and review important documents. Additionally, they receive reports of audit results regularly from the accounting auditor (Ernst & Young Shin Nihon LLC) and the Corporate Audit Department charged with internal audits, as well as sharing and exchanging information as needed to heighten the effectiveness and efficiency of audits conducted by these three parties.

Policy for Determining the Amount of Compensation and its Calculation Method

Based on the approval given at the general meeting of shareholders held in March 2012, Hulic set a compensation limit of 4.5 million yen for directors per business year and 1 million yen for Audit & Supervisory Board members (as of December 2014). Director compensation consists of a fixed component determined based on the importance of their duties and a variable component that fluctuates based on corporate performance and their contribution to the Company's performance for the applicable business year.

Director Compensation for the Fiscal Year Ended December 2014

- 5 Directors (excluding External Directors):
Total amount of 279 million yen for compensation, etc. (base pay of 201 million yen and bonus of 78 million yen)
- 9 External Directors:
Total amount of 125 million yen for compensation, etc. (base pay of 112 million yen and bonus of 12 million yen)

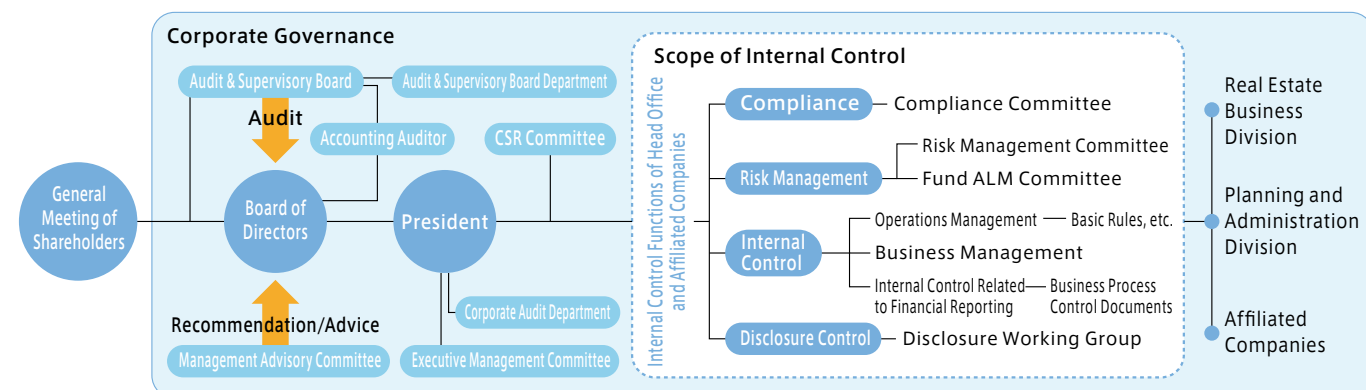
Internal Audit Structure

Internal audits are carried out independently from other business lines by the Corporate Audit Department, which is placed under the direct control of the President. The internal audit basic plan is finalized by the Board of Directors based on Corporate Audit Regulations and the internal audit is systematically carried out by the Corporate Audit Department. The results of the internal audit will be reported to the President and feedback to departments subject to the audit will also be provided. Internal audits are carried out by four employees (as of June 2015).

External Evaluation of Internal Audit

Audit In fiscal year 2014, Hulic contracted with Pricewaterhouse Coopers Aarata to perform an external quality evaluation of the internal audits carried out by the Corporate Audit Department in order to enhance the quality of these audits. The results of this evaluation showed that Hulic's internal audit functions generally conform (GC) to the international standards for internal auditing defined by the Institute of Internal Auditors (IIA). Based on these results, we will continue to strive to further improve the quality of our internal audit functions.

