

## HULIC CO., LTD.

TEL 03-5623-8101 FAX 03-5623-8125  
<http://www.hulic.co.jp/en>  
7-3 Nihonbashi Odenmacho, Chuo-ku,  
Tokyo, Japan 103-0011

# CSR REPORT 2016

Hulic Co., Ltd. CSR REPORT 2016

Integrated Report on Sustainability



## » Corporate Philosophy and Basic Stance

### Corporate Philosophy

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

### Basic Stance

#### Ideal Company

We aim to be a company that grows each day by utilizing stable corporate infrastructures.

#### Corporate Culture

We always conduct business from a new viewpoint in an effort to increase our corporate value.

#### Stance to Customers

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

#### Ideal Employees

Each of Hulic's employees strives to provide high quality value as a professional.

## » CSR Vision

By putting our corporate philosophy into practice we're contributing to the betterment of society.

We take an honest approach to all our stakeholders. To this end:

1

We take compliance seriously, respect human rights, and transparently conduct business activities based on high ethical standards.

2

We strive to protect the local environment while contributing to local revitalization through our businesses.

3

By providing high value-added products and services, we are giving our customers security and laying the foundation for the future.

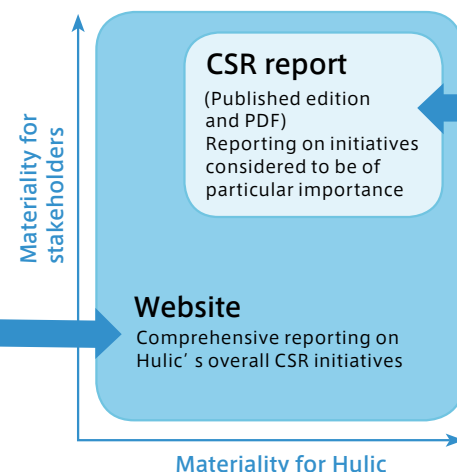
## » Reporting Media



#### Website

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

IR <http://www.hulic.co.jp/en/ir/>



Materiality for HULIC



CSR Report 2016

## Editorial Policy

Hulic publishes various forms of communication tools to help investors and other stakeholders gain an understanding of and objectively view its initiatives that seamlessly fuse business strategies with CSR. 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").

### ● Reporting Boundary

The boundary of this report is the Hulic Group. Figures for "power consumption," "Gas consumption," "CO<sub>2</sub> emissions" and "Water consumption" are those for the following 51 buildings, and a figure for "waste disposal" is that for buildings in which Hulic Group companies reside.

### Environmental Performance Data/Boundary

(Total floor area: m<sup>2</sup>)

|   |        |                                     |       |
|---|--------|-------------------------------------|-------|
| Toyosu Prime Square                             | 42,483 | Hulic Kabutocho Building            | 6,579 |
| Hulic Osaka Building                            | 30,353 | Hulic Kyobashi Building             | 6,323 |
| Hulic Kudan Building                            | 26,027 | Hulic Gotanda Building              | 6,245 |
| Hulic Ginza 7 Chome Building                    | 20,392 | Hulic Mita Building                 | 6,228 |
| Hulic Asakusabashi Building                     | 19,636 | Hulic Kawasaki Building             | 6,004 |
| Hulic Kobunacho Building                        | 17,172 | Hulic Torigoe Building              | 5,954 |
| Ginza Wall Building                             | 16,950 | Hulic Higashi Nihonbashi Building   | 5,632 |
| Takagicho Center Building                       | 16,839 | Hulic Hamamatsu Building            | 5,538 |
| Hulic Sapporo Building                          | 14,254 | Hulic Nishikicho Building           | 5,451 |
| Hulic Shinbashi Building                        | 13,983 | Hulic Nishi Ginza Building          | 5,172 |
| Hulic Fukuoka Building                          | 12,646 | Hulic Hachioji Building             | 5,152 |
| Hulic Ginza Suiyabashi Building                 | 11,570 | Hulic Shibuya Building              | 5,090 |
| Hulic Sapporo NORTH33 Building                  | 11,017 | SIA Aoyama Building                 | 4,946 |
| Hulic Nihonbashi Honcho 1-Chome Building        | 10,286 | Hulic Ginza 1 Chome Building        | 4,771 |
| Hulic Shinjuku Building                         | 9,781  | Asakusa Park Hall Building          | 4,598 |
| Hulic Nanba Building                            | 9,147  | Hulic Ueno Building                 | 4,419 |
| Hulic Kojimachi Building                        | 8,926  | Hulic Nakano Building               | 4,319 |
| Hulic Aoyama Building                           | 8,790  | Tokaido Shibuya Building            | 4,300 |
| Hulic Ginza Building                            | 8,579  | Hulic Nihonbashi Muromachi Building | 4,117 |
| Hulic Kobe Building                             | 8,354  | Hulic Hatchobori Building           | 3,506 |
| Hulic Kaminarimon Building                      | 7,779  | Hulic Hirakawacho Building          | 3,421 |
| Hulic Head Office Building                      | 7,688  | Hulic Sakurashinmachi Building      | 3,321 |
| Hulic Ryogoku Building                          | 7,442  | Hulic Yaesu No.2 Building           | 3,184 |
| KSK East Building                               | 7,383  | Shinbashi Yamaguchi Building        | 3,127 |
| Hulic Setagaya (office areas only)              | 7,163  | Hulic Edobashi Building             | 3,032 |
| Hulic Asakusabashi Edo-dori (office areas only) | 6,851  |                                     |       |

Our environmental accounting information is displayed on our website.

### ● Reporting Period

Fiscal year 2015 (from January 1, 2015 to December 31, 2015)  
Regarding a portion of the priority items, the activity report before and after the 2015 fiscal year is included.

### ● Time of Issuance

August 2016 (Previous issue: July 2015, Next issue: August 2017 (scheduled))

## Head Office

### Hulic Co., Ltd.

- Headquarters: 7-3 Nihonbashi Odenmacho, Chuo-ku, Tokyo, 103-0011
- Established: March 1957
- Business Outline: Real estate holding, leasing, sales and brokerage
- Paid-in Capital: 62,641 million yen (as of the end of December 31, 2015)
- Memberships: Japan Business Federation  
The Real Estate Companies Association of Japan  
The Association for Real Estate Securitization  
Japan Building Owners and Managers Association  
Japanese Association of Real Estate Appraisal

### Major Group Companies (As of December 2015)

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

## C O N T E N T S

- 3 Overview of Our Businesses
- 5 Message from the Management
- 7 Financial Indicators and Non-financial Indicators/Highlights
- 9 Hulic's Vision and Strategy
- 11 Creating Shared Value
- 13 Material CSR Issues
- 15 Initiatives for Material Issues - Targets and Performance
- 17 Special Feature  
Initiatives for Our Tourism Business
- 19 Environmental Initiatives
  - Environmental Policy
  - Medium to Long-term Goal and Road Map
  - Situation of Greenhouse Gas Emissions
  - Promotion of Energy-saving
  - Effective Use of Renewable Energy
  - Reducing Waste through Longer Life Service
  - Biodiversity/Encouraging Greening
- 27 Social Initiatives
  - Initiatives for Our Customers
  - Initiatives in the Local Community
  - Diversity Initiatives
  - Work-life Balance
    - Creating an Employee-friendly Work Environment-
  - Initiatives for Our Business Partners
  - Initiatives for Our Shareholders and Investors
- 37 Corporate Governance
  - Corporate Governance
  - Risk Management
  - Compliance
- 41 Directors
- 42 CSR Promotion Systems
- 43 Consolidated Financial Statements
- 46 Third-party Assurance



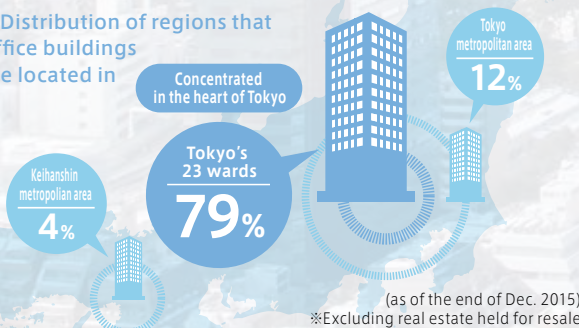
As a corporation with a social presence, we aim to practice management that is linked to our business strategy and ESG initiatives, and to contribute to the realization of a sustainable society.

## Hulic's strength – A stable leasing business

### Approximately 90% in the Tokyo metropolitan area

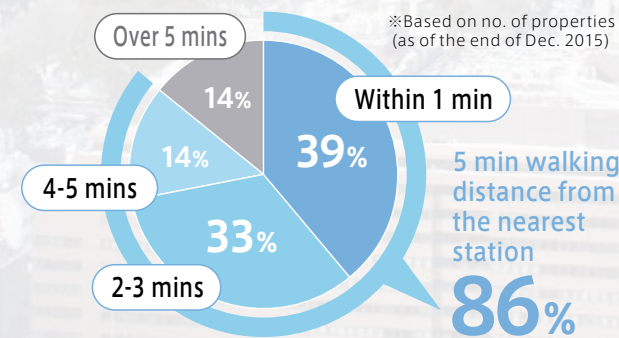
Hulic currently owns 202 buildings. 90% of these properties are concentrated in the Tokyo metropolitan area, which experiences a continuous population influx as well as demand for buildings. There is a particularly strong concentration of properties in the heart of Tokyo (the five main wards).

● Distribution of regions that office buildings are located in



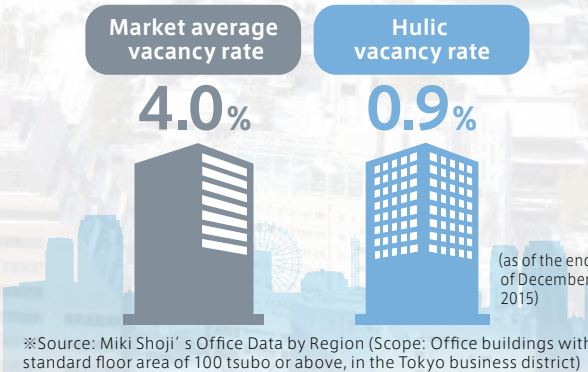
### Distribution of distance from the nearest station

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



### Vacancy rate

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



### Owns 12 properties in the priority areas of Ginza and Yurakucho, which are leading luxury commercial districts in Japan

(As of the end of December 2015)



Hulic Yurakucho 2 Chome Development Project (provisional name)

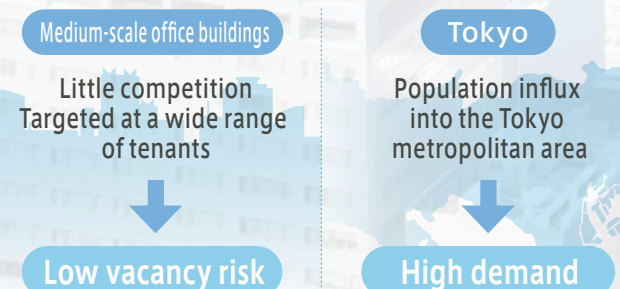


Hulic Ginza Sukiyabashi Building

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

### Selection and concentration

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



### Reconstruction business

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



### Investment business

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

● Examples of investment properties in recent years



Hulic New Kawasaki Building



Hulic Shibuya Udagawacho Building

### 3K businesses

We are exploring and strengthening new business domains in our 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)), with the aim of responding to various changes in the environment that Japan is faced with.

《Koreisha》  
(seniors)



Granda Omori Sannou

《Kanko》  
(tourism)



Hakone Suishoen

《Kankyo》  
(environment)



DBJ Green Building 2015





## In the Aftermath of the 2016 Kumamoto Earthquake

We would like to use the occasion of publishing our CSR Report 2016 to express our most heartfelt sympathies to all victims of the 2016 Kumamoto Earthquake and to wish a speedy recovery of the affected regions. Hulic will expend even greater effort to prevent damage caused to buildings and critical infrastructure by natural disasters, and, being a disaster-resilient real estate company, will strive to deliver the feeling of safety and peace of mind to our building tenants and local communities.

## Our Strengths and CSR Management

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

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

## Our Performance in 2015

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

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

## New Medium-term Management Plan and CSR Strategy

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

## Material CSR Issues and Our Progress

Hulic believes that well-developed CSR management and strong social raison d'être of the company, as well as its contribution to sustainable development of the society, directly relate to its corporate value. Therefore, in regard to the environment, we have identified CO<sub>2</sub> emissions reduction as one of our material CSR issues and have established a long-term goal to cut CO<sub>2</sub> emissions generated by our building portfolio. Specifically, we apply design standards in accordance with the Hulic Guideline for Longer Life Service to ensure that building frames can last at least 100 years. Furthermore, we take measures to minimize the volume of generated waste and CO<sub>2</sub> emissions. We establish and monitor social KPIs, including earthquake-resilience measures for our buildings, the ratio of employees using childcare leave, the ratio of employees with disabilities, and indicators related to our social contribution activities. In particular, we actively support the participation of women in the workforce and have formulated the Action Plan with the goal to increase the ratio of women in management positions to 20% of the total workforce. To this end, we have set up Hulic's onsite childcare facilities and started to implement other childcare assistance measures that are recognized as one of the most advanced in Japan. Furthermore, we have built a corporate governance system with fully adequate functions in risk management, compliance, and internal controls. In line with our newly formulated Corporate Governance Guidelines, we are committed to being fully accountable for our business conduct. We will continue to set goals that reflect changes in the surrounding business environment and come up with initiatives that enable us to meet arising societal needs.

## To Our Stakeholders

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

**Saburo Nishiura**

Chairman, Representative Director

**Manabu Yoshidome**

President, Representative Director



# Financial Indicators and Non-financial Indicators/ Highlights

## ► Changes in Major Consolidated Management Index, etc.

|   | Unit  | FY12/11       | FY12/12  | FY12/13  | FY12/14  | FY12/15   |
|---|---|---------------|----------|----------|----------|-----------|
| Operating Revenue (Net Sales)                       | (Million Yen)                                       | 74,738        | 94,319   | 108,444  | 212,791  | 169,956   |
| Segment Earnings                                    | Real estate business                                | (Million Yen) | 68,096   | 84,346   | 95,726   | 137,544   |
|   | Insurance agency business                           | (Million Yen) | 2,388    | 2,417    | 2,631    | 2,886     |
|   | Other   | (Million Yen) | 4,253    | 7,555    | 10,087   | 9,994     |
| Operating Income                                    | (Million Yen)                                       | 19,841        | 22,571   | 29,114   | 36,032   | 42,002    |
| Ordinary Income                                     | (Million Yen)                                       | 16,896        | 20,033   | 25,983   | 34,314   | 42,534    |
| Net Income  | (Million Yen)                                       | 9,336         | 11,487   | 15,970   | 22,352   | 33,628    |
| Total Assets  | (Million Yen)                                       | 476,244       | 637,919  | 720,344  | 773,401  | 1,091,266 |
| Net Assets  | (Million Yen)                                       | 104,356       | 149,895  | 177,280  | 205,421  | 317,045   |
| Consolidated Cash Flow                              | Net cash provided by (used in) operating activities | (Million Yen) | 20,459   | 8,472    | 11,114   | 36,272    |
|   | Net cash provided by (used in) investing activities | (Million Yen) | (23,667) | (30,554) | (49,548) | (83,815)  |
|   | Net cash provided by (used in) financing activities | (Million Yen) | 7,511    | 20,854   | 42,841   | 4,192     |
|   | Cash and cash equivalents at end of period          | (Million Yen) | 11,733   | 12,164   | 16,600   | 21,129    |
| Equity Ratio <sup>※1</sup>                          | (%)   | 21.6          | 23.2     | 24.4     | 26.1     | 28.6      |
| EBITDA <sup>※2</sup>                                | (Million Yen)                                       | 26,493        | 30,092   | 37,809   | 44,870   | 54,678    |
| Interest-Bearing Debt to EBITDA Ratio <sup>※3</sup> | (Times)   | 11.7          | 13.8     | 12.2     | 10.5     | 12.0      |
| Net D/E Ratio <sup>※4</sup>                         | (Times)   | 3.0           | 2.8      | 2.8      | 2.6      | 2.2       |
| Interest Coverage Ratio <sup>※5</sup>               | (Times)   | 4.6           | 1.7      | 2.0      | 18.5     | 8.2       |
| Return on Equity <sup>※6</sup>                      | (%)   | 9.3           | 9.1      | 9.8      | 11.8     | 13.0      |
| Net Income per Share                                | (Yen)   | 54.6          | 22.3     | 27.0     | 37.7     | 52.7      |
| Dividend per Share <sup>※7</sup>                    | (Yen)   | 3.6           | 4.5      | 6.5      | 10.5     | 15.5      |

## ► Changes in Real Estate Business Related Index

Target: Real estate for rented possessions of this company <sup>※8</sup>

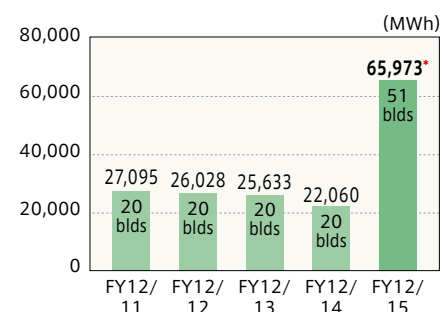
|                            | Unit                    | FY12/11           | FY12/12 | FY12/13 | FY12/14 | FY12/15 |
|----------------------------|-------------------------|-------------------|---------|---------|---------|---------|
| Vacancy Rate <sup>※9</sup> | (%)                     | 0.3               | 0.6     | 0.4     | 0.7     | 0.9     |
| Average Rent               | Entire country          | (Yen)             | 20,571  | 20,024  | 19,817  | 20,759  |
|                            | Tokyo central 5 wards   | (Yen)             | 26,753  | 24,420  | 23,714  | 25,147  |
| Number of Properties       | Total                   | (Building)        | 131     | 163     | 161     | 202     |
|                            | Tokyo metropolitan area | (Building)        | 113     | 143     | 141     | 182     |
|                            | Other                   | (Building)        | 18      | 20      | 20      | 20      |
| Rentable Area              | Total                   | (m <sup>2</sup> ) | 492,422 | 723,924 | 679,672 | 774,615 |
|                            | Tokyo metropolitan area | (m <sup>2</sup> ) | 393,191 | 553,333 | 537,582 | 633,918 |
|                            | Other                   | (m <sup>2</sup> ) | 99,231  | 170,591 | 142,090 | 140,696 |

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

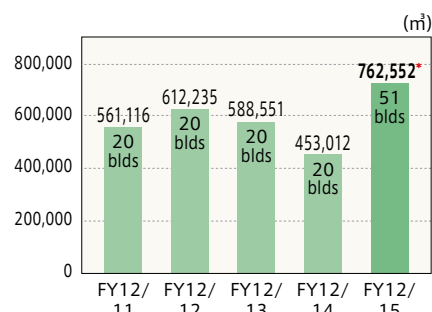
## ► Main Non-Financial Indicators

Power/gas consumption, CO<sub>2</sub> emissions intensity, and waste disposal for 2015 concerned a significantly different number of properties reported up until 2014. With regard to the detailed boundary of these indicators, please refer to page 15, "Initiatives for Material Issues." Power/gas consumption and CO<sub>2</sub> emissions intensity: 20 properties (2011-2014), 51 properties (2015); waste disposal: 16 properties (2011-2014), 7 properties (2015).

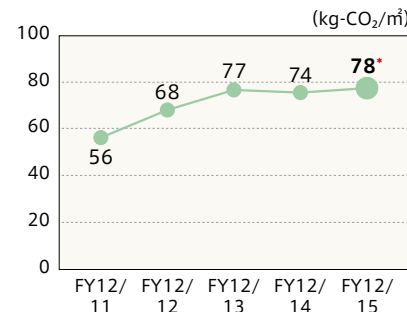
### Power Consumption



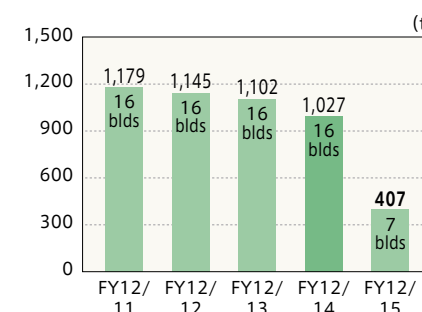
### Gas Consumption



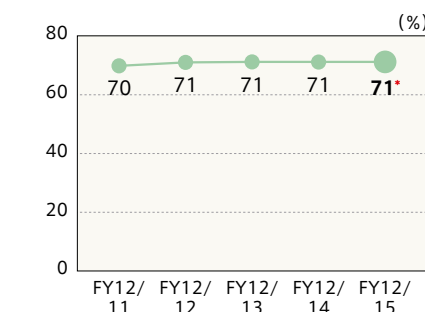
### CO<sub>2</sub> Emissions Intensity



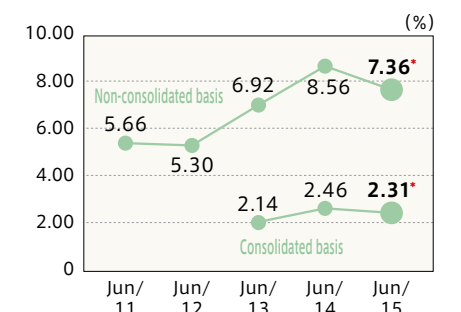
### Waste Disposal



### Usage Rates of Paid Leave

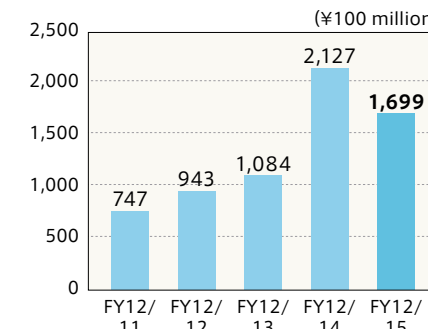


### Employment Ratio of the Disabled

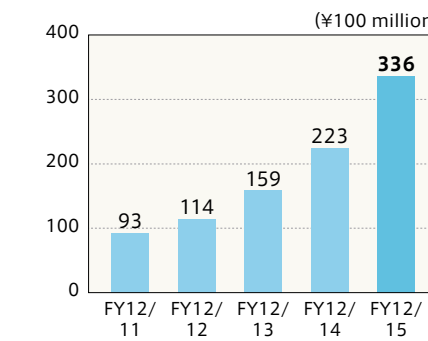


## ► Main Financial Indicators

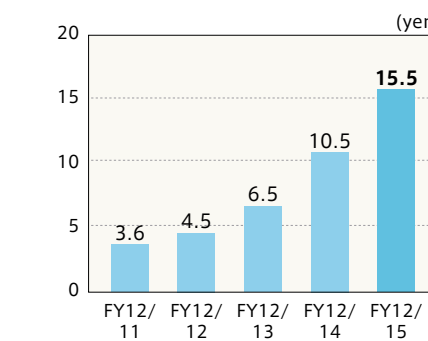
### Operating Revenue (Net Sales)



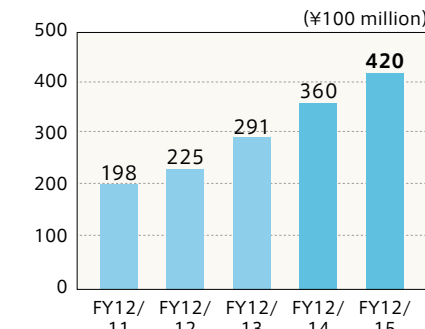
### Net Income



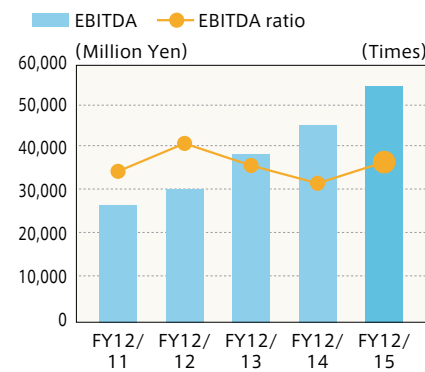
### Dividend per Share <sup>※7</sup>



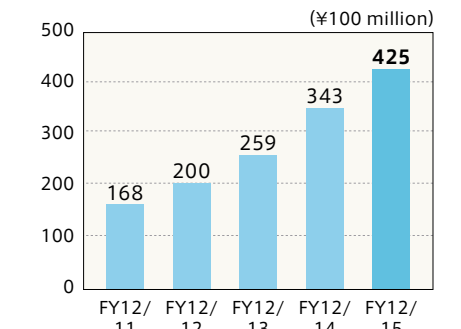
### Operating Income



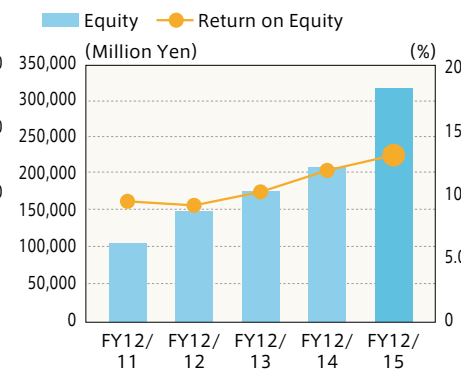
### EBITDA/EBITDA Ratio



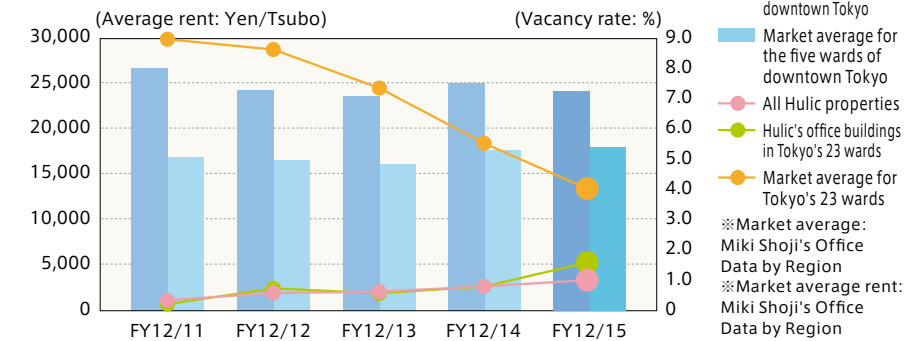
### Ordinary Income



### Shareholders' Equity/Return on Equity (ROE)



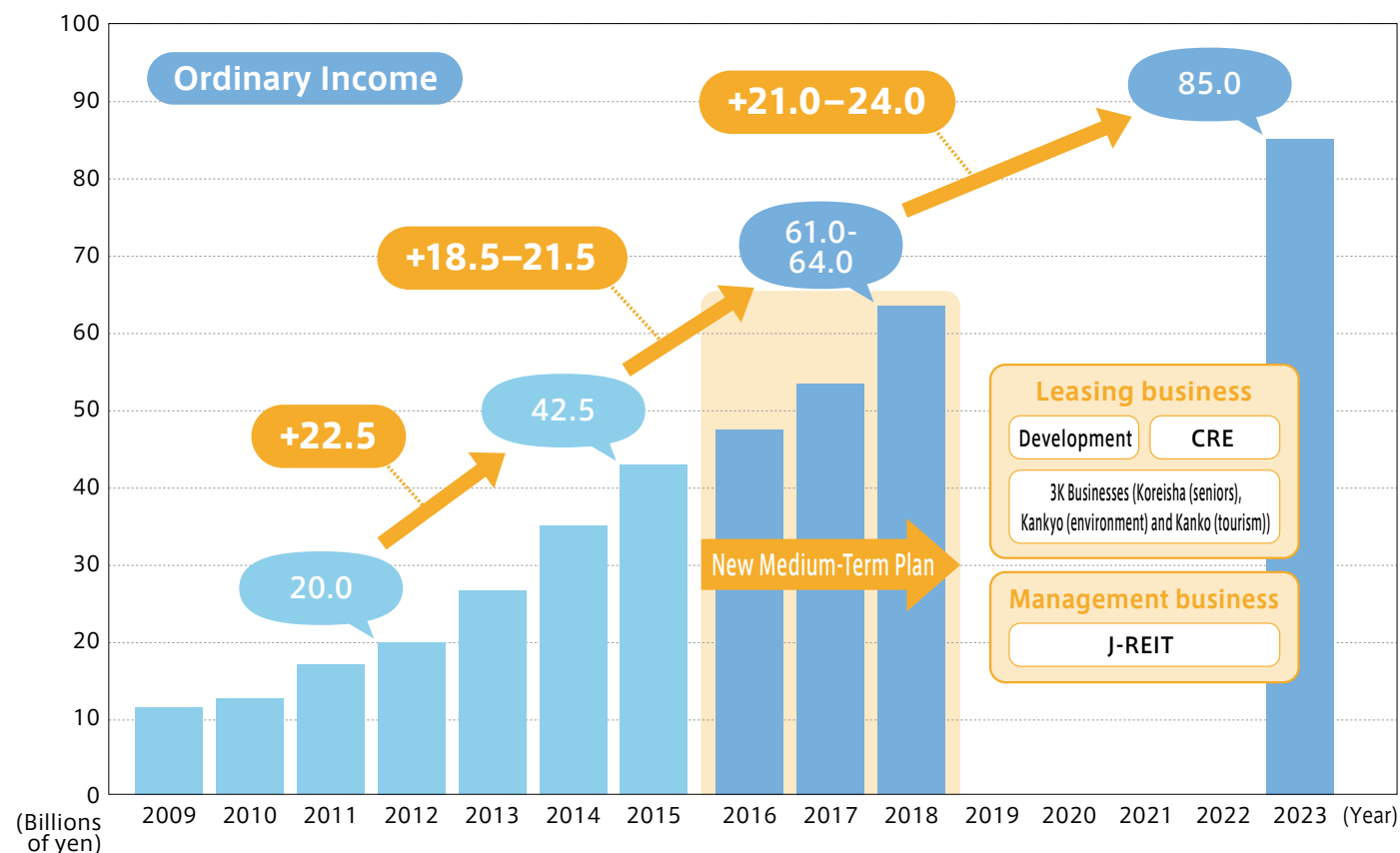
### Vacancy Rate <sup>※9</sup>/Average Rent



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

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

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



#### Numerical Target

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

#### Basic Policy on Business Expansion

1 We will establish a business structure whereby the leasing business secures stable profits and balances profit growth with consistent and stable earnings, while growing earnings in segments related to the leasing business. This includes expanding the development business, management business and CRE business. 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).

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

3 We will further expand our CSR management and become a company with a solid presence in society.

We will strive to be a company where female workers can thrive professionally and where females make up 20% of management positions by 2020.

## New Medium-term Management Plan (2016-2018)

### Target Profile

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

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

### Basic Policies

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

### Business Strategy

- 1 **Building of Solid Lease Portfolio**
  - Steady progress with reconstruction to improve portfolio quality
  - Strategic sourcing of corporate real estate (CRE) and other assets for steady portfolio expansion
  - Strategic and plan-based asset management operations to maximize earnings opportunities
- 2 **Promotion of Value-added Real Estate Businesses**
  - Promote development business based on high-quality properties in prime locations of appropriate scale for the Hulic business model
  - Respond to diverse needs with projects based on acquisition, value enhancement, and resale (e.g. property repackaging)
  - Strengthen support to Hulic REIT in line with sponsor support agreement
  - Reinforce leasing operations to develop strengths in commercial as well as office property

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

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

### 4 Synergies from Combined Group Strength

- Increase Group synergies and enter flexibly into alliances and merger and acquisition deals with external players

### 5 Comprehensive Risk Management

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

### 6 Implementation of Balanced Management for Sustained Growth

- Promote balanced management by addressing environment, social, and governance (ESG) issues and taking other initiatives to create value responsive to social needs

|   | (Billions of yen)  |                            |
|---|--------------------|----------------------------|
|   | FY ended Dec. 2015 | FY ending Dec. 2018 Target |
| ● Profit plan   |                    |                            |
| Operating Income  | 42.0               | 67.0-70.0                  |
| Ordinary Income   | 42.5               | 61.0-64.0                  |
| Net Income  | 33.6               | 39.0-41.0                  |
| EBITDA  | 54.7               | 82.0-85.0                  |
| ● Financial restraints  |                    |                            |
| Interest-Bearing Debt to EBITDA Ratio                             | 12.0 times         | 12.0 times or less         |
| Net D/E Ratio   | 2.2 times          | 3.0 times or less          |
| ● Capital efficiency  |                    |                            |
| ROE   | 13.0%              | 10% or more                |
| ● Shareholder return  |                    |                            |
| Dividend payout ratio (simplified calculation at fiscal year end) | 30.5%              | 30% or more                |



## Realizing a Society Filled with Peace of Mind and Trust

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

《Corporate Philosophy》  
Contributing toward realizing a society with total peace of mind and trust

《Group's motto》  
Creating amenity.  
Promoting peace of mind.

Creating shared values with society and sustainably developing

### Social Issues Requiring Solutions



Prevention of global warming



Measures to address aging in Japan



Measures to prepare for natural disasters



Reconstruction from the Great East Japan Earthquake

### Opportunities and Risks in Social Issues

#### Business Opportunities

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

#### Business Risks

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

### Hulic's Contributions to Solutions for Social Issues

Promote environmentally friendly businesses



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

Proactively expand businesses targeting seniors



Development and investment in senior, nursing care and medical facilities

Provide disaster resistant buildings



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

Contribute to disaster reconstruction



Investment in mega solar projects in Fukushima

### Responding to Opportunities and Risks

#### Initiatives for Opportunities (Business Development)

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

#### Preparations for Risks (Infrastructure Reinforcements)

- Prioritizing business domains based on changes in social structure
- Establishing a business continuity plan (BCP) and conducting BCP training
- Establishing BCP based on collaborative structures with outside organizations and developing and commercializing building and facility earthquake resistance services
- Improving the earthquake resistance of company-owned buildings
- Rebuilding with a focus on seismically-isolated and earthquake-damping structures
- Liquefaction countermeasures and measures against flood damage
- Real estate portfolio centered on downtown Tokyo
- Promoting long-term lease agreements with tenants
- Primarily long-term, fixed rate financing

### Creating Shared Value with Society

#### Value for Society

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



#### Value for the Hulic Group

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

Based on the matters of concern for stakeholders, we identified the material issues that we should continue to put effort into in order to continue achieving sustainable growth.

Hulic identifies material CSR issues that we should continue to focus on, in order to meet the needs and expectations of our stakeholders, and contribute to society while achieving sustainable growth. In fiscal year 2015, we reviewed the material CSR issues that we have uncovered to date and further identified four new themes as material issues.

Amidst the diversification of social issues and matters of concern for stakeholders, we will continue to focus our efforts on such priority issues and ensure the effective promotion of CSR activities.