Corporate Governance System Chart (As of June 2015)



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

Summary of CSR Committee Meeting

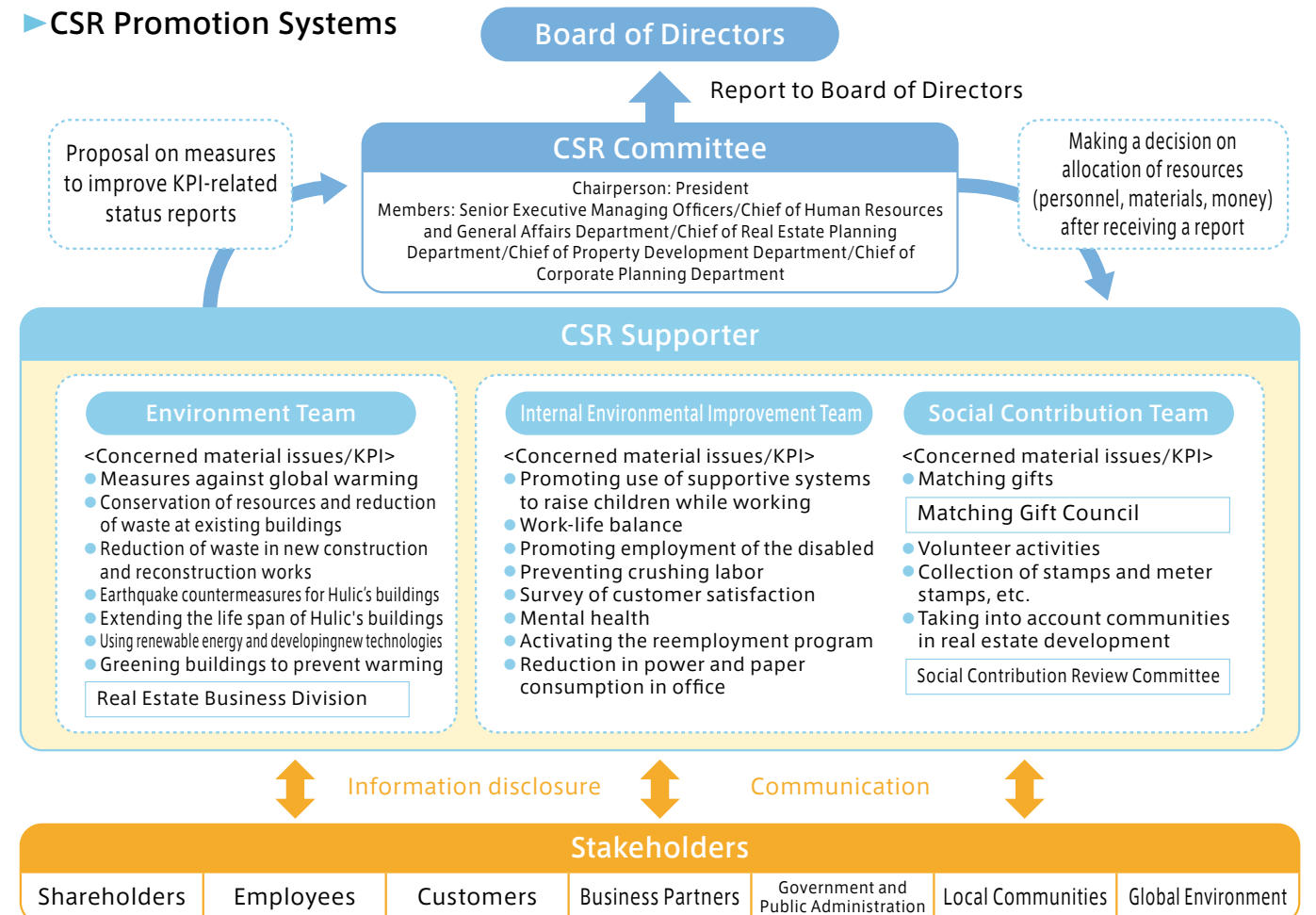
- 8th Meeting (August 2014)
Fiscal year 2013 performance/CSR plan for 2014/Areas of improvement

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 the CSR Task Team. One person is appointed as a CSR supporter from a unit composed of about ten people, and is relieved by another member of the unit after completing a one-year term of office. Since 2011, CSR supporters have also been appointed from Hulic Group companies, and made efforts for establishing CSR activities in all employees of Hulic Group. The CSR Supporter Committee, where CSR supporters meet, discusses mainly CSR-related matters for the entire Company and determines the policy and details of CSR activities. Particularly in the environmental field, as relevant to Hulic's real estate business, mainly the Real Estate Division, including the Technology and Environment Development Department, discusses environment-related measures.