## Communication with stakeholders

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



### INFORMATION: External evaluation

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

#### E Environment

- Nikkei Environmental Management Survey: Ranked 1st Top ranking for the sixth consecutive year in the warehouse, real estate, and other categories
- 19th Environment Communication Awards Prize of Greatness
- 25th Grand Prize for the Global Environment Award Minister of Land, Infrastructure, Transport and Tourism Prize



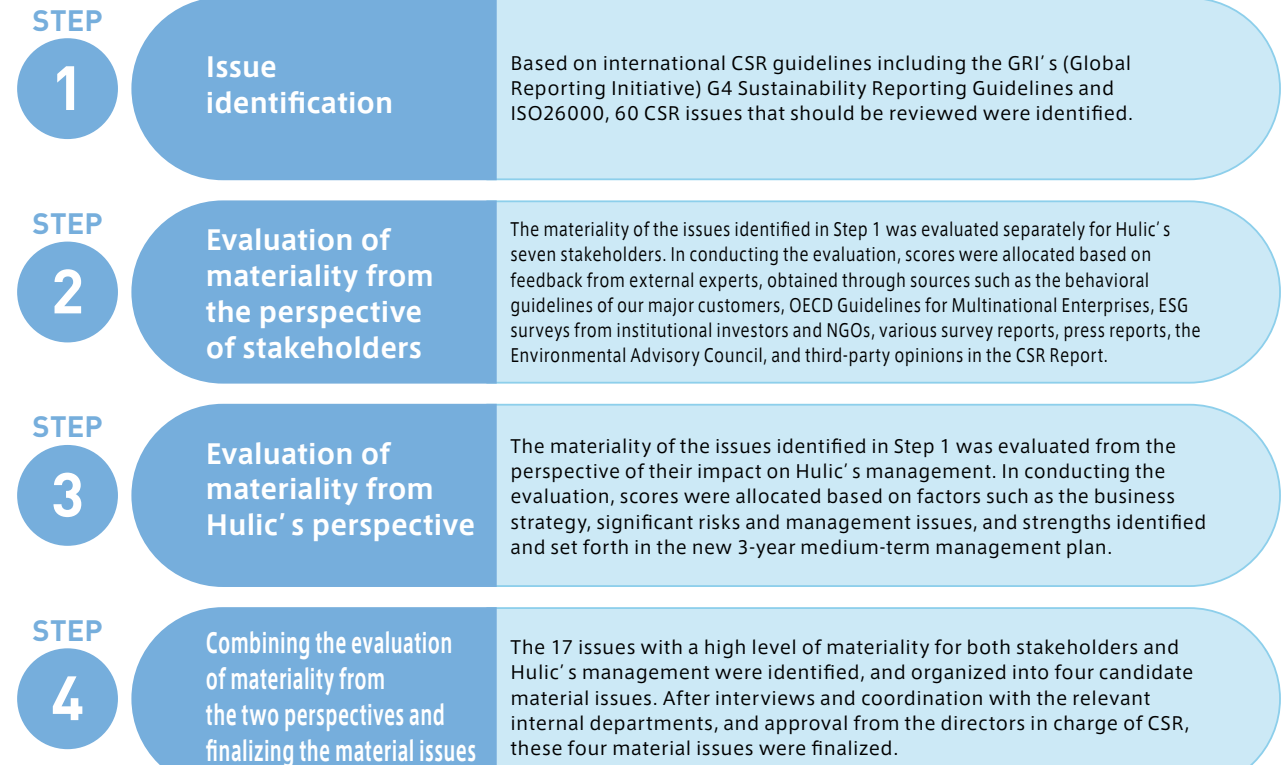
#### S Social



#### G Governance

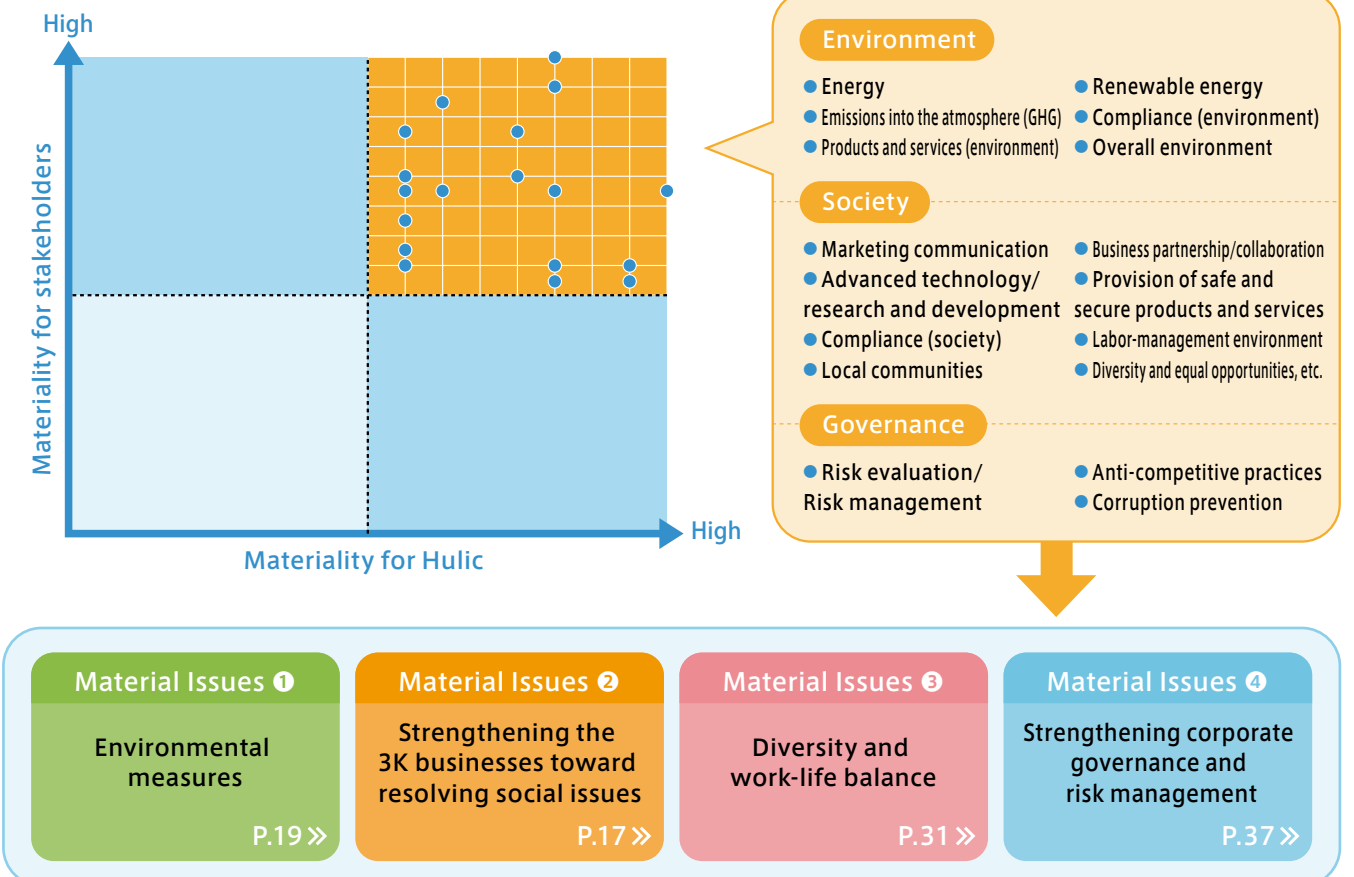


## Process to Identify Material Issues



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

## Identified Material CSR Issues





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

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

In order to improve while objectively assessing CSR activities, we have established key performance indicators (KPI) and target for each material CSR issue. For non-priority issues, we have adopted an assessment indicator that helps us monitor the results of the implementation of initiatives. This fiscal year, we received assurance from an independent assurance provider concerning the following six items: power and gas consumption, CO<sub>2</sub> emissions and CO<sub>2</sub> emissions intensity (Scope 1, Scope 2), number of greening projects, usage rate of paid leave, employment ratio of the disabled, and percentage of employees who received medical checkups. We will make efforts for constant improvement using the PDCA Cycle, while disclosing data on the progress of our CSR activities to the stakeholders.

| Material issues  | Items   | Key Performance Indicators (KPI)   | Targets   | Boundaries   | Results            |                    |                    |                   |                    | Major Achievements in FY2015  | Evaluation  | Reference |
|--|---|--|---|--|--------------------|--------------------|--------------------|-------------------|--------------------|---|-------------|-----------|
|  |   |  |   |  | FY2011             | FY2012             | FY2013             | FY2014            | FY2015             |   |             |           |
| Environmental measures   | Measures against global warming at Hulic's buildings ★              | Power consumption (MWh)  | Reduction by 5% for five years from 2011 to 2015 compared with 68.42, an average during period from 2005 to 2007. (per unit floor area) | 51 existing primary office buildings ※3  | 27,095             | 26,028             | 25,633             | 22,060            | 65,973 *           | <ul style="list-style-type: none"> <li>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)</li> <li>Renovation works on existing buildings for energy saving (upgrading to highly efficient lighting equipment and air conditioning systems)</li> <li>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)</li> </ul> | ○           | P21       |
|  |   | Gas consumption (m <sup>3</sup> ) ※4   |   |  | 561,116            | 612,235            | 588,551            | 453,012           | 762,552 *          |   |             |           |
|  |   | CO <sub>2</sub> emissions intensity (kg-CO <sub>2</sub> /m <sup>2</sup> ) ※1※2   |   |  | 56                 | 68                 | 77                 | 74                | 78 *               |   |             |           |
|  | 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                  | 7                  | 5                  | 6                 | 6                  | <ul style="list-style-type: none"> <li>Usage of natural ventilation, natural lighting</li> <li>Photovoltaic generation system installation</li> </ul>   | ◎           | P23-24    |
|  | Promotion of greening ★   | Number of greening projects ※5   | 1 project or more per fiscal year   | All Hulic's buildings  | 3                  | 8                  | 6                  | 5                 | 9 *                | <ul style="list-style-type: none"> <li>Acquired through the Shinagawa Season Terrace, Hulic Toranomon Building, Shin-Sapporo Howakai Hospital, Hulic Asakusabashi Edo-dori, Gracia Chofu, Itabashi-honcho Building (provisional name), Charm Suite Shinjuku Toyama, Hulic Residence Shinjuku Toyama, Hulic Shimura-sakaue.</li> </ul>   | ◎           | P26       |
|  | Reduction of waste at Hulic's buildings ★                           | Amount of waste (t)  | Reduction by 15% for 4 years from 2012 to 2015 compared with average during period from 2005 to 2007. (per unit floor area) ※6          | Seven buildings occupied by the Hulic Group ※7                                 | 1,179              | 1,145              | 1,102              | 1,027             | 407                | <ul style="list-style-type: none"> <li>22% reduction</li> </ul>   | ◎           | —         |
|  | Reduction in water consumption at Hulic's buildings ★               | Water consumption (m <sup>3</sup> )  | Reduction by 15% for 4 years from 2012 to 2015 compared with average during period from 2005 to 2007. (per unit floor area) ※6          | 51 existing primary office buildings ※3  | 169,768            | 164,037            | 148,508            | 127,745           | 381,553            | <ul style="list-style-type: none"> <li>27% reduction</li> </ul>   | ◎           | —         |
| Strengthening the 3K businesses toward resolving social issues | 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  | 3                  | 5                  | 8                  | 7                 | 8                  | <ul style="list-style-type: none"> <li>Actively adopted long-life structure specifications for completed projects.</li> </ul>   | ◎           | P25       |
|  | Tourism business projects   | Accommodation facilities (number of properties owned)  | No target (follow-up item)  | All Hulic's buildings (As of the end of December 2015)                         | —                  | —                  | —                  | —                 | 8                  | <ul style="list-style-type: none"> <li>The number of properties owned as of December 31 2015 is eight. In 2016, we acquired/completed three properties including ATAMI Kai-Ho-Rou, and four properties are scheduled to be completed in 2017/2018.</li> </ul>   | —           | P17-18    |
| Diversity and work-life balance                                | Senior business projects  | Senior facilities (number of properties owned)   | No target (follow-up item)  | All Hulic's buildings (As of the end of December 2015)                         | —                  | —                  | —                  | —                 | 16                 | <ul style="list-style-type: none"> <li>The number of properties owned as of December 31 2015 is 16. In 2016, we newly acquired/completed three properties including Hospitalment Itabashi Tokiwadai, and four properties are scheduled to be completed in 2017/2018.</li> </ul>   | —           | —         |
|  | Improvement of systems to develop women's careers ★                 | Ratio of female managers   | 20% by 2020   | Hulic  | —                  | —                  | —                  | —                 | 10.40%             | <ul style="list-style-type: none"> <li>43 male managers, five female managers</li> </ul>  | —           | P32       |
|  |   | Number of seminars organized by the women's career promotion project team  | Once a year   | Hulic  | —                  | —                  | —                  | —                 | 1                  | <ul style="list-style-type: none"> <li>In addition to convening meetings of the women's career promotion project team, seminars and exchanges of opinions for all female employees were also held.</li> </ul>   | ◎           |           |
|  | Promoting employment of the disabled ★                              | Employment ratio of the disabled   | Maintaining the statutory employment rate of 2% or more   | Hulic Group (As of June 1, 2015) ※10<br>(Reference) Hulic (As of June 1, 2015) | —<br>5.66%         | —<br>5.30%         | 2.14%<br>6.92%     | 2.46%<br>8.56%    | 2.31%*<br>7.36%*   | <ul style="list-style-type: none"> <li>Increased requests received from group companies and operating steadily</li> </ul>   | ◎<br>◎      | P31       |
|  | 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 per fiscal year  | Hulic (Women)  | 100%               | 100%               | 100%               | 100%              | 100%               | <ul style="list-style-type: none"> <li>Expanded in-house programs receiving subsidies for extended hours daycare, daycare for ill children, and Kids' Clubs</li> <li>Introduced the internet-based "Childcare wiwiw Program" for supporting employees from prior to maternity leave up to their return to work</li> <li>Opened a company daycare nursery inside the Hulic headquarters</li> </ul>   | ◎<br>◎<br>◎ |           |
|  |   | Ratio of employees who returned to work after childcare leave  | 100%  | Hulic  | 100%               | 100%               | 100%               | 100%              | 100%               |   |             |           |
|  | Promoting the planned use of paid leaves ★                          | Usage rate of paid leave ※8  | 60% or higher per fiscal year   | Hulic  | 70%                | 71%                | 71%                | 71%               | 71%*               | <ul style="list-style-type: none"> <li>Continued to conduct a campaign to boost the usage rate of paid leave</li> </ul>   | ◎           |           |
| Strengthening corporate governance and risk management         | Promoting health care ★   | Percentage of employees who received medical checkups (%)  | 100%  | Hulic ※9   | 100%               | 100%               | 100%               | 100%              | 100%*              | <ul style="list-style-type: none"> <li>Implemented a Health Committee through cooperation with industrial physicians</li> </ul>   | ◎           | —         |
|  | Compliance  | Number of compliance seminars attended (number of times)   | No target (follow-up item)  | Hulic  | —                  | —                  | —                  | —                 | 5                  | <ul style="list-style-type: none"> <li>Conducted training on an overview of the "My Number" system, human rights issues, Act on Prevention of Transfer of Criminal Proceeds, etc.</li> </ul>  | —           | P40       |
|  |   | Number of internal audits conducted (number of times)  | No target (follow-up item)  | Hulic  | —                  | —                  | —                  | —                 | 8                  | <ul style="list-style-type: none"> <li>Number of internal audits implemented for Hulic and Hulic's group companies.</li> </ul>  | —           | P37       |
|  | Corporate Governance  | Participation rate in the Board of Directors' Meeting (%)  | No target (follow-up item)  | Hulic  | —                  | —                  | —                  | —                 | 98%                | <ul style="list-style-type: none"> <li>The Board of Directors' Meeting was convened eighteen times in 2015. Participation rate covers all internal and external Directors and Auditors.</li> </ul>  | —           | P38       |
|  | Earthquake countermeasures for Hulic's buildings ★                  | Percentage of properties with earthquake-absorbing structure, earthquake-damping structure, and earthquake resistance over 1.25 times stronger than the standard (%) | 100%  | All new office buildings completed   | 100% (2 buildings) | 100% (3 buildings) | 100% (2 buildings) | 100% (1 building) | 100% (9 buildings) | <ul style="list-style-type: none"> <li>Adopted earthquake-absorbing structures or earthquake damping structures at office buildings</li> </ul>  | ◎           | P27       |
| Other - Initiatives for customers and the local community -    | 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"> <li>Implementation of company-wide disaster training and training of moving to buildings managed by Hulic in the event of a disaster</li> <li>Conducted first-aid training</li> </ul>  | ◎           | P39       |
|  | Improvement in customer satisfaction ★                              | Number of surveys on customer satisfaction   | Once or more per fiscal year  | Hulic Group  | 0                  | 1                  | 1                  | 1                 | 1                  | <ul style="list-style-type: none"> <li>A survey on the satisfaction of tenants was conducted with Hulic Building Management acting as the point of contact</li> </ul>   | ◎           | P28       |
|  | Corporate social contribution ★                                     | Number of social action programs   | 4 programs or more per fiscal year  | Hulic Group  | 7                  | 7                  | 8                  | 9                 | 12                 | <ul style="list-style-type: none"> <li>Held students' idea competition, hosted summer festivals, donated to NPO organizations, donated to Ashinaga Scholarship Society, opened the Company's daycare nurseries to the local community, etc.</li> </ul>  | ◎           | P29-30    |
|  | Supporting employees to conduct social contribution activities ★    | Number of social contribution activities by employees  | 3 activities or more per fiscal year  | Hulic Group  | 4                  | 5                  | 6                  | 6                 | 6                  | <ul style="list-style-type: none"> <li>Participated in Satoyama conservation activities, donated to the Ashinaga Scholarship Society, participated in gift-matching program, and supported community cleaning activities, flowerbed maintenance activities, as well as assistance activities for disaster-hit areas.</li> </ul>   | ◎           |           |

※1 The unit calorific value and CO<sub>2</sub> emissions factor for city gas are based on values from the "Manual for Calculations and Reports of GHG Emissions" issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, while the CO<sub>2</sub> emissions factor for power is based on the actual emissions factor of electric utility companies used by the target building. ※2 CO<sub>2</sub> emissions intensity is the sum obtained through calculations that take the total floor area of the offices that use power and city gas, respectively as the denominator for each emission volume. ※3 The 51 target properties are office buildings with floor area of 3,000m<sup>2</sup> or above and hotels managed by the Company, and exclude buildings in which a bank branch is the sole tenant, real estate for sale, and condominium ownership/shared ownership. ※4 City gas consumption is aggregated based on the Company's direct contracts or consumption the Company is required to report on in accordance with Tokyo Metropolitan Government ordinances.

※5 The number of properties, among buildings completed between January - December, 2015, for which greening projects have been completed. As properties that have acquired JHEP certification during July - June were counted until 2014, three properties overlap with the number of properties for 2014. ※6 Since the target properties have been changed, the reduction implementation rate is calculated by calculating the intensity of consumption and disposal per floor area (square meter) of the target properties. ※7 Data for 2011 - 2014 covers the 16 primary office buildings; however, the seven buildings occupied by Hulic's Group companies, which are actively implementing measures to reduce the volume of waste, have been covered in data for 2015. ※8 Usage rate of paid leave is calculated by dividing the "number of days of paid leave used" by the "number of days granted excluding leave carried over." ※9 Of the executive directors, employees (including temporarily transferred staff) and full-time contract staff, with the exclusion of employees on leave, those who belonged to the Company both as of the point of registration for medical checkups and as of December 31 are included in the calculation. ※10 The target subsidiaries are companies that have been certified as affiliated subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities.



# Initiatives for Our Tourism Business

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



THE GATE HOTEL KAMINARIMON by HULIC



THE GATE HOTEL KAMINARIMON by HULIC

In the Medium-Term Management Plans formulated in 2014 and 2016, the Company established the 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment))<sup>\*</sup> as priority sectors. In 2014, we established a specialized tourism department, the Tourism Business Development Department, as part of our efforts for the various problems confronting the tourism sector in Japan, promote businesses that meet the needs of customers, and explore new areas.

<sup>\*</sup> 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.