CSR Promotion Systems



Risk Management

Risk Management Structure and Approach

Pursuant to basic rules of risk management, we manage various risks related to the Hulic Group's businesses, which include operational risk, market risk, liquidity risk, and credit risk, among others. We regularly hold committee meetings related to risk management, such as the Risk Management Committee and Capital ALM Committee, and supplement changes in risk through collecting and analyzing risk monitoring indices, which ensures a system is in place to control risk. Through this PDCA cycle, we carry out risk management continuously to stabilize our business. In addition, internal audits are carried out on all departments and operations in order to verify the appropriateness of risk management practices. With regard to real estate, the greatest asset of Hulic, we regularly obtain appraisal for real estate supplements' market risk, and we have also formulated a business continuity basic plan to prepare for large-scale disasters, under which we are working hard to reinforce our risk management structure by implementing company-wide training drills and other measures. Based on the experiences of the Great East Japan Earthquake, we have reviewed the business continuity basic plan, and also checked seismic performance, liquefaction countermeasures, and flood control measures at each building.

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 (See page 25 for measures taken to improve the structural performance of our buildings).

BCP Training and Cooperative Structure

We have established an inclusive cooperative structure with outside organizations such as design companies, construction companies, property management companies and elevator companies to carry out highly effective efforts in continuing the operation of our real estate business during an emergency situation by conducting joint disaster preparedness training.

There is only so much that Hulic can do during an emergency situation. This is why collaboration with construction companies, building management companies and other relevant companies is essential. As such, during actual training, different themes are set to check whether we can take swift and appropriate actions.

<Cooperative Structure with Business Partners>

- **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)/Companies that constructed each building (general contractors)



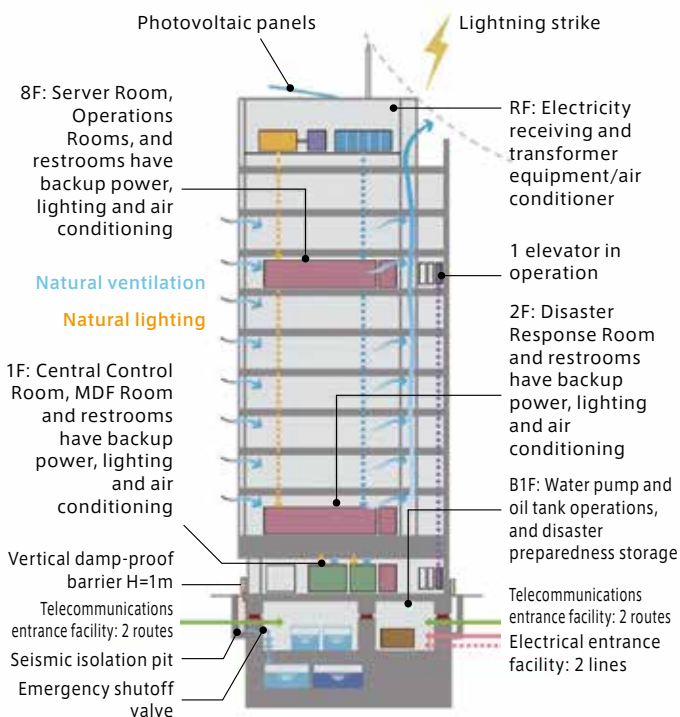
Facilities and Stockpiles for Sustaining Business Operations

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.

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

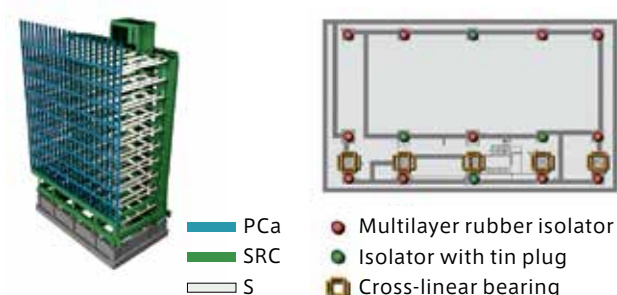
The Hulic Head Office Building, which will serve as a hub during a disaster, has received the highest rating of DBJ BCM from the Development Bank of Japan for its preparations. In addition to our Head Office Building we are stockpiling water resources and establishing a drainage system, as well as installing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

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



▶ Diagram of Hybrid Structure Model

[Hybrid Structure Model] [Seismic Isolation Installation Layout]



Approach to Compliance

Hulic has established a Basic Stance outlining its approach for achieving its corporate philosophy and the "Basic Principles of Corporate Conduct," which clarifies the Basic Stance. Additionally, the "Compliance Manual," which reflects changes in business environment and social trends, is used for common actions that must be followed in the daily execution of duties within the Hulic Group. We understand that ensuring these actions are followed and practiced represents Hulic's basic stance toward compliance, and we are promoting the activities to educate all employees about the importance of complying with laws and regulations, social ethics, and company rules.

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

Compliance Promotion and Implementation

In accordance with the compliance rules, we have built a company-wide system composed of the Board of Directors at the top, the Compliance Committee, executive managing directors in charge of legal affairs and compliance, and compliance officers of each department. The status of activities following the compliance program is regularly reported to the Board of Directors through the Compliance Committee. The Compliance Manual requires that employees immediately report compliance issues or possible issues to the Compliance 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 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 the Compliance Hotline is available. The Compliance Hotline investigates the issue, 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 issues to the real estate business, we conduct "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 FY2014

- 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 instances where information assets can be taken off-site. In our themed compliance seminars held on a regular basis, we thoroughly teach the significance of information management and information security measures in terms of systems in order to increase each employee's awareness. Additionally, we carry out internal audits to check compliance with company rules on information management. In fiscal year 2014, there was no case or accident related to information leaks.

Directors (as of June 2015)



Board of Directors

- President, Representative Director and Chief Executive Officer
Saburo Nishiura
- Representative Director and Executive Vice President
Manabu Yoshidome
- 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 Development Department 1
- External Director
Tsukasa Miyajima
Professor of Keio University, Faculty of Law, Doctor of Law
External Director of Dai Nippon Printing Co., Ltd.
External Auditor of Mikuni Corporation
Trustee of Meiji Yasuda Life Insurance Company
Board Chairman of Japan Railway Construction, Transport and Technology Agency
Member of Management Advisory Committee, Hulic Co., Ltd.
- External Director
Hideo Yamada
Daini Tokyo Bar Association
External Auditor of Taiyo Chemical Industry Co., Ltd.
External Director of Lion Corporation
Member of Management Advisory Committee, Hulic Co., Ltd.
- External Director
Atsuko Fukushima
Journalist
Member of Management Council at Shimane University
External Director of Nagoya Railroad Co., Ltd.
Member of Management Advisory Committee, Hulic Co., Ltd.
- External Director
Masatoshi Satou
Counselor of Sompo Japan Nipponkoa Insurance Inc.

Audit & Supervisory Board Member

- Full-Time Auditor
Shigeo Nakane
- Full-Time Auditor
Takuya Asai
- External Auditor
Koichi Nezu
Honorary President of Tobu Department Store Co., Ltd.
Board Chairman of Tobu Utsunomiya Department Store Co., Ltd.
Board Chairman and Director of The Nezu Museum
President of Musashi Academy of the Nezu Foundation
Member of Management Advisory Committee, Hulic Co., Ltd.
- External Auditor
Nobuyuki Kobayashi
Certified public accountant/Tax accountant
Auditor of the Japan Arts Council
Member of Management Advisory Committee, Hulic Co., Ltd.
- External Auditor
Kenichi Sekiguchi
Special Adviser of Meiji Yasuda Life Insurance Company

Corporate Officers

- 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
- Executive Managing Officer
Noritaka Takahashi
Chief of Real Estate Planning Department & Tourism Business Development Department
- Executive Managing Officer
Shin Ito
Chief of Corporate Communications & Investor Relations Department
- Managing Officer
Taichi Nakamura
Chief of Real Estate Development Department 2
- Managing Officer
Yoshito Nishikawa
Chief of Real Estate Investment Department
- Managing Officer
Yoshikazu Nagatsuka
Chief of Real Estate Marketing Department
- Managing Officer
Takeshi Ozawa
Chief of Human Resources and General Affairs Department & Legal & Compliance Department