Atami Fufu

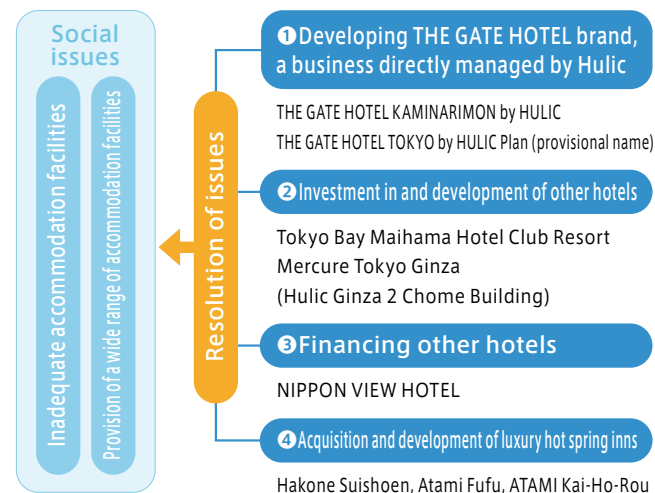
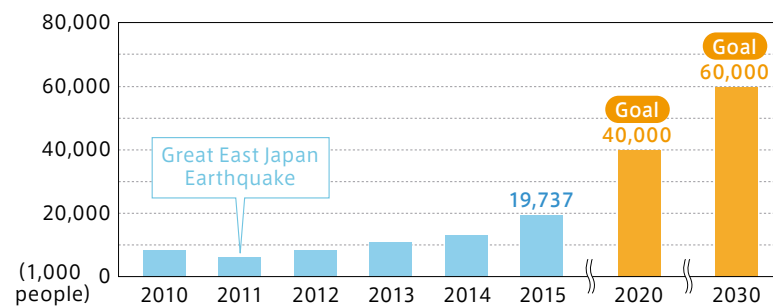


ATAMI Kai-Ho-Rou

## Trends in the Tourism Sector, and Our Growth Strategy

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

Source: Japan National Tourism Organization (JNTO)  
Japan Revitalization Strategy (Revised in 2014) – Japan's challenge for the future – (24 June 2014)  
Statistical data: Number of foreign visitors to Japan by nationality and month (2003 – 2015)



Efforts, including easing visa regulations in Japan and the nationwide campaign to draw visitors to Japan, have been successful, resulting in a rapid increase in the number of foreign tourists visiting Japan today. In 2015, the number of foreign visitors to Japan reached 19.73 million, close to the goal of 20 million people established by the government for 2020. At the same time, in March 2016, the Government of Japan announced its target of welcoming 60 million visitors to Japan by 2030. In tandem with this growth in the number of foreign tourists, there has also been rising demand in travel needs among the new consumption leaders in Japan, which comprise the wealthy class, senior citizens, and baby-boomers. This has brought about a shortage in accommodation facilities in Japan, and there is a need to address this problem as soon as possible. Furthermore, there are also calls for a wider range of accommodation facilities to match the needs of diverse travelers from Japan and overseas. Based on these social trends, Hulic recognizes that the tourism industry, and particularly the area of tourist accommodations, is a rapidly growing sector. In order to contribute to the resolution of various social issues, and at the same time, anticipate business growth for Hulic, we have established the four pillars shown on the left in order to focus our efforts on developing our business in the tourism sector (particularly the accommodations sector).

## Case study ① Developing THE GATE HOTEL brand

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

THE GATE HOTEL KAMINARIMON by HULIC, which opened in August 2012, was the first hotel to be directly operated by Hulic. The hotel is located right in front of Kaminarimon in Asakusa, an area that is well frequented by many foreign tourists. From the planning stages for this hotel, we have paid attention to providing a comfortable space for both hotel guests and all people in the local community, in line with our thematic concept of "Intimate." In the management aspects, we have taken care to provide not only comfort in the hotel but also a wonderful journey to our customers. As a part of this commitment, the Asakusa Concierge, which comprises staff members with exhaustive knowledge of Asakusa, provides information about the local Asakusa area. Based on the principle of diversity among hotel employees, we have recruited a richly international team that is able to provide multilingual support for customers from different countries. For these initiatives and efforts, we have been rated with one pavilion in the Michelin Guide for four consecutive years since 2013 and placed 10th in the best hotel category as well as 8th in the service category in TripAdvisor's Travelers' Choice Award 2016. We also took a proactive stance in prolonging the lifespan of the building and ensuring its environmental performance and were selected as a CO<sub>2</sub> Reduction Leading Project by the Ministry of Land, Infrastructure, Transport and Tourism. THE GATE HOTEL TOKYO by HULIC Plan (provisional name), which we are currently working on, is the second hotel in Hulic's proprietary hotel business. The area that we are developing is within the Ginza/Yurakucho districts, positioned as a priority area by Hulic, and close to the Suiyabashi intersection. This is an excellent location facing Harumi-dori. Taking advantage of the potential of this development, we have positioned this hotel as a "flagship development" of the Company's tourism business. In the aspects of management and building, we aim to create a hotel that is highly appraised by everyone, as THE GATE HOTEL KAMINARIMON by HULIC is, and hope to provide a solution to what is perceived as a growing problem in Japan.



THE GATE HOTEL TOKYO by HULIC Plan (provisional name)



THE GATE HOTEL KAMINARIMON by HULIC (balcony area)

## Case study ② Acquiring and developing luxury hot spring inns

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

Foreign tourists to Japan have traditionally traveled in group tours. However, there is now growing demand for independent travel to match personal interests and preferences. Moreover, travel has been ranked as the top need among senior citizens in Japan, who are the new leaders of consumption, and trends show that they prefer traveling at high unit costs. In light of such trends among domestic and foreign travelers, one of the issues that confronts the country is the provision of accommodation facilities that can match the increasingly diversifying needs.

By acquiring and developing luxury Japanese-style inns, Hulic seeks to contribute to tackling this issue. We acquired Hakone Suishoen and Atami Fufu in April 2015, and ATAMI Kai-Ho-Rou in February 2016. We have also begun work on the Lake Kawaguchi Fufu Plan (provisional name), for which construction is scheduled to be completed in 2018. Going forward, our policy is to develop/acquire about 10 luxury hot spring inns in hot spring resort areas located about two hours away from the heart of the Tokyo.

In 2015, we formed a partnership with Kato Pleasure Group (hereafter, "KPG") and established a joint venture company to manage Japanese-style inns. By fusing Hulic's knowhow in acquiring and developing real estate, and KPG's knowhow in the hospitality business, we aim to achieve the highest levels of customer satisfaction in the management of luxury hot spring inns.



ATAMI Kai-Ho-Rou



Hakone Suishoen





# Environmental Policy

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

## ► Hulic Environmental Policy

- 1 Environmental Compliance**  
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.

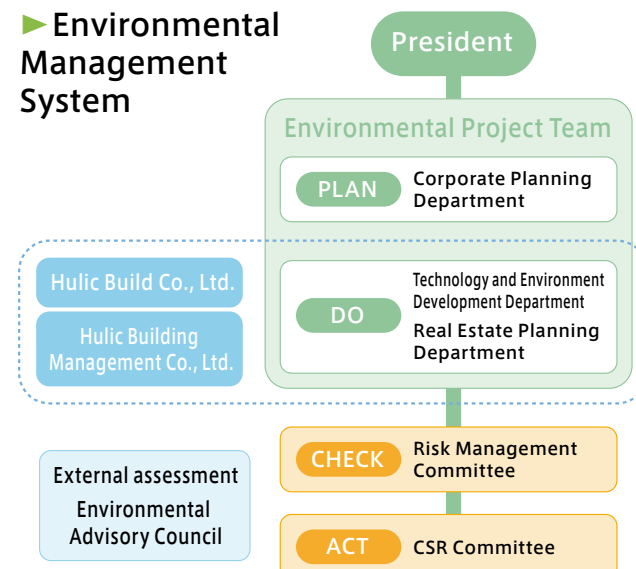
## Environmental Advisory Council

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.

## 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 Management System



# Medium to Long-term Goal and Road Map

We aim to reduce total CO<sub>2</sub> emissions by 25% from 1990 to 2020.

## Medium to long-term goal for CO<sub>2</sub> emissions reduction

In 2010, we formulated the medium- and long-term plan aiming to reduce total CO<sub>2</sub> 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 Japan Smart Energy Co., Ltd., a third-party review organization.

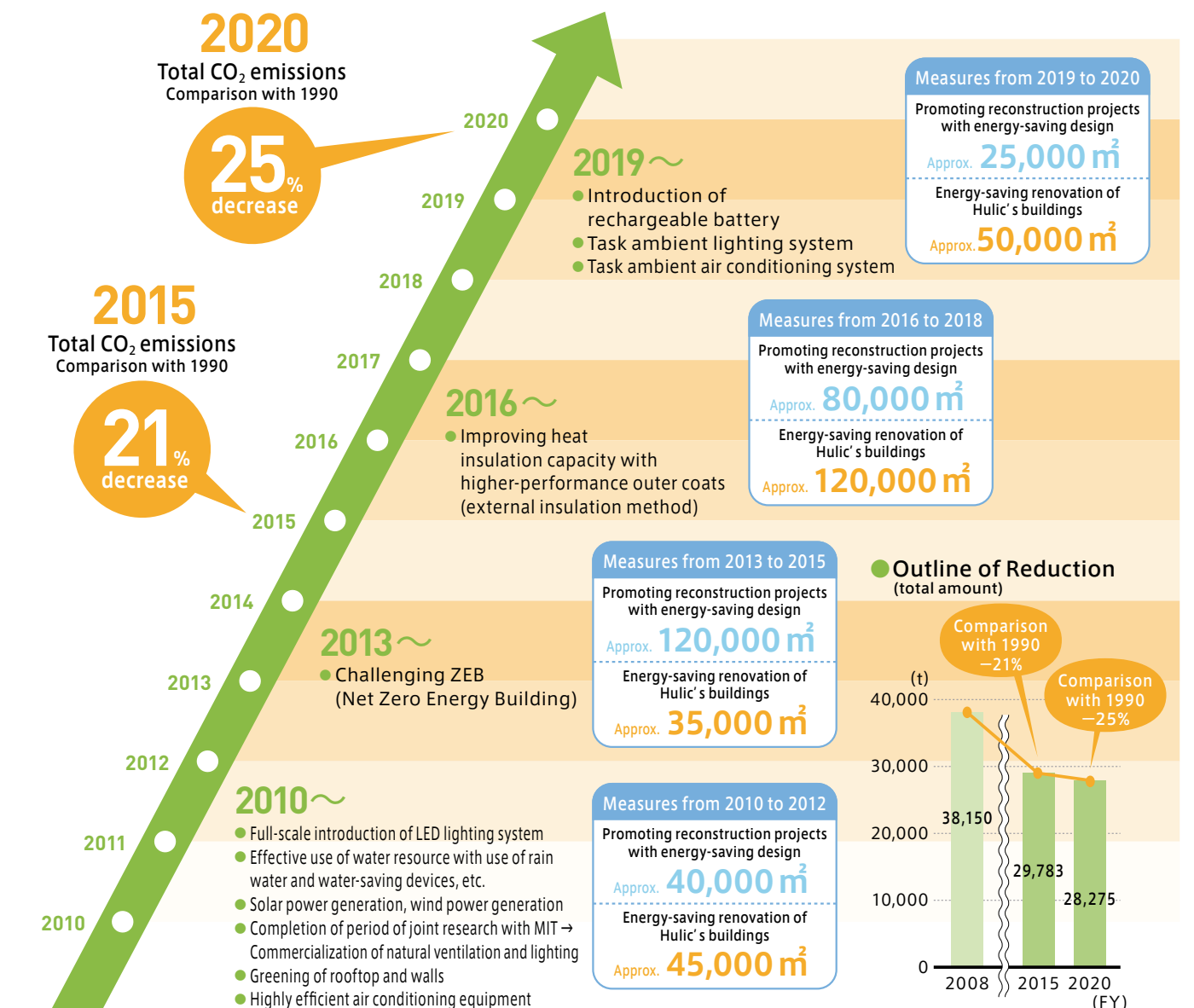
## Promoting reconstruction with energy-saving designs

We have actively pushed ahead with reconstruction projects. Being able to incorporate various energy-saving technologies at the stage of design, new buildings can significantly reduce CO<sub>2</sub> emissions with overwhelmingly excellent energy efficiency.

## Energy-saving renovations

We have used the natural energy system (natural ventilation and natural lighting) jointly researched with the Massachusetts Institute of Technology (MIT) to fundamentally improve the energy efficiency of lighting and air conditioning and reduce CO<sub>2</sub> emissions by curbing the energy consumption of buildings.

## ► Road Map toward Reduction



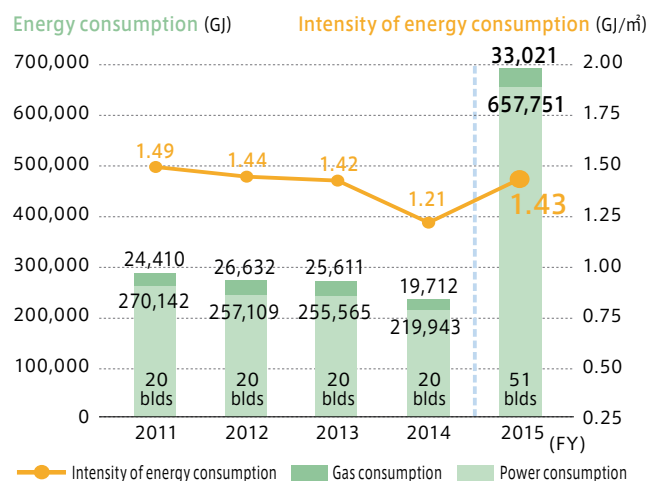


# Situation of Greenhouse Gas Emissions

## Energy Consumption and Greenhouse Gas Emissions at Hulic's Buildings

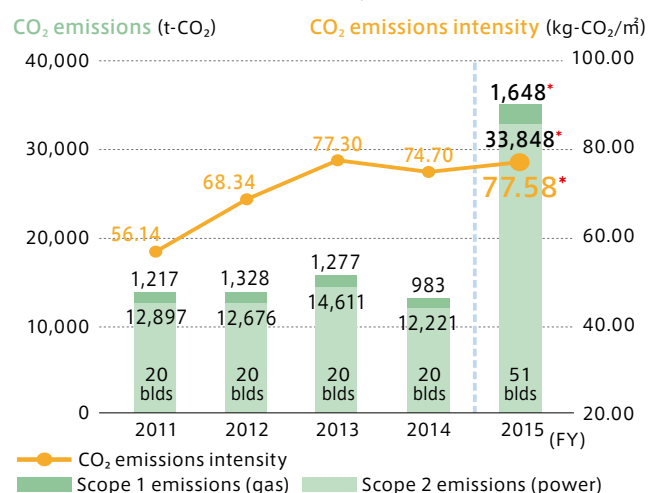
In tandem with our business expansion, the number of target properties reported in this report for fiscal year 2015 increased from 20 to 51. With the increase in the number of target properties, we aim to further promote energy-saving activities across all our businesses going forward. Alongside with the increase in the number of target buildings included in the report for this fiscal year, an increase was recorded in the figures of intensity that included properties with commercial and hotel tenants. We will continue to work actively toward our medium to long-term goal of reducing total CO<sub>2</sub> emissions from all office buildings owned by the Company by 25% from 1990 to 2020.

### ► Energy Consumption/Intensity



Note 1: As the target buildings for calculation increased from 20 to 51 buildings from 2015, energy consumption is on the rise. As it is difficult to capture past data, recalculation of actual values for the past is not carried out. Note 2: 0.00997GJ/kWh and 44.8GJ/ton are used as the unit calorific value for power and that for city gas, respectively.

### ► CO<sub>2</sub> Emissions/Intensity



Note 1: Figures marked with "\*" have been assured by an independent assurance provider. Note 2: As the target buildings for calculation increased from 20 to 51 buildings from 2015, CO<sub>2</sub> emissions are on the rise. As it is difficult to capture past data, recalculation of actual values for the past is not carried out. Note 3: CO<sub>2</sub> emissions intensity is the sum obtained through calculations that take the total floor area of the offices that use power and city gas, respectively as the denominator for each emission volume. Note 4: 0.0136tC/GJ is used as the emissions factor for city gas.

| CO <sub>2</sub> emissions | FY2014                                  | FY2015                                  |
|---------------------------|---|---|
|                           | 13,204t-CO <sub>2</sub> (20 properties) | 35,496t-CO <sub>2</sub> (51 properties) |

## 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 (CO<sub>2</sub>) produced and emitted from business activities at the HULIC Head Office Building.

| Category   | Main target for calculation                   | 2014 emissions (20 properties) | 2015 emissions (51 properties) |
|--|---|--------------------------------|--------------------------------|
| Purchased goods and services   | Consumables, office goods, water and sewerage | 17.3                           | 333.7                          |
| Calculations for fuel and energy-related activities outside of Scope 1 and Scope 2 | Electricity use and gas use                   | 2,162.8                        | 2,335.4                        |
| Upstream transportation and distribution   | Shipping parcels and letters                  | 25.1                           | 6.8                            |
| Waste generated from operations  | Waste generated from primary buildings        | 2.1                            | 26.9                           |
| Business travel  | Travel by train, bus or airplane, etc.        | 74.8                           | 52.3                           |
| Employee commuting   | Commute by train, bus or personal car         | 37.7                           | 39.0                           |
| Scope 3 total emissions  |   | 2,455.7                        | 2,794.2                        |

Note 1: The target buildings for calculation increased to 51 key buildings from fiscal year 2015. Note 2: Calculations for fuel and energy-related activities outside of Scope 1 and Scope 2 began from 2015.

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

The "Environmental Management Survey," which is a survey that has been annually conducted by Nikkei Inc. since 1997, announces rankings of companies excellent in their approach to environmental management based on each company's answers to a questionnaire. HULIC has ranked first in the category of warehouse, real estate and others for six consecutive years since the 14th Environmental Management Survey in 2010. Given that we were able to achieve another high 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 |
|---------------|---------------------------------|--------------------|---|---|
| 399           | 100                             | 100                | 100   | 99                                      |

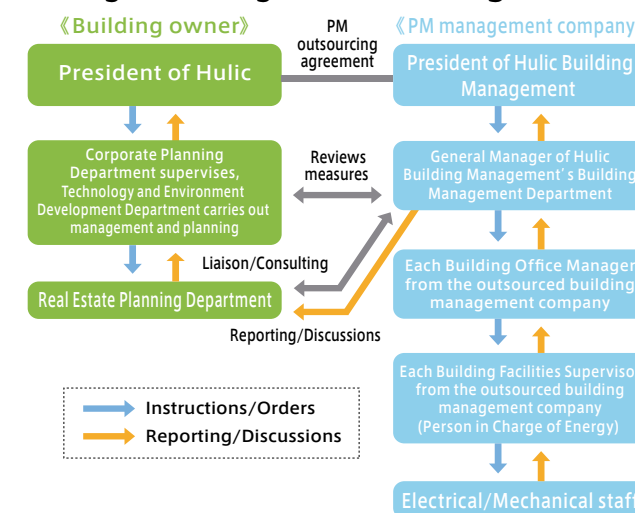


# Promotion of Energy-saving

## Activities to Promote Energy-saving Cooperation with Building Management Companies

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



## Energy-saving Operations in Cooperation with Tenants

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.