Consolidated Balance Sheets

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)
Assets		
Current assets		
Cash and deposits	17,600	22,129
Notes and operating accounts receivable	2,096	4,383
Merchandise	0	0
Real estate for sale	90,116	37,124
Real estate for sale in process	8,160	11,351
Costs on uncompleted construction contracts	55	11
Supplies	41	36
Operational investment securities	1,286	3,031
Deferred tax assets	2,552	1,685
Other	1,463	6,438
Allowance for doubtful accounts	(4)	(4)
Total current assets	123,371	86,188
Non-current assets		
Property, plant and equipment		
Buildings and structures	179,950	207,228
Accumulated depreciation	(50,186)	(55,489)
Buildings and structures, net	129,764	151,738
Machinery, equipment and vehicles	1,420	2,170
Accumulated depreciation	(533)	(673)
Machinery, equipment and vehicles, net	887	1,497
Land	335,364	386,015
Construction in progress	7,287	13,773
Other	1,417	1,451
Accumulated depreciation	(743)	(777)
Other, net	674	673
Total property, plant and equipment	473,978	553,698
Intangible assets		
Goodwill	916	773
Leasehold right	12,451	11,092
Other	396	378
Total intangible assets	13,764	12,243
Investments and other assets		
Investment securities	101,601	109,231
Guarantee deposits	3,324	7,509
Deferred tax assets	539	711
Net defined benefit asset	—	8
Other	3,722	3,779
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	109,188	121,240
Total non-current assets	596,931	687,182
Deferred assets		
Business commencement expenses	41	29
Total deferred assets	41	29
Total assets	720,344	773,401

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)
Liabilities		
Current liabilities		
Short-term loans payable	6,300	29,000
Current portion of long-term loans payable	70,883	121,559
Short-term bonds payable	57,994	3,999
Current portion of bonds	—	12,000
Accrued expenses	1,600	2,166
Income taxes payable	3,018	5,033
Advances received	3,773	3,946
Deferred tax liabilities	—	12
Provision for bonuses	68	300
Provision for directors' bonuses	103	128
Other	5,521	7,401
Total current liabilities	149,264	185,549
Non-current liabilities		
Bonds payable	32,100	38,100
Long-term loans payable	294,657	268,638
Deferred tax liabilities	21,814	28,307
Provision for retirement benefits	456	—
Provision for directors' retirement benefits	9	53
Net defined benefit liability	—	1,121
Long-term guarantee deposited	42,862	44,165
Other	1,897	2,044
Total non-current liabilities	393,798	382,429
Total liabilities	543,063	567,979
Net assets		
Shareholders' equity		
Capital stock	22,205	22,290
Capital surplus	38,270	38,355
Retained earnings	96,422	114,314
Treasury shares	(189)	(191)
Total shareholders' equity	156,708	174,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,736	26,549
Deferred gains or losses on hedges	(289)	(179)
Foreign currency translation adjustment	853	1,321
Remeasurements of defined benefit plans	—	(121)
Total accumulated other comprehensive income	19,299	27,569
Minority interests	1,273	3,083
Total net assets	177,280	205,421
Total liabilities and net assets	720,344	773,401



► Consolidated Statements of Income

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)
Operating revenue	108,444	212,791
Operating cost	69,732	166,331
Operating gross profit	38,711	46,459
Selling, general and administrative expenses	9,597	10,426
Operating income	29,114	36,032
Non-operating income		
Interest income	5	3
Dividend income	1,487	1,264
Share of profit entities accounted for using equity method	—	1,203
Income arising from cancellation of leasing contracts	422	169
Other	158	168
Total non-operating income	2,074	2,808
Non-operating expenses		
Interest expenses	4,933	4,348
Share of loss entities accounted for using equity method	19	—
Other	252	178
Total non-operating expenses	5,205	4,526
Ordinary income	25,983	34,314
Extraordinary income		
Gain on sales of non-current assets	1,759	54
Gain on sales of investment securities	829	2
Gain on investments in silent partnership and other	1,584	168
Compensation income	144	937
Gain on step acquisitions	—	684
Other	180	12
Total extraordinary income	4,498	1,859
Extraordinary losses		
Loss on sales of non-current assets	319	32
Loss on retirement of non-current assets	2,246	762
Loss arising from building reconstruction	899	153
Loss on sales of investment securities	0	54
Loss on valuation of investment securities	2	108
Loss on redemption of investment securities	3	289
Impairment loss	907	587
Provision of allowance for doubtful accounts	—	0
Other	73	113
Total extraordinary losses	4,451	2,101
Income before income taxes and minority interests	26,030	34,072
Income taxes - current	7,088	8,356
Income taxes - deferred	2,898	3,289
Total income taxes	9,986	11,645
Income before minority interests	16,043	22,427
Minority interests in income	72	74
Net income	15,970	22,352