## Conversion to a New Air Conditioning System

### Desiccant Air Conditioning System

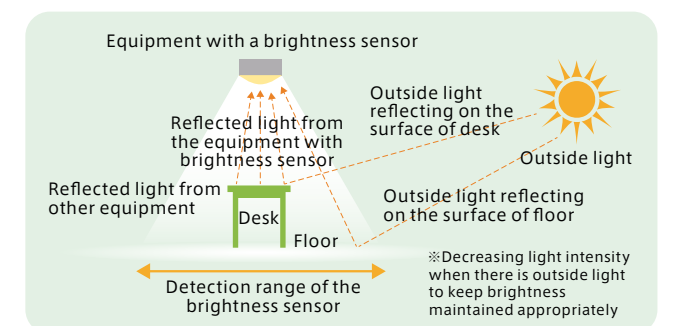
The HULIC Head Office Building uses a desiccant air conditioning system (humidity controlled air cooling system), which provides a more comfortable indoor environment compared to temperature controlled air cooling systems, even when the temperature setting is high. Using a hybrid control of this air conditioning system and natural ventilation system, we have been able to reduce our annual CO<sub>2</sub> emissions by about 100 tons.

## Introduction of LED Lighting

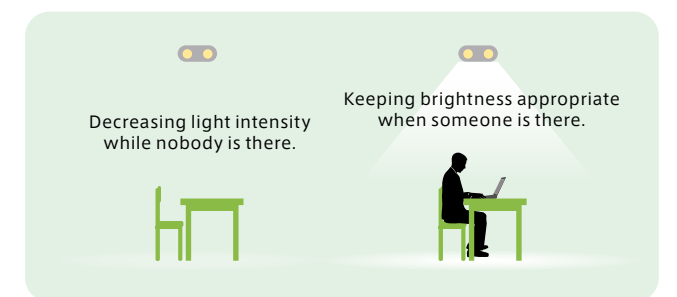
Use of LED lighting, which is brighter than incandescent lamps and fluorescents and uses less electricity, helps to significantly reduce power consumption and CO<sub>2</sub> emissions. Furthermore, as LED lighting is long lasting, it is possible to not only save the trouble of maintenance such as changing bulbs, but also reduce waste and effectively use resources. Some office buildings such as the HULIC Head Office Building, HULIC Ginza Sukiyabashi Building, HULIC Asakusabashi Building, and Nagatacho Hokkaido Square, and all development projects 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.

## Introduction of High-efficiency Lighting and Illumination Control Devices

HULIC has realized a significant level of reduction in CO<sub>2</sub> 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)





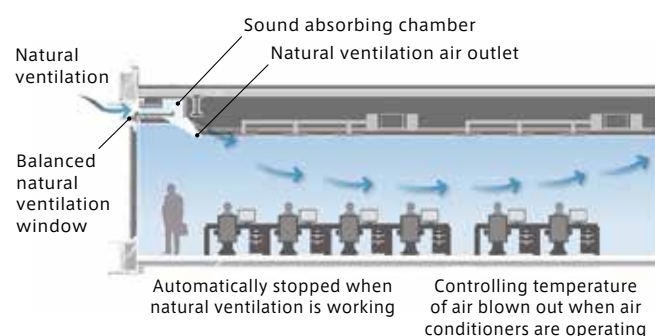
# Effective Use of Renewable Energy

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

### Natural Ventilation System

If the load from air conditioning can be lessened by making the maximum use of natural energy to curb energy consumption, CO<sub>2</sub> 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



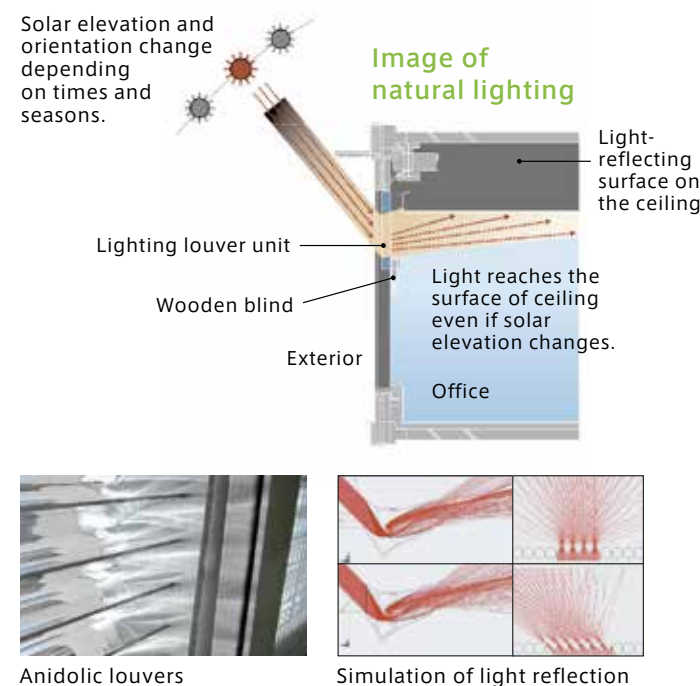
### Received the Minister of Land, Infrastructure, Transport and Tourism Award for the Global Environment Award

We successfully produced a natural ventilation and natural lighting system in city tenant buildings through three years of joint research and development with MIT, and introduced the system into actual properties. The initiative was commended with the Minister of Land, Infrastructure, Transport and Tourism Award for the Global Environment Award.



### 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.



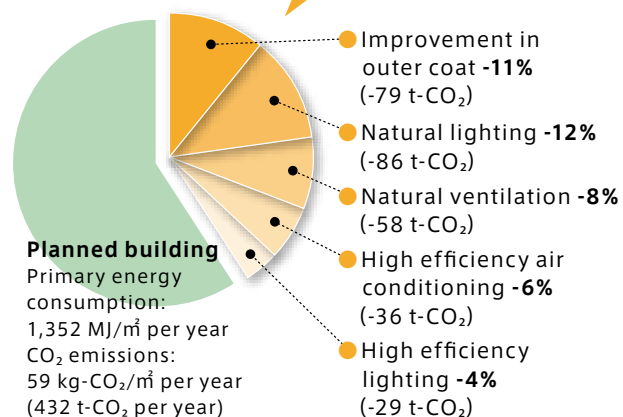
### Effects of CO<sub>2</sub> Reduction <Calculations at the Hulic Head Office Building>

CO<sub>2</sub> 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 m<sup>2</sup> ... Standard value of office buildings minus 25%
- **ERR**※  
= 35% ... The highest class in the energy-saving performance standard of Tokyo metropolitan government
- **CO<sub>2</sub> emissions reduction**  
= 40% reduction compared to an average office building in the Tokyo Metropolitan Government's energy efficiency performance standards.  
= CO<sub>2</sub> 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 CO<sub>2</sub> Emissions



## Mega Solar Power Project

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

### Effects of Mega Solar Power Project

- Effect ①** Reduce GHG through the Use of Renewable Energy
- Effect ②** Electricity Sales Income and Acquisition of Maintenance Business Know-How
- Effect ③** Contribution to the Great East Japan Earthquake Recovery Effort



Hirono Town Solar Power Plant



Ogoyama Town Solar Power Plant

### 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions. On the rooftop of Hulic Shimura-sakaue, completed in 2015, a 10 kW photovoltaic generation system with a capacity to generate upwards of 10,000 kWh of electricity every year has been installed.



Photovoltaic generation system panels (Hulic Shimura-sakaue)

### 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)

### 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            |



## Fundamental Approach

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."

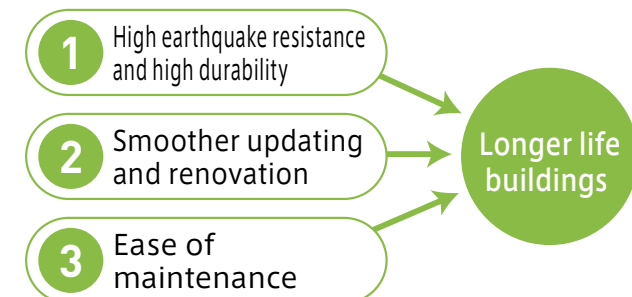
## 《Results in FY2015》

● Hulic's Longer Life Buildings completed based on the standards established in the "Hulic Guideline for Longer Life Service": **8 buildings**

## Creating a New Standard of Buildings that Last 100 Years

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

### ► Hulic Guideline for Longer Life Service



## Adoption of the PC Method

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

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

## Hulic Guideline for Longer Life Service

### ① High quake resistance and high durability

Structural frames shall be robust so they can be safely used over 100 years.

- Ensure the grade of quake resistance as high as hospitals and disaster prevention bases
- Thoroughly control the quality of works by designating details of design conditions for concrete and construction materials

### ② Smoother updating and renovation

We adopt a design capable of responding flexibly to future needs, and establish plans of updating and renewal without the need to make tenants move out.

- Flexibly respond to future changes in use purposes and layout, with spare ceiling height room and floor loading capacity, as well as a flexible partition wall and a system ceiling.
- Ensure the space to install spare pipes and equipment and prepare backup facilities, etc. so as to continue business even during the period of works for updating and renewal.
- Especially in commercial buildings, adopt the interchangeable facade system capable to meet needs, in order to avoid the building exterior to become obsolete.

### ③ Ease of maintenance

We formulate plans enabling timely and meticulous maintenance in order to keep sophisticated building specifications and optimal building functions constantly.

- Use gondola for maintenance, including the cleaning of window glass and inspections of the building exterior.
- Install an elevator reaching the rooftop to carry in materials there.

## Fundamental Approach

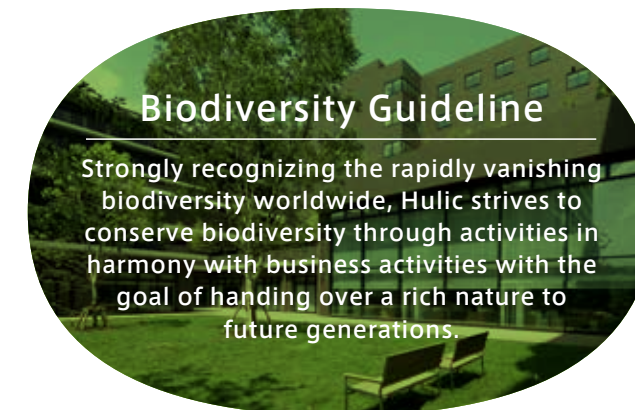
Hulic is carrying out initiatives that increase biodiversity in order to create urban spaces that are in harmony with the environment.

## 《Results in FY2015》

● Number of greening projects: **9 projects\***

## Biodiversity Guideline

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



## 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.



## ● Case Study/ Hulic Setagaya Construction Project

This initiative was a reconstruction project for approximately 7,200m<sup>2</sup> (total floor area) that was carried out at Taishido, Setagaya Ward in Tokyo from 2013. In line with the concept of achieving harmonious design between a residential facility and a banking branch, native species such as oak trees, Japanese privet shrubs, rhododendron, and lily turf were planted all over the building. In order for this project to fulfill the accreditation criteria, the shortfall in points was complemented by the Granda Gakugeidaigaku project that was accredited in May 2013. As a result, this project was successfully accredited. While the property is located in the commercial area in front of a station, greening initiatives have been adopted on the rooftop and walls of the building as a part of efforts to improve biodiversity.



Setagaya JHEP

## Greening Initiatives

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

## Greening on Rooftops and Premises

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

### ● Nagatacho Hokkaido Square



Roof greening

## 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.

### ● Hulic Shinjuku Building



Green wall

## 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).

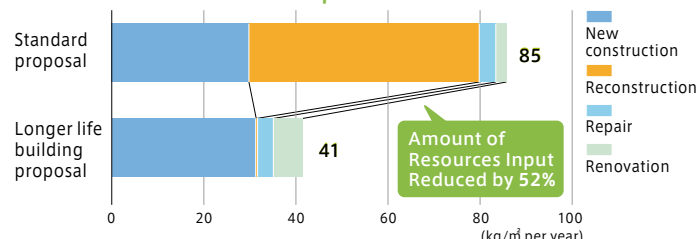


Conceptual image of Shinagawa Season Terrace

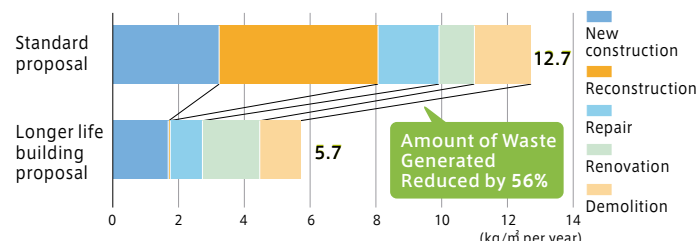


## ► Environmental Advantages of Longer Life Buildings (comparison over a 100-year span)

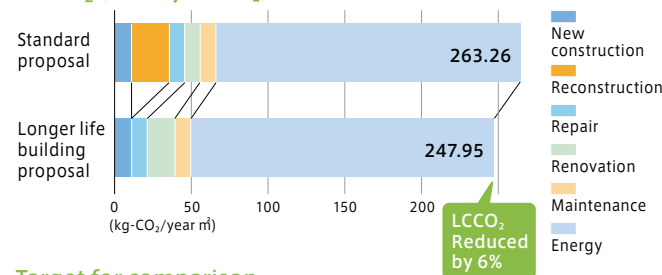
### Amount of Resources Input



### Amount of Waste Generated



### LCCO<sub>2</sub> (Life-Cycle CO<sub>2</sub>)



### Target for comparison

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

### Effects

As 3/4 of LCCO<sub>2</sub> or more is CO<sub>2</sub> that accompanies energy consumption, the effect of a reduction in CO<sub>2</sub> 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





# Initiatives for Our Customers

## Fundamental Approach

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

## 《Results in FY2015》

● Customer satisfaction: **95%**

## Thorough Implementation of an Earthquake Resistance Diagnosis and Seismic Reinforcement

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

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

We diagnosed the earthquake resistance of all Hulic's properties that were built before the new earthquake resistance standards were established<sup>※1</sup>, and almost all buildings that did not meet the earthquake resistance standards underwent seismic reinforcement. In relation to the office buildings which were determined to require reconfirmation<sup>※2</sup> 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

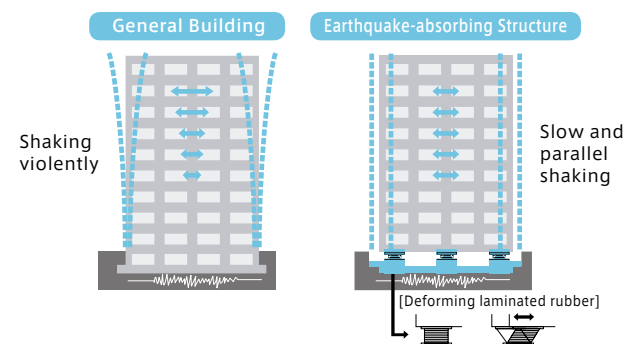
When electric facilities, etc. are damaged by flood in a basement, the supply of power which is essential for the use of buildings may stop. We investigate the status of buildings with power receiving and transforming facilities and private power generators installed in the basement, and implement necessary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

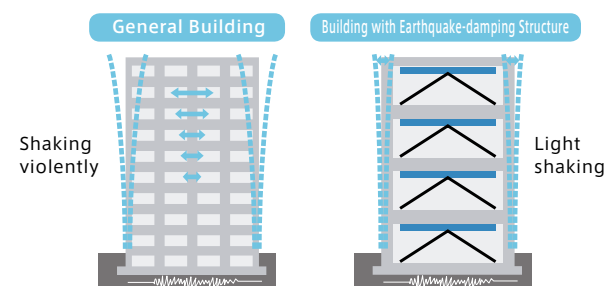
### Earthquake-absorbing Structures

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 Structures

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



## Providing a Comprehensive Package of Business Continuity Consulting

Hulic and Sompo 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 Sompo Japan Nipponkoa Risk Management to provide business continuity planning support to customers that must maintain a high degree of business continuity.

### Tangible Countermeasures

#### Hulic

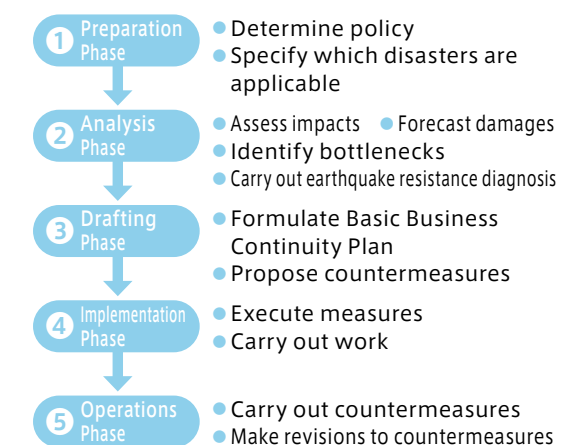
- Seismic reinforcement of building and facilities
- Measures against lifeline dependence through use of natural, renewable energy
- Countermeasures against Tsunami, etc.

### Intangible Countermeasures

#### Sompo 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 to each of these property management companies once a year to inspect their management conditions. Items to be evaluated include legal compliance, inspection of building and facilities, risk management, 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.

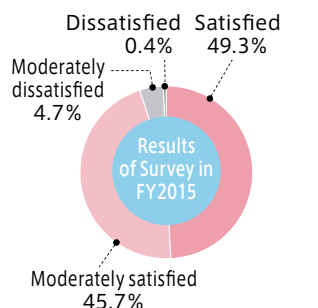
In relation to reconstruction projects, we are working on enhanced design standards and rules in order to ensure superior quality in terms of the environment, longer service life, disaster response, and design. A check sheet or regular discussions are used to check the progress, which enables us to better manage 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 2015, some 95% of corporate tenants were satisfied overall. This has helped us earn a highly positive reputation for our quick response to troubles and facility reinforcement for resolving issues, such as eliminating odors, as well as our systematic approach to facilities improvement (upgrading of air-conditioning and parking facilities), which leads to even greater overall satisfaction for the building.