► Consolidated Statements of Comprehensive Income

	(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)
Income before minority interests	16,043	22,427
Other comprehensive income		
Unrealized holding gains on securities	12,471	7,687
Unrealized gains on hedging instruments	221	110
Foreign currency translation adjustments	749	467
Share of other comprehensive income of affiliates accounted for by the equity method	492	126
Total other comprehensive income	13,934	8,392
Comprehensive income	29,978	30,819
(Breakdown)		
Comprehensive income attributable to shareholders of Hulic Co., Ltd.	29,905	30,744
Comprehensive income attributable to minority interests	72	74

► Consolidated Statements of Changes in Net Assets

Previous consolidated accounting period (ended December 2013)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,951	38,016	83,418	(127)	143,258
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	253	253			507
Dividends of surplus			(2,966)		(2,966)
Net income			15,970		15,970
Purchase of treasury shares				(105)	(105)
Disposal of treasury shares		0		0	0
Change in treasury shares arising from change in equity in entities accounted for using equity method				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

Previous 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	Remeasurements of defined benefit plans	Consolidated statements of changes in net assets		
Balance at beginning of current period	5,773	(511)	102	—	5,364	1,272	149,895
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							507
Dividends of surplus							(2,966)
Net income							15,970
Purchase of treasury shares							(105)
Disposal of treasury shares							0
Change in treasury shares arising from change in equity in entities accounted for using equity method							43
Net changes of items other than shareholders' equity	12,962	221	750	—	13,934	0	13,935
Total changes of items during 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

Current consolidated accounting period (ended December 2014)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	22,205	38,270	96,422	(189)	156,708
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	84	84			169
Dividends of surplus			(4,460)		(4,460)
Net income			22,352		22,352
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	84	85	17,892	(2)	18,059
Balance at the end of current period	22,290	38,355	114,314	(191)	174,767

Current consolidated accounting period (ended December 2014)	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	Remeasurements of defined benefit plans	Consolidated statements of changes in net assets		
Balance at beginning of current period	18,736	(289)	853	—	19,299	1,273	177,280
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							169
Dividends of surplus							(4,460)
Net income							22,352
Purchase of treasury shares							(2)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	7,813	110	468	(121)	8,270	1,810	10,081
Total changes of items during the period	7,813	110	468	(121)	8,270	1,810	28,140
Balance at the end of current period	26,549	(179)	1,321	(121)	27,569	3,083	205,421