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



## TOPICS: Hulic Uchikanda Building Receives Good Design Award 2015

Hulic Uchikanda Building, a property owned by the Company, received the Good Design Award 2015 presented by the Japan Institute of Design Promotion. This Good Design Award is a comprehensive recommendation program for design. The Hulic Uchikanda Building, originally a 53-year old office building, was given a new lease of life as a shared complex facility that combines three functions, comprising 54 rooms of shared apartments (shared lease housing), shared offices, and shared spaces. With the exception of the

stores on the first floor, the part of the building that serves as a shared complex facility has been leased collectively to ReBITA Inc. (Facility name: the C). This facility became a project that sought to carve out a new residential project, transforming an office district in Tokyo from a work location to a living location. The problem of evacuation routes, which arises when converting offices to residences, was resolved through the use of "inner balconies." This method is expected to be increasingly utilized in older office buildings in the future.







# Initiatives in the Local Community

## Fundamental Approach

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

## 《Results in FY2015》

● Social contribution by the company:  
12 items

● Social contribution by employees:  
6 items

## ► Policy for Social Contribution Activities

### Basic Philosophy

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

### Activity Guidelines

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

## Social Contribution as a Company

### The 3rd Hulic Student Design Competition Held with the Theme of "Visit Yokohama"

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 "Visit Yokohama" architecture, which creates a sense of anticipation for the future of the tourism city of Yokohama, the 3rd Hulic Student Design Competition invited free and innovative ideas. A total of 118 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, 40,052,500 yen in total has been donated by the Company and individuals as of December 2015. In order to keep donors interested after donation, the "Ashinaga Family Tsushin" sent by the Society is posted on the Company's intranet.

## The 3rd Hulic Odenma Summer Festival

In October 2012, Hulic moved its head office to Nihonbashi Odenma-cho. In July 2013, we held the "Hulic Odenma Summer Festival" at the Hulic Head Office Building, partly intending to introduce ourselves to the people in the community. Thanks to the overwhelmingly positive feedback, we decided to continue to hold the 3rd Odenma Summer Festival in July 2015. Various people came to the festival, including local children and workers in the neighboring area, thanks to the cooperation of the community association of Odenma-cho-Ninobu. We hope to be able to deepen ties among people in the communities through such activities. In addition, we donated proceeds of 225,700 yen from sales at the festival to a volunteer organization, in addition to the money collected through the seventh matching gift program.



## Support for the Shogi (Japanese Chess) Festival

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



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



## Community Cleanup Activities/ Flowerbed Maintenance 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 which is also organized by Chuo Ward. In fiscal year 2015, we also participated in the "Hana Saku Machikado" activity organized by Chuo Ward, where we carried out flowerbed maintenance activities. These activities are gradually establishing themselves as a new space for communication with the local community and other employees while advancing the beautification of the town.



**Koichi Yamashita**  
Real Estate Planning  
Department  
Hulic Co., Ltd.

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

After the earthquake disaster struck on 11 March 2011, we have continued to visit Kamaishi City in Iwate Prefecture every year. For this volunteer activity, we provided assistance to the victims in moving from temporary shelters to their rebuilt homes. Due to limited space at the temporary shelters, the disaster victims only had the minimal daily necessities required for everyday life, so all their belongings could be moved to their new residences quickly. The scattered pieces of belongings in each room reflected the reality of life in the temporary shelters. After the move was completed, the homeowner thanked us and offered

us tea. I was happy to have come as a volunteer to help them in starting their new lives. Progress has been made in infrastructural development, and there are now fewer places where marks of the tsunami still remain. However, I strongly felt that the local residents still have a long way to go toward rebuilding their lives. Even though the earthquake disaster has passed, the disaster has not ended. Regardless of the form that it takes, efforts to sustain the ties with the disaster-struck areas contribute to preventing the earthquake disaster from becoming a forgotten part of history. I would like to continue with these support activities going forward.

## Paid Leave for Employees Involved in Volunteer Activities

The Hulic Group has established paid leave for employees involved in volunteer activities in order to support and nurture their efforts to give back to the community and help to foster an attitude of wanting to address issues facing society. Employees are eligible to take up to 20 consecutive days of paid leave (considered a special leave of absence) to take part in philanthropic activities that give back to society. To encourage employees to use this leave, we provide not only information on social contribution activities, but also increase interest by sharing the volunteer experiences of employees with the entire Company through our in-house intranet system. In fiscal year 2015, 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 20 employees from Hulic, Hulic Building Management and Hulic Insurance Service took part.



## ● Social contribution by employees

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

## ● Social contribution by the company

- |   |   |
|---|---|
| ① Held students' idea competition                                     | ⑦ Donation to Red Cross   |
| ② Hosted summer festivals   | ⑧ Donation to Akaihane  |
| ③ Donation of used postal stamps                                      | ⑨ Donation to Ashinaga Scholarship Society                      |
| ④ Donation to Civic Force   | ⑩ Opened the company daycare nursery to local community members |
| ⑤ Sponsorship to support Mainichi Shimbun in Fukushima relief efforts | ⑪ Sponsorship to the Kyoto Kensetsu Center                      |
| ⑥ Sponsorship for the Kishikai Fukushima Shogi Festival               | ⑫ Support for Nezu Foundation                                   |





# Diversity Initiatives

## Fundamental Approach

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

## 《Results in FY2015》

● Ratio of female managers: **10.4%**

## Promoting Diversity

### Respect for Human Rights

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



### Employment of Diverse Human Resources

Participating in the joint declaration on the charter of corporate ethics concerning employment made by Keidanren (Japan Business Federation), we have proactively employed new graduates in accordance with the purpose of the charter. When hiring new graduates, we make efforts for widely ensuring diverse human resources based on their ability, regardless of backgrounds and gender. The ratio 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 10 Years from Now (2014-2023)" 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 Suginami Office marked its 8th anniversary, and as of June 2015, Hulic's employment rate of persons with disabilities was 2.31%\* on a consolidated basis and 7.36%\* on a non-consolidated basis. Currently, eleven employees with disabilities, instructors with experience in coaching, and a chief administrator are working at the Hulic Suginami Office, where they carry out operations, such as the dispatch of direct mail. A monthly meeting with the Human Resources and General Affairs 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 (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.

※ The target subsidiaries are companies that have been certified as affiliated subsidiary companies.



Logo of excellence in a corporation employing the disabled in Tokyo

### Promoting Communication between Various Employees

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

In addition, the Top Seminar is held once a month, while the President Questionnaire is conducted half-yearly. The Top Seminar is targeted at employees below the age of 40, and is an informal gathering between the President and about 10 employees of different demographics each month, such as by division or generation.

When the "President Questionnaire" is conducted, 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. It provides an opportunity for all employees to communicate directly with the President.

## Promoting Female Empowerment

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

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

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

#### Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace

##### 《Duration of the Plan》

April 1, 2016-December 31, 2020

##### 《Quantitative Goals》

To achieve a ratio of female managers of 20% or higher by 2020

##### 《Initiatives》

- Fostering awareness toward career development, and training skills to enable the appointment of women as managers.
- Developing an environment that facilitates the easy use of the work-life balance support system, and spreading awareness about it.
- Educating managers on diversity management.

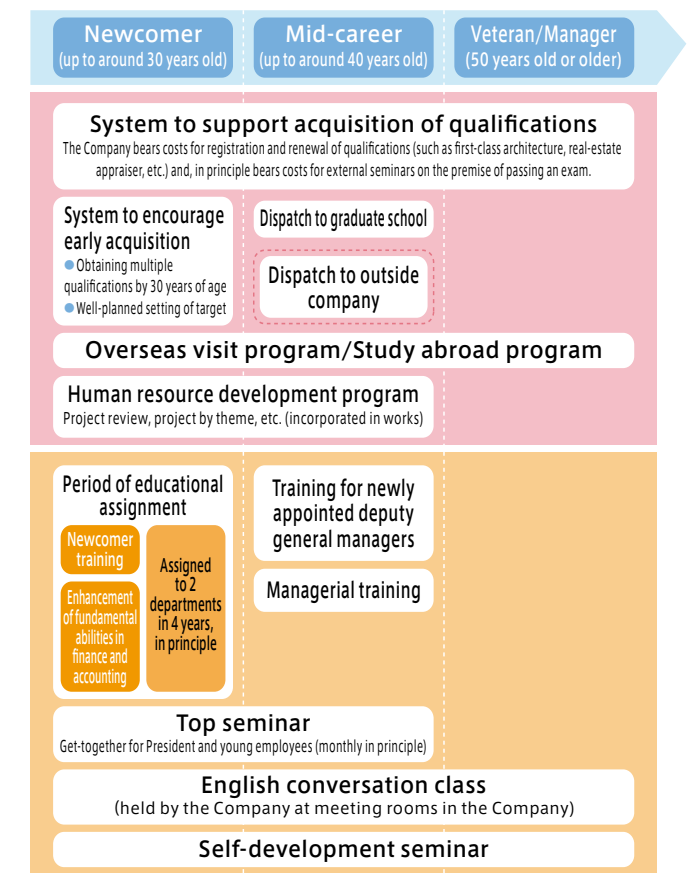
As a result of the formulation of the Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, Hulic attained the highest rank in the "Eruboshi" certification presented by the Minister of Health, Labor and Welfare, in recognition of the Company as an outstanding company in the implementation of initiatives to promote female empowerment at the workplace.



## Human Resource Development

### Stance on Human Resource Development

Hulic's ordinary income per employee is approximately 300 million yen. This puts us in the top class among listed companies. We could say that this was made possible by the fact that we are a group comprising a small number of elite professionals. Currently, many of our employees are qualified professionals such as lawyers, certified public accountants, real estate appraisers, and qualified architects of the first class. Furthermore, with the aim of enhancing their specialized skills, employees are recommended to obtain two qualifications by the time they reach the age of 30. The costs for these personnel upgrading efforts are fully covered by the Company.



### Recognized for Inclusion in Diversity Management Selection 100 and Nadeshiko Brand 2016

From the standpoint of empowering female employees and helping employees improve their career skills, we are working to transform our organizational structure, develop an employee-friendly work environment, and further enhance our benefit programs. In particular, we have put effort into establishing a top-class system for fostering the future generations (childcare support system/nursery facilities in the offices, etc.), with the aim of ensuring that female employees will be able to continue playing an active role in the company after childbirth and while caring for their children. These efforts have been highly appraised through recognition in the Diversity Management Selection 100 and the Nadeshiko Brand 2016.



## Fundamental Approach

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.

### 《Results in FY2015》

- Usage rate of paid leave: **71%\***
- Number of employees who returned to work after childcare leave: **100%**

## Work-life Balance

The falling birth rate, aging population, and women's social advancement are important issues for Japan's economy. In relation to the support for development of the next generation, Hulic aims at a higher level than the 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 Raising Next-Generation Children by the Tokyo Labor Bureau. This recognition also earned us the right to use the "Kurumin" next-generation accreditation logo.



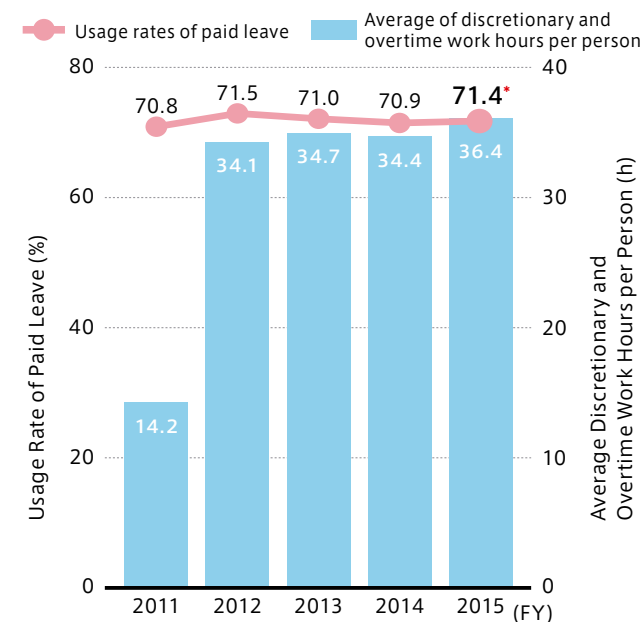
## Establishment of Hulic's Onsite Childcare Nursery Facility

In October 2014, we opened the Odenma Fureai Childcare 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 childcare 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 childcare nursery is also be 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. In July 2015, Hulic's onsite nursery facility was presented with the Kids Design Award 2015 (Organizer: Kids Design Association. Sponsors: Ministry of Economy, Trade and Industry and Consumer Affairs Agency). Odenma Fureai Childcare Nursery website: <http://www.hulic.co.jp/csr/employee/nursery/> (※ Conditions for use differ from those of employees)



## Planned Use of Leaves and Restraint of Long-periods of Overtime Work

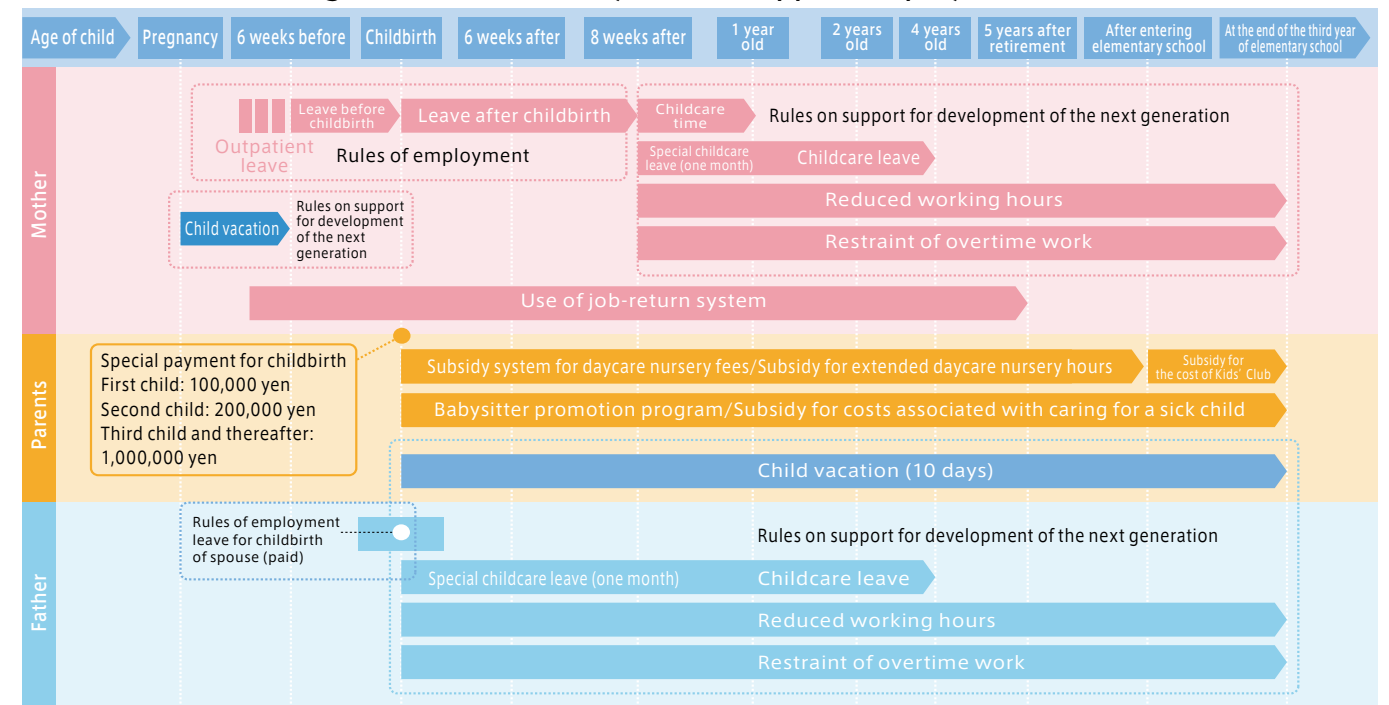
In order to boost the usage rate of paid leave by employees and be further conscious about their health, we have conducted a campaign to improve the usage rate of paid leave. The goals of the campaign include making all employees take a three-day vacation once a year and making all employees take a one-week vacation once a year. Individual departments discuss plans to take vacations in consideration of the planned use of leave. In fiscal year 2015, the usage rate of paid leave was 71%\*, the average of discretionary and overtime work hours per person was 36.4 hours (including overtime hours as defined in the Labor Standards Act). We will strive to allow employees to take more paid leave and reduce overtime hours through improved management of indicators related to working hours by the Risk Management Committee, guidance and advice provided by the Health Committee, an appeal from a member of the Health Committee to each employee, and taking care of each 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 remind employees about leaving work on time within each division. The status of implementation is inspected and analyzed every month. In fiscal year 2015, the rate of implementation decreased 7% year on year to 66% on average. Going forward, we will continue to review the way of working, for example, by making operations well-modulated and more efficient, and by further increasing the implementation rate of No Overtime Days. We will also issue more proactive reminders to employees of departments with a low implementation rate. We also introduced the "Summer Lifestyle Transformation" campaign, which allows employees to stagger the times they commute to work during the summer season.

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



## ► Summaries of the Systems for Supporting the Combination of Work and Nursing Care

| System   | Summary   | Non-Eligible Employees   | Allowable Days and Frequency  |
|--|---|--|---|
| Family care leave  | Employees are allowed to take days off for nursing care. (※During the family care leave period, a regular salary is paid to the employee for the first one month (which is a special family care leave period), part of the regular salary is paid to the employee for the following two months (which are also a special family care leave period), and the social insurance premium is borne by our company for the remaining nine months.) | Employees such as those who have worked for our company for less than one year or those whose predefined weekly working days are two days or less per week | For a family member who is currently in need of care, employees are allowed to take family care leave once and the period is up to one year. (※However, if the employee has remaining days of family care leave, when the employee applies for the use of the remaining days, and when our company approves the application, the employee is allowed to have days off again.) |
| Reduced working hours                                    | For nursing care, employees are allowed to reduce their daily regular working hours by up to two hours with a unit of 30 minutes.   | Employees such as those who have worked for our company for less than one year   | For a family member who is in need of care, the employee is allowed to reduce his/her working hours for up to one year. (The reduced working hours are determined based on the remaining days of his/her family care leave.)  |
| Days off for family care                                 | Employees are allowed to take a paid half day off or a paid full day off to take care of a family member who is in need of care.  | —  | Employees are allowed to take 10 days off for family care, regardless of the number of family members who are in need of care. Out of the 10 days, five days can be used as half days off (equating to 10 half days off).   |
| Restriction of work in excess of statutory working hours | Overtime hours of more than 24 hours in a month and 150 hours in a year are exempted.   | Employees who have worked for our company for less than one year or whose predefined weekly working days are two days or less per week                     | The frequency of applying for this system is not restricted.  |

※A family member who is in need of care is defined as an employee's spouse, or the employee's or employee spouse's father, mother, child, grandfather, grandmother, brother, sister, or grandchild. The family member must require constant nursing care for over two weeks due to a reason such as an injury, disease, or physical or mental disorder. The family member must live with and be supported by the employee.

## ► Personnel Performance Data

| Item   | Unit             | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|--|------------------|--------|--------|--------|--------|--------|
| Number of employees (non-consolidated)   | Men/Women        | 77/29  | 96/33  | 90/35  | 85/31  | 93/35  |
|  | Total            | 106    | 129    | 125    | 116    | 128    |
| Number of employees (consolidated)   | Person           | 375    | 429    | 461    | 753    | 784    |
| Average annual salary  | Ten thousand yen | 1,023  | 1,086  | 1,120  | 1,268  | 1,295  |
| Number of employees who left their job   | Person           | 1      | 1      | 2      | 1      | 2      |
| Number of employees in managerial positions (excluding executive officers)                   | Men/Women        | 37/4   | 56/5   | 53/4   | 43/4   | 43/5   |
| Employment ratio of the disabled (non-consolidated)  | %                | 5.66   | 5.30   | 6.92   | 8.56   | 2.31*  |
| Employment ratio of the disabled (consolidated)  | %                | —      | —      | 2.14   | 2.46   | 7.36*  |
| Number of employees who took childbirth leave  | Person           | 1      | 1      | 1      | 3      | 6      |
| Number of employees who took childcare leave   | Men/Women        | 1/1    | 1/1    | 0/2    | 2/3    | 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      | 2      | 2      | 0      | 3      |
| 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) | Day              | 17     | 15     | 17     | 31     | 34     |
| Number of users of the subsidy system for daycare nursery fees                               | Person           | 6      | 7      | 8      | 11     | 14     |
| Number of employees who took leave to take part in volunteer activities                      | Person           | 39     | 3      | 21     | 18     | 14     |

Figures marked with \*\*\* have been assured by an independent assurance provider.



## Initiatives for our business partners

### Fundamental Approach

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

### 《Results in FY2015》

- Completion of Shinagawa Season Terrace (Shibaura Water Recycling Center rebuilding project)

### 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

- ① We will comply with laws, regulations and social norms, and undertake business activities based on a set of corporate ethics.
- ② We will respect the fundamental human rights of all people.
- ③ We will take consideration of environmental conservation and will strive to promote green procurement.
- ④ We will build an information management system and manage information appropriately.
- ⑤ We will carry out fair and equitable business transactions and build a trust relationship with business partners.
- ⑥ We will strive to maintain peace of mind, safety and high quality.

### Fair trades with Outsourced Contractors

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

### Public-private partnerships via PPP projects

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

(Left) Hulic Asakusabashi Building, (Right) Shinagawa Season Terrace (Shibaura Water Recycling Center rebuilding project)

### Cooperation with Building Management Companies

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

#### Items to evaluate management by management companies

- Whether all matters stipulated in laws and regulations have been performed in a building subject to outsourcing management.
- Whether the management policy been thoroughly has familiarized to homogenize management services.
- Whether the safety and health education has been conducted. Whether necessary tools including a first aid kit have been placed.
- Whether staff have given care to appearance and manner. Whether they have kept favorable communication with tenants.
- Whether education and training systems are in place for personnel responsible for building management.

#### Items to evaluate management conditions of buildings

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



## Initiatives for Our Shareholders and Investors

### Fundamental Approach

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

### 《Results in FY2015》

- Number of information sessions for personal investors held: 10 (including sessions for sales personnel of securities companies, IR fairs, and events)

### Information Disclosure Policy

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

### Enhancement of Various IR Tools

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



### Outside Evaluation of IR Activities

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



### Dividend Policy

Our basic policy is to continue providing the stable payment of dividends as based on the trends of our business performance, as a way of returning profits to our shareholders. The dividends have continued to increase every fiscal year so far. To thank our shareholders for their continued support, we annually present a gift of gourmet catalog equivalent to 3,000 yen to shareholders with 300 shares or more. Furthermore, we have been sending out two sets of 3,000 yen gourmet catalogue gifts (worth 6,000 yen in all) to shareholders holding more than 300 shares for more than three consecutive years.

### Briefing Session for Private Investors

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



### Brief Sessions for Organizational Investors and Analysts

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

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





## Fundamental Approach

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

## 《Results in FY2015》

- Number of internal audits conducted: **8** times
- Participation rate in the Board of Directors' Meeting: **98%**

## Corporate Governance Guidelines

At a Board Meeting in August 2015, it was decided that Hulic will abide by all Corporate Governance Codes stipulated by the Tokyo Stock Exchange, Inc., and that the company would establish Corporate Governance Guidelines as a framework for the realization of appropriate corporate governance.



## Management System

The Board of Directors meets once a month in principle, and holds further meetings as needed. The Board of Directors is comprised of 10 directors, of which four are designated and reported as independent directors based on the stipulations of the Tokyo Stock Exchange (as of June 2016). Directors determine important matters concerning Hulic's business activities, including 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 2016) selected from legal professionals, public accountants, academics, and business professionals. The Management Advisory Committee provides advice and recommendations to the Board of Directors on all aspects of management, including matters discussed by the Board of Directors, in order to ensure the independence of the Company and the interests of stakeholder are not damaged.

## Audit Structure

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

## Internal Audit Structure

Internal audits are carried out independently from other business lines by the Corporate Audit Department, which is placed under the direct control of the President. The internal audit 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 2016).

## External Evaluation of Internal Audit

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

## Policy for the Selection of Directors and External Directors

The Company has four External Directors and three External Auditors. The External Directors and External Auditors comment appropriately at the meetings of the Board of Directors from a position that is independent from that of the business and affairs of the corporation and fulfill the functions of monitoring and checks on the management.

In selecting External Directors and External Auditors, the independent External Directors are selected based on the "Criteria for assessing the independence of independent external directors" set forth in Hulic's Corporate Governance Guidelines, which take reference from the guidelines on the independence of independent executive officer(s) set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. These are considered to be appropriate in light of the important roles that the External Directors and External Auditors fulfill within Hulic's corporate governance system.

## Expertise of the Directors (External Directors)

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

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

## Nominating Committee and Remuneration Committee

The following "discretionary committees" were newly established alongside with the enactment of the Corporate Governance Code, enforced on June 1 2015.

### ● Nominating Committee

The Nominating Committee serves the function of reporting to the Board of Directors on the nomination of executive officers, and deliberates on the following matters:

- (1) Selection of Director and Auditor candidates
- (2) Changes to Directors (promotion, etc.)
- (3) Other items concerning succession plans and the abovementioned items, as deemed necessary by the Board of Directors

### ● Remuneration Committee

The Remuneration Committee is appointed by the Board of Directors, and deliberates on the following matters:

- (1) Remuneration standards and other matters pertaining to the remuneration of Directors
- (2) Other matters concerning the remuneration of Directors, as deemed necessary by the Board of Directors

## Policy for Determining Director Compensation

### ● Compensation, etc. of directors and Audit & Supervisory Board members

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

### Amount of Remuneration for Executive Officers

Total amount of remuneration by the classification of executive officers, total amount by the type of remuneration, and number of target executive officers (FY2015)

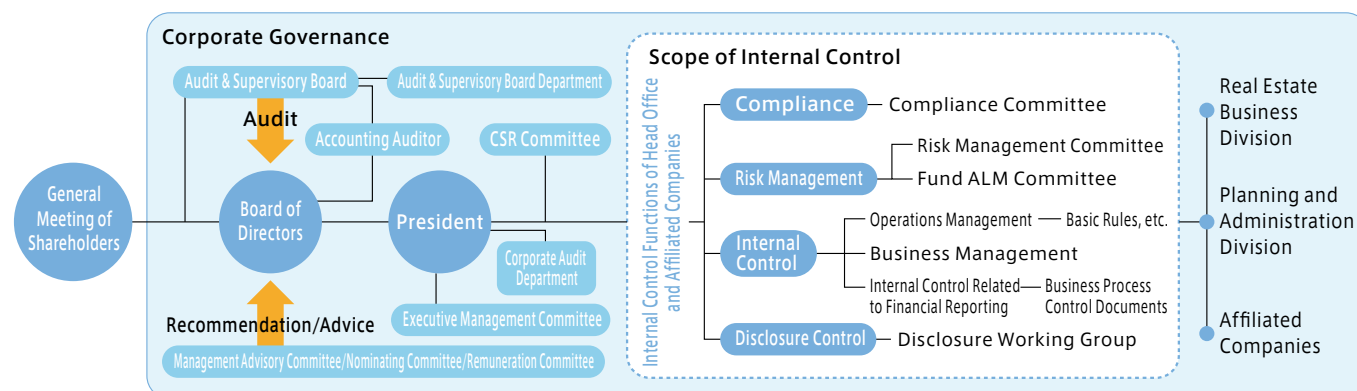
| Classification of executive officers     | Total amount of remuneration, etc. (million yen) | Total amount by the type of remuneration (million yen) |               |         | number of target executive officers (No. of people) |
|--|--|--|---------------|---------|---|
|  |  | Basic remuneration                                     | Stock options | Bonuses |   |
| Directors (excluding External Directors) | 333  | 246  | —             | 86      | 6   |
| Auditors (excluding External Auditors)   | 45   | 45   | —             | —       | 2   |
| External executive officers              | 91   | 91   | —             | —       | 8   |

## Adoption of the Stock Remuneration System

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

Under this system, stocks in the Company are acquired through trusts, funded by monetary contributions from the Company. It is a stock remuneration system that is tied in with the business performance, whereby actual stocks in the Company, as well as money equivalent to the market value of the Company's stocks, are paid out to the Directors, etc. through the trust, corresponding with the business performance, and in line with the regulations on the payment of stocks to executive officers set forth by the Board of Directors.

## ▶ Corporate Governance System Chart (As of June 2016)





## Fundamental Approach

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

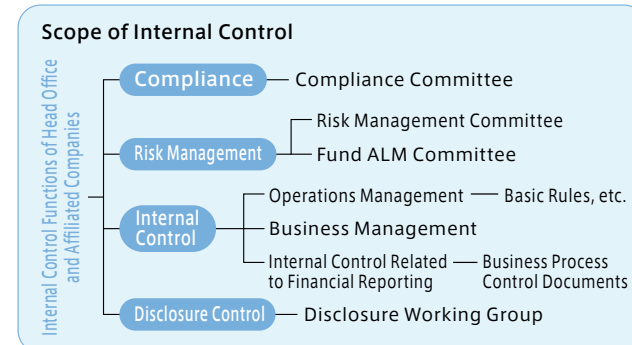
## 《Results in FY2015》

● Number of total disaster training and first-aid training conducted: **1** time

## Risk Management Structure

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 to comprehend the market risk of real estate, and we have also formulated a business continuity basic plan to prepare for large-scale disasters, under which we are working hard to reinforce our risk management structure by implementing company-wide training drills and other measures. Based on 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.

### ► Risk Management Structure Chart



## Business Continuity Initiatives for Disasters

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

### ► Cooperative Structure with Business Partners

#### ● Immediate Confirmation of Damages

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



#### ● Response Aimed at Recovery of Operations

Emergency repair agreements (21 companies)



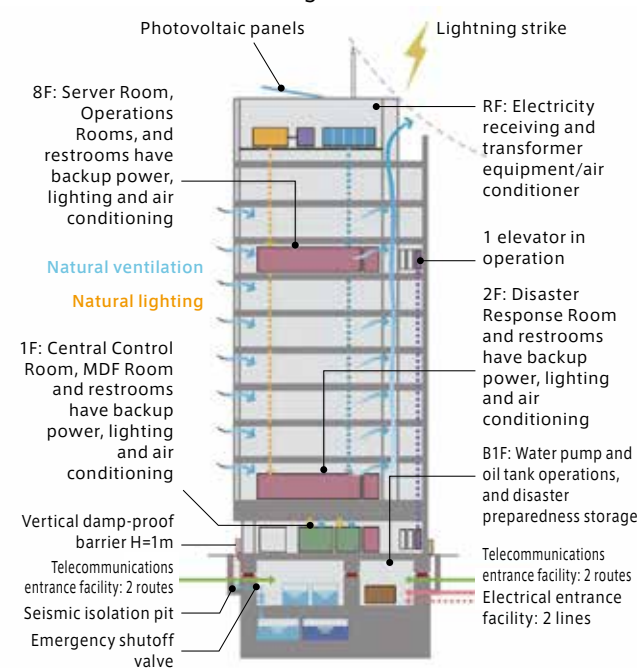
## Facilities and Stockpiles for Sustaining Business Operations

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

- 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
- Uses wireless equipment for communications between the management offices of other company-owned properties, etc.

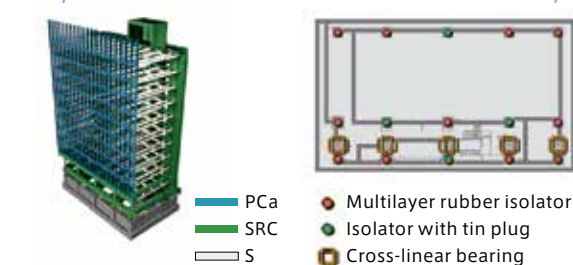
The HULIC Head Office Building, which will serve as a hub during a disaster, has received the highest rating of DBJ BCM from the Development Bank of Japan for its preparations. In addition to our Head Office Building we are stockpiling water resources and establishing a drainage system, as well as installing 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]



## Fundamental Approach

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

## 《Results in FY2015》

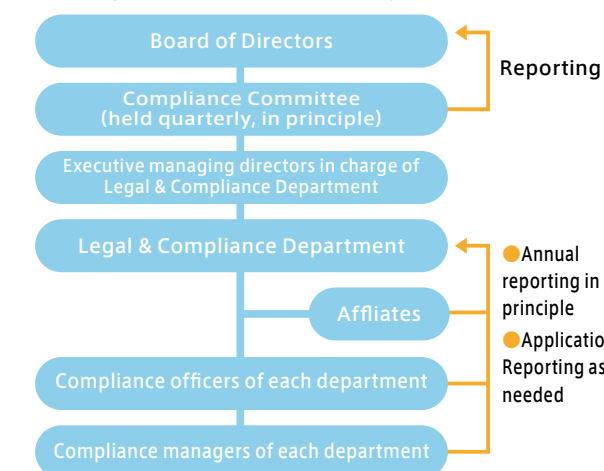
● Compliance seminars for all employees  
No. of seminars conducted: **5** times

Transmission of information: **12** times

## Compliance Promotion System

In accordance with the compliance rules, we have built a company-wide system composed of the Board of Directors at the top, the Compliance Committee, executive managing directors in charge of legal affairs and compliance, and compliance officers of each department. The status of activities 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.

### ► Compliance Promotion System Chart



### ► Compliance Manual

- 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.

## 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, seminars were also conducted in 2015 on the overview of the My Number system, human rights issues, and the Act on the Prevention of Transfer of Criminal Proceeds. 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 FY2015

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

## 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 appropriateness in their business execution system and the clarity of the procedures, 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 2015, there was no case or accident related to information leaks.



## Directors (as of June 2016)

### Board of Directors

- Chairman, Representative Director  
**Saburo Nishiura**
- President, Representative Director  
**Manabu Yoshidome**
- Representative Director (Senior Executive Managing Officer)  
**Hidehiro Shiga**
- Director (Senior Executive Managing Officer)  
**Shinji Furuichi**
- Director (Senior Executive Managing Officer)  
**Hajime Kobayashi**  
General Manager of the Corporate Planning Department
- Director (Executive Managing Officer)  
**Takaya Maeda**  
General Manager of Real Estate Development Department 1
- External Director (part time)  
**Tsukasa Miyajima**  
Professor of Asahi University  
Professor Emeritus of Keio University  
External Director of Mitsui Sumitomo Insurance Company, Limited  
External Auditor of Mikuni Corporation  
External Director of Dai Nippon Printing Co., Ltd.  
Councillor of Meiji Yasuda Life Insurance Company  
Asset Disposal Committee Chairman of Japan Railway Construction, Transport and Technology Agency
- External Director (part time)  
**Hideo Yamada**  
Lawyer of Yamada Ozaki Law Office  
External Auditor of Taiyo Chemical Industry Co., Ltd.  
External Director of Lion Corporation  
External Director of Sato Holdings Corporation  
Board Chairman of Akiko Tachibana Ballet School
- External Director (part time)  
**Atsuko Fukushima**  
Journalist  
External Director of Calbee, Inc.  
External Director of Nagoya Railroad Co., Ltd.  
Management Council Member of Shimane University
- External Director (part time)  
**Kaoru Takahashi**  
Representative Director, President of Sompo Japan Nipponkoa Himawari Life Insurance, Inc.  
Director of Sompo Japan Nipponkoa Insurance Holdings, Inc.