Consolidated Statement of Cash Flows

	(Unit: Million Yen)		(Unit: Million Yen)	
	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)	Previous consolidated accounting period (ended December 2013)	Current consolidated accounting period (ended December 2014)
Cash flows from operating activities				
Income before income taxes and minority interests	26,030	34,072		
Depreciation	6,873	7,411		
Impairment loss	907	587		
Increase (decrease) in allowance for doubtful accounts	0	(0)		
Increase (decrease) in provision for bonuses	15	46		
Increase (decrease) in provision for directors' bonuses	20	25		
Increase (decrease) in provision for retirement benefits	48	(825)		
Increase (decrease) in net defined benefit asset and liability	—	921		
Increase (decrease) in provision for directors' retirement benefits	(4)	—		
Interest and dividend income	(1,493)	(1,267)		
Interest expenses	4,933	4,348		
Share of (profit) loss of entities accounted for using equity method	19	(1,203)		
Loss on retirement of non-current assets	2,246	762		
Loss (gain) on sales of property, plant and equipment	(1,053)	(5)		
Loss (gain) on sales of intangible assets	(386)	(15)		
Loss (gain) on sales of investment securities	(828)	51		
Loss (gain) on valuation of investment securities	2	108		
Loss (gain) on redemption of investment securities	—	279		
Loss (gain) on investments in silent partnership and other	(1,584)	(168)		
Compensation income	(144)	(937)		
Loss (gain) on step acquisitions	—	(684)		
Decrease (increase) in notes and accounts receivable - trade	(301)	(377)		
Decrease (increase) in inventories	(14,080)	53,878		
Decrease (increase) in investment securities for sale	(5,154)	(1,744)		
Decrease (increase) in guarantee deposits	(354)	(4,076)		
Increase (decrease) in guarantee deposits received	3,231	1,075		
Decrease (increase) in other assets	50	958		
Increase (decrease) in other liabilities	2,355	(291)		
Subtotal	21,350	92,928		
Interest and dividends income received	2,975	1,322		
Interest expenses paid	(5,382)	(4,526)		
Proceeds from compensation	144	937		
Income taxes paid	(7,972)	(6,539)		
Net cash provided by (used in) operating activities	11,114	84,123		
Cash flows from investing activities				
Payments into time deposits			(1,000)	(1,000)
Proceeds from withdrawal of time deposits			1,000	1,000
Purchase of property, plant and equipment			(66,725)	(90,589)
Proceeds from sales of property, plant and equipment			9,500	1,263
Purchase of intangible assets			(171)	(394)
Proceeds from sales of intangible assets			753	123
Purchase of investment securities			(1,149)	(15,520)
Proceeds from sales of investment securities			3,426	348
Proceeds from purchase of additional newly consolidated subsidiaries			—	652
Collection of loans receivable			0	0
Other, net			4,815	20,299
Net cash provided by (used in) investing activities			(49,548)	(83,815)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable			6,300	22,700
Net increase (decrease) in short-term bonds payable			44,959	(54,020)
Proceeds from long-term loans payable			84,300	98,000
Repayments of long-term loans payable			(110,082)	(76,023)
Proceeds from issuance of bonds			19,901	17,903
Proceeds from sales of treasury shares			0	0
Proceeds from exercise of share options			507	169
Purchase of treasury shares			(2)	(2)
Cash dividends paid			(2,966)	(4,460)
Cash dividends paid to minority shareholders			(72)	(73)
Other, net			(2)	(1)
Net cash provided by (used in) financing activities			42,841	4,192
Effect of exchange rate change on cash and cash equivalents			28	28
Net increase (decrease) in cash and cash equivalents			4,436	4,528
Cash and cash equivalents at beginning of period			12,164	16,600
Cash and cash equivalents at end of period			16,600	21,129



Yoshito Nakamura
(Certificated Public Accountant)

Adjunct Instructor of Toyo University
Adjunct Instructor of the Open University of Japan
Auditor of Foundation for Accounting Research of Construction Industry
Auditor of the Supporting Organization of JOCV
Auditor of the Kawasaki City Council of Social Welfare

I will make third party comments about the "CSR Report 2015" (hereinafter referred to as the "Report") of Hulic Co., Ltd. ("Hulic"), as I did so in the previous year, receiving explanations about Hulic's CSR initiatives from a CSR manager.

1. Value creation strategy through collective efforts with society

The Company's corporate philosophy is to create shared value with society by drawing out the needs of society through its real estate business. As indicated in the subtitle of the report, this comprehensive report, aimed at achieving sustainable development, introduces the financial and non-financial information that forms the foundations of its business operations at the beginning of the report, and provides detailed explanations about the Company's growth potential. While the concept of social responsibility of corporations has become widely recognized by the general public today, that responsibility is meant to be fulfilled through the business, and cannot be captured independently on its own. Reading the report provides an understanding of the company's basic stance toward the responsibility held by management. This responsibility is generally not mandated; in a healthy economic society, guidance is provided toward a fixed goal by an invisible hand. I get a sense that a framework toward the realization of this state is gradually being established. Furthermore, the report explains the development of the business by drawing a link between social issues and business opportunities, with the aim of responding accurately to social changes and needs. This approach, for example, enables readers of this report to see the inevitability of expanding the scope of business, such as business targeting the elderly or tourism, and to understand the effects and relationship of this business expansion on increasing the shared values with society. Contents pertaining to financial information have also been enhanced, but going further, I hope to observe detailed quantitative explanations on how these are related to increasing the Company's shared values with society.

2. Progress status for key items

This report clarifies the processes for identifying key challenges in the Company's CSR activities, establishes quantitative indicators (KPI) for key issues pertaining to the environment and society, and lays out contents, targets, results, and evaluations. According to this data, we can see that electricity consumption, specific CO₂ emissions, volume of waste generated, and water consumption in buildings owned by the Company are decreasing with each fiscal period. In particular, the Company has established a goal of reducing total CO₂ emissions from buildings owned by the Company by 25% by 2020, against 1990 figures. This figure has been certified by a third-party, and may be highly appraised. It would also be desirable to disclose the results of the third-party certification. In addition, the report not only provides information about total CO₂ emissions in the business, but also discloses data on indirect emissions in the supply chain. This is commendable, and at the same time I hope that the contents will be further enhanced in the future. Furthermore, I also hope that the report will provide an easy-to-understand comparison over time on information relating to customers, who form the core of the Company's operating revenue. This information includes customer satisfaction and customer feedback. I look forward to seeing the Company take on CSR activities in collective efforts with its tenants.

3. Hand-in-hand with employees

Employees play a central role in putting the corporate philosophy into practice and improving corporate value. Hence, it is vital to create a working environment that is easy to work in, and which matches the respective lives and attitudes of all employees. The Company has put into practice the concept of work-life balance as part of its efforts to create an environment that can fully maximize the capabilities of employees, with the objective of establishing a team of professionals that comprises an elite minority. During this fiscal year in particular, the Company established an in-house childcare nursery at its Head Office Building, developing an environment where parents can work with peace of mind. It is highly commendable that this facility is also open to residents of the neighboring vicinity. While the report discloses much data on personnel performance, I hope that this data can be presented not simply in the form of lists, but in a functional way that connects it to corporate value; for example, labor productivity, health measures/costs and effects, and employee value (expertise equipment ratio). Although the report provides information on employees' working hours and paid leave taken, it concerns me that the situation does not seem to have improved significantly in the past few years.

In conclusion, at present day, management holds a social responsibility for building a sustainable society, and the CSR report provides a report on that responsibility and the relevant actions taken by the Company. Objectivity and verifiability are required for the contents of this report. Hence, I believe that a method for gaining greater trust from society would be to enhance the information, such as the prerequisite conditions, scope of aggregation, and computation methods for the contents of the report, and to improve the usefulness of this content.

(This review does not represent an opinion of the accuracy and coverage, etc., of the content of the report.)



Hulic's Responses to Third-Party Review

Hajime Kobayashi
Director (Senior Executive Managing Officer),
Chief of Corporate Planning Department
(responsible for CSR)

Continuing from last year, we have asked Mr. Yoshito Nakamura to share his objective and accurate observations from a professional perspective, so that we can put effort into further improving our CSR activities based on his suggestions. Hulic recognizes CSR as issues which have to do with the foundation of management, and is striving to put these into practice. More than anything, in order for the Company to continue surviving and growing enduringly, we consider that it is important to build relationships with stakeholders in many areas from a medium- to long-term perspective, and to create values that correspond with social issues and needs. To communicate these concepts in a way that is easy to understand, the report provides an enhanced presentation of the Company's financial performance since last year, and puts effort into explaining, in a compact manner, the relationship between Hulic's value creation and society over past, present, and future. If the readers of this report can imagine Hulic's stance in capturing and pursuing its financial indicators and CSR KPIs in a comprehensive and organic manner, I believe that the objectives of drawing up this report have been achieved. Moving downward to look at the individual performance items, while the establishment of an in-house childcare nursery that is also available for use to residents in the vicinity has been highly appraised, there are also points that we have to take note of, including the degree of improvement on working hours, which was pointed out in third-party comments. Hence, we aim to continue putting in our best efforts to proceed with the initiatives. Going forward, we will put CSR management into practice based on the observations we have received, and work hard in order to meet the expectations of all our stakeholders.