### Audit & Supervisory Board Member

- Auditor  
**Shigeo Nakane**  
Full-time Auditor
- Auditor  
**Takuya Asai**  
Full-time Auditor
- External Auditor (part time)  
**Koichi Nezu**  
Chairman Emeritus of Tobu Department Store Co., Ltd.  
Board Chairman of Musashi Academy of the Nezu Foundation  
Board Chairman and Curator of Nezu Museum
- External Auditor (part time)  
**Nobuyuki Kobayashi**  
Certified public accountant/Tax accountant  
Representative member of the tax accountant's corporation, Research Institute for Accounting Practices  
Professor at the graduate school of the Nagoya University of Commerce & Business
- External Audit (part time)  
**Kenichi Sekiguchi**  
Special Advisor of Meiji Yasuda Life Insurance Company

### Corporate Officers

- Executive Managing Officer  
**Hiroshi Kitano**  
General Manager of the Finance Department
- Executive Managing Officer  
**Yasuki Yakabi**  
General Manager of the Asset Solutions Department 1 & the Asset Solutions Department 2
- Executive Managing Officer  
**Takeshi Uratani**  
General Manager of the Property Development Department
- Executive Managing Officer  
**Noritaka Takahashi**  
General Manager of the Real Estate Planning Department & Tourism Business Development Department
- Executive Managing Officer  
**Shin Ito**  
General Manager of the Corporate Communications & Investor Relations Department
- Managing Officer  
**Taichi Nakamura**  
General Manager of the Real Estate Development Department 2
- Managing Officer  
**Yoshito Nishikawa**  
General Manager of the Real Estate Investment Department
- Managing Officer  
**Yoshikazu Nagatsuka**  
General Manager of the Real Estate Marketing Department 2
- Managing Officer  
**Takeshi Ozawa**  
General Manager of the Human Resource and General Affairs Department & Legal & Compliance Department
- Managing Officer  
**Nobuyoshi Tanaka**  
General Manager of the Technology and Environment Development Department



Hulic Head Office Building

## 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

#### ● 9th Meeting (August 2015)

Fiscal year 2014 performance/CSR plan for 2016/Areas of improvement

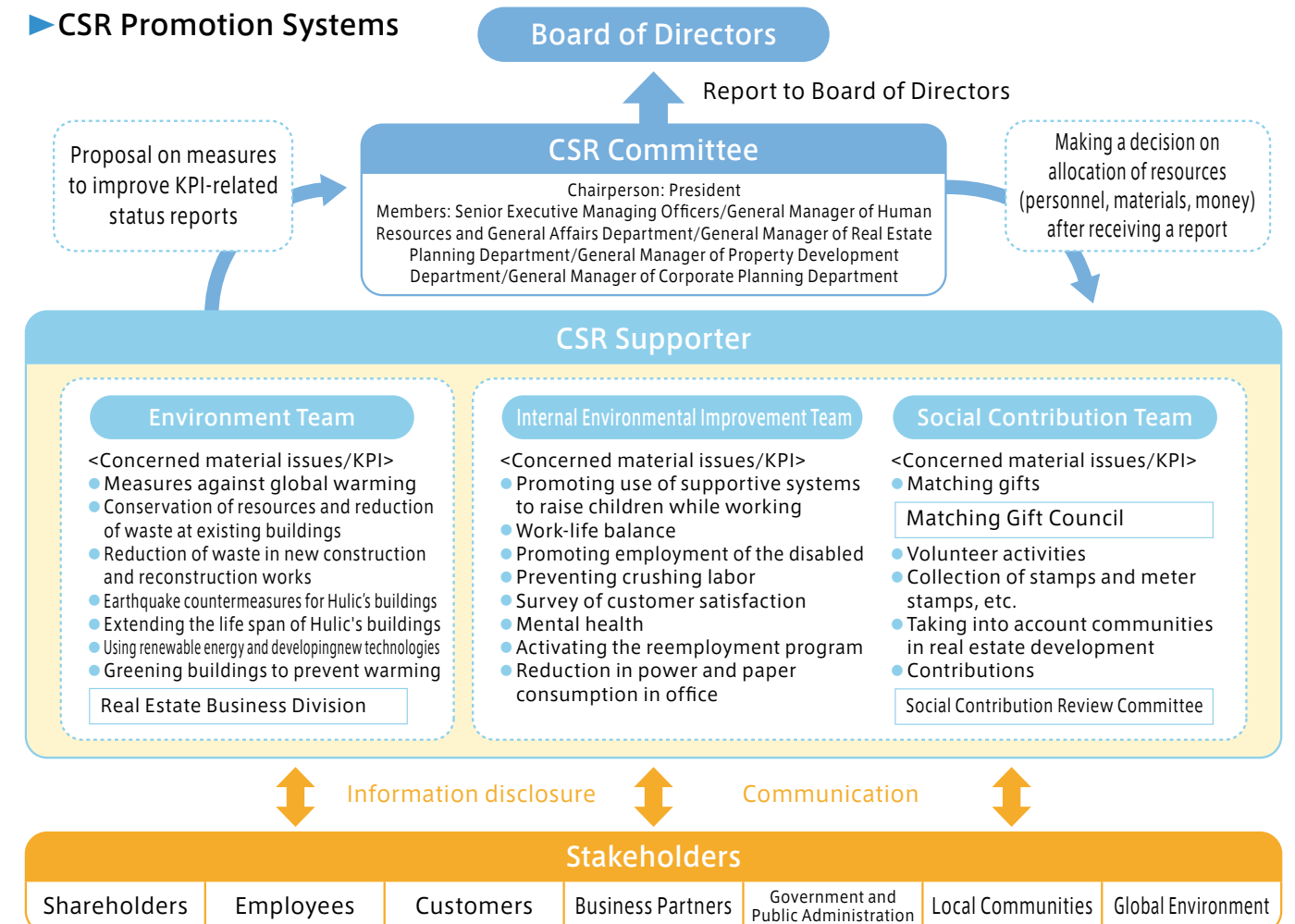
## Activities of CSR Supporters

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.



Flowerbed maintenance activities carried out by CSR supporters

## CSR Promotion Systems







# Consolidated Financial Statements

## ► Consolidated Balance Sheets

|   | Previous consolidated<br>accounting period<br>(ended December 2014) | (Unit: Million Yen)<br>Current consolidated<br>accounting period<br>(ended December 2015) |
|---|---|---|
| <b>● Assets</b>                             |   |   |
| <b>Current assets</b>                       |   |   |
| Cash and deposits                           | 22,129  | 31,224  |
| Notes and operating accounts receivable     | 4,383   | 3,870   |
| Merchandise                                 | 0   | 0   |
| Real estate for sale                        | 37,124  | 86,587  |
| Real estate for sale in process             | 11,351  | 21,001  |
| Costs on uncompleted construction contracts | 11  | 45  |
| Supplies                                    | 36  | 38  |
| Operational investment securities           | 3,031   | 2,256   |
| Deferred tax assets                         | 1,685   | 9,024   |
| Other                                       | 6,438   | 6,215   |
| Allowance for doubtful accounts             | (4)   | (4)   |
| <b>Total current assets</b>                 | <b>86,188</b>   | <b>160,261</b>  |
| <b>Non-current assets</b>                   |   |   |
| Property, plant and equipment               |   |   |
| Buildings and structures                    | 207,228   | 250,981   |
| Accumulated depreciation                    | (55,489)  | (61,095)  |
| Buildings and structures, net               | 151,738   | 189,885   |
| Machinery, equipment and vehicles           | 2,170   | 3,859   |
| Accumulated depreciation                    | (673)   | (886)   |
| Machinery, equipment and vehicles, net      | 1,497   | 2,972   |
| Land  | 386,015   | 580,352   |
| Construction in progress                    | 13,773  | 2,517   |
| Other                                       | 1,451   | 1,644   |
| Accumulated depreciation                    | (777)   | (881)   |
| Other, net                                  | 673   | 762   |
| <b>Total property, plant and equipment</b>  | <b>553,698</b>  | <b>776,490</b>  |
| <b>Intangible assets</b>                    |   |   |
| Goodwill                                    | 773   | 4,942   |
| Leasehold right                             | 11,092  | 21,758  |
| Other                                       | 378   | 442   |
| <b>Total intangible assets</b>              | <b>12,243</b>   | <b>27,143</b>   |
| <b>Investments and other assets</b>         |   |   |
| Investment securities                       | 109,231   | 114,362   |
| Guarantee deposits                          | 7,509   | 7,165   |
| Deferred tax assets                         | 711   | 724   |
| Retirement benefit assets                   | 8   | 12  |
| Other                                       | 3,779   | 4,608   |
| Allowance for doubtful accounts             | (0)   | (0)   |
| <b>Total investments and other assets</b>   | <b>121,240</b>  | <b>126,873</b>  |
| <b>Total non-current assets</b>             | <b>687,182</b>  | <b>930,507</b>  |
| <b>Deferred assets</b>                      |   |   |
| Business commencement expenses              | 29  | 18  |
| Stock issuance expenses                     | —   | 479   |
| <b>Total deferred assets</b>                | <b>29</b>   | <b>497</b>  |
| <b>Total assets</b>                         | <b>773,401</b>  | <b>1,091,266</b>  |

## ● Liabilities

|  | Previous consolidated<br>accounting period<br>(ended December 2014) | (Unit: Million Yen)<br>Current consolidated<br>accounting period<br>(ended December 2015) |
|--|---|---|
| <b>Current liabilities</b>                   |   |   |
| Short-term loans payable                     | 29,000  | 105,000   |
| Current portion of long-term loans payable   | 121,559   | 135,687   |
| Short-term bonds payable                     | 3,999   | —   |
| Current portion of bonds                     | 12,000  | 100   |
| Accrued expenses                             | 2,166   | 3,104   |
| Income taxes payable                         | 5,033   | 933   |
| Advances received                            | 3,946   | 4,959   |
| Deferred tax liabilities                     | 12  | —   |
| Provision for bonuses                        | 300   | 324   |
| Provision for directors' bonuses             | 128   | 145   |
| Other  | 7,401   | 7,522   |
| <b>Total current liabilities</b>             | <b>185,549</b>  | <b>257,778</b>  |
| <b>Non-current liabilities</b>               |   |   |
| Bonds payable                                | 38,100  | 38,000  |
| Long-term loans payable                      | 268,638   | 379,425   |
| Deferred tax liabilities                     | 28,307  | 44,605  |
| Provision for directors' retirement benefits | 53  | 64  |
| Net defined benefit liability                | 1,121   | 1,075   |
| Long-term guarantee deposited                | 44,165  | 51,036  |
| Other  | 2,044   | 2,235   |
| <b>Total non-current liabilities</b>         | <b>382,429</b>  | <b>516,442</b>  |
| <b>Total liabilities</b>                     | <b>567,979</b>  | <b>774,221</b>  |

## ● Net assets

|   |                |                  |
|---|----------------|------------------|
| <b>Shareholders' equity</b>                           |                |                  |
| Capital stock   | 22,290         | 62,641           |
| Capital surplus                                       | 38,355         | 78,706           |
| Retained earnings                                     | 114,314        | 140,214          |
| Treasury shares                                       | (191)          | (193)            |
| <b>Total shareholders' equity</b>                     | <b>174,767</b> | <b>281,368</b>   |
| <b>Accumulated other comprehensive income</b>         |                |                  |
| Valuation difference on available-for-sale securities | 26,549         | 31,708           |
| Deferred gains or losses on hedges                    | (179)          | (73)             |
| Foreign currency translation adjustment               | 1,321          | —                |
| Remeasurements of defined benefit plans               | (121)          | (66)             |
| <b>Total accumulated other comprehensive income</b>   | <b>27,569</b>  | <b>31,568</b>    |
| <b>Minority interests</b>                             | <b>3,083</b>   | <b>4,108</b>     |
| <b>Total net assets</b>                               | <b>205,421</b> | <b>317,045</b>   |
| <b>Total liabilities and net assets</b>               | <b>773,401</b> | <b>1,091,266</b> |

## ► Consolidated Statements of Income

|  | Previous consolidated<br>accounting period<br>(ended December 2014) | (Unit: Million Yen)<br>Current consolidated<br>accounting period<br>(ended December 2015) |
|--|---|---|
| <b>Operating revenue</b>                                   | <b>212,791</b>  | <b>169,956</b>  |
| Operating cost   | 166,331   | 114,021   |
| Operating gross profit                                     | 46,459  | 55,935  |
| Selling, general and administrative expenses               | 10,426  | 13,932  |
| <b>Operating income</b>                                    | <b>36,032</b>   | <b>42,002</b>   |
| <b>Non-operating income</b>                                |   |   |
| Interest income  | 3   | 27  |
| Dividend income  | 1,264   | 1,421   |
| Share of profit entities accounted for using equity method | 1,203   | 999   |
| Income arising from cancellation of leasing contracts      | 169   | 497   |
| Gain on foreign exchange                                   | 0   | 1,712   |
| Other  | 168   | 341   |
| <b>Total non-operating income</b>                          | <b>2,808</b>  | <b>5,000</b>  |
| <b>Non-operating expenses</b>                              |   |   |
| Interest expenses  | 4,348   | 4,214   |
| Other  | 178   | 253   |
| <b>Total non-operating expenses</b>                        | <b>4,526</b>  | <b>4,468</b>  |
| <b>Ordinary income</b>                                     | <b>34,314</b>   | <b>42,534</b>   |
| <b>Extraordinary income</b>                                |   |   |
| Gain on sales of non-current assets                        | 54  | 421   |
| Gain on sales of investment securities                     | 2   | 3,712   |
| Gain on investments in silent partnership and other        | 168   | 3   |
| Compensation income  | 937   | —   |
| Gain on step acquisitions                                  | 684   | —   |
| Other  | 12  | 21  |
| <b>Total extraordinary income</b>                          | <b>1,859</b>  | <b>4,159</b>  |
| <b>Extraordinary losses</b>                                |   |   |
| Loss on sales of non-current assets                        | 32  | 46  |
| Loss on retirement of non-current assets                   | 762   | 351   |
| Loss arising from building reconstruction                  | 153   | 1,708   |
| Loss on sales of investment securities                     | 54  | 4   |
| Loss on valuation of investment securities                 | 108   | 0   |
| Loss on redemption of investment securities                | 289   | 0   |
| Impairment loss  | 587   | —   |
| Provision of allowance for doubtful accounts               | 0   | 0   |
| Other  | 113   | 6   |
| <b>Total extraordinary losses</b>                          | <b>2,101</b>  | <b>2,118</b>  |
| Income before income taxes and minority interests          | 34,072  | 44,575  |
| Income taxes - current                                     | 8,356   | 4,357   |
| Income taxes - deferred                                    | 3,289   | 6,292   |
| <b>Total income taxes</b>                                  | <b>11,645</b>   | <b>10,649</b>   |
| Income before minority interests                           | 22,427  | 33,925  |
| Minority interests in income                               | 74  | 296   |
| <b>Net income</b>  | <b>22,352</b>   | <b>33,628</b>   |

## ► Consolidated Statements of Comprehensive Income

|  | Previous consolidated<br>accounting period<br>(ended December 2014) | (Unit: Million Yen)<br>Current consolidated<br>accounting period<br>(ended December 2015) |
|--|---|---|
| Income before minority interests   | 22,427  | 33,925  |
| <b>Other comprehensive income</b>  |   |   |
| Unrealized holding gains on securities   | 7,687   | 5,324   |
| Unrealized gains on hedging instruments  | 110   | 105   |
| Foreign currency translation adjustments   | 467   | (1,319)   |
| Adjustments for retirement benefits  | —   | 55  |
| Share of other comprehensive income of affiliates accounted for by the equity method | 126   | (167)   |
| <b>Total other comprehensive income</b>  | <b>8,392</b>  | <b>3,998</b>  |
| <b>Comprehensive income</b>  | <b>30,819</b>   | <b>37,923</b>   |
| <b>(Breakdown)</b>   |   |   |
| Comprehensive income attributable to shareholders of Hulic Co., Ltd.                 | 30,744  | 37,626  |
| Comprehensive income attributable to minority interests                              | 74  | 296   |

## ► Consolidated Statement of Cash Flows

|  | Previous consolidated<br>accounting period<br>(ended December 2014) | (Unit: Million Yen)<br>Current consolidated<br>accounting period<br>(ended December 2015) |
|--|---|---|
| <b>Cash flows from operating activities</b>                          |   |   |
| Income before income taxes and minority interests                    | 34,072  | 44,575  |
| Depreciation   | 7,411   | 8,929   |
| Impairment loss  | 587   | —   |
| Increase (decrease) in allowance for doubtful accounts               | (0)   | (0)   |
| Increase (decrease) in provision for bonuses                         | 46  | 24  |
| Increase (decrease) in provision for directors' bonuses              | 25  | 16  |
| Increase (decrease) in provision for retirement benefits             | (825)   | —   |
| Increase (decrease) in net defined benefit asset and liability       | 921   | 156   |
| Increase (decrease) in provision for directors' retirement benefits  | —   | 11  |
| Interest and dividend income   | (1,267)   | (1,449)   |
| Interest expenses  | 4,348   | 4,214   |
| Share of (profit) loss of entities accounted for using equity method | (1,203)   | (999)   |
| Loss on retirement of non-current assets                             | 762   | 351   |
| Loss (gain) on sales of property, plant and equipment                | (5)   | (343)   |
| Loss (gain) on sales of intangible assets                            | (15)  | (31)  |
| Loss (gain) on sales of investment securities                        | 51  | (3,707)   |
| Loss (gain) on valuation of investment securities                    | 108   | 0   |
| Loss (gain) on redemption of investment securities                   | 279   | 0   |
| Loss (gain) on investments in silent partnership and other           | (168)   | (3)   |
| Compensation income  | (937)   | —   |
| Loss (gain) on foreign exchange                                      | —   | (1,712)   |
| Loss (gain) on step acquisitions                                     | (684)   | —   |
| Decrease (increase) in notes and accounts receivable - trade         | (377)   | 1,422   |
| Decrease (increase) in inventories                                   | 53,878  | (9,058)   |
| Decrease (increase) in investment securities for sale                | (1,744)   | 774   |
| Decrease (increase) in guarantee deposits                            | (4,076)   | 388   |
| Increase (decrease) in guarantee deposits received                   | 1,075   | 4,619   |
| Decrease (increase) in other assets                                  | 958   | 1,423   |
| Increase (decrease) in other liabilities                             | (291)   | (1,015)   |
| <b>Subtotal</b>  | <b>92,928</b>   | <b>48,586</b>   |
| Interest and dividends income received                               | 1,322   | 1,485   |
| Interest expenses paid   | (4,526)   | (4,387)   |
| Proceeds from compensation   | 937   | —   |
| Income taxes paid  | (6,539)   | (9,411)   |
| <b>Net cash provided by (used in) operating activities</b>           | <b>84,123</b>   | <b>36,272</b>   |
| <b>Cash flows from investing activities</b>                          |   |   |
| Payments into time deposits  | (1,000)   | (1,226)   |
| Proceeds from withdrawal of time deposits                            | 1,000   | 3,400   |
| Purchase of property, plant and equipment                            | (90,589)  | (164,060)   |
| Proceeds from sales of property, plant and equipment                 | 1,263   | 5,259   |
| Purchase of intangible assets  | (394)   | (4,064)   |
| Proceeds from sales of intangible assets                             | 123   | 173   |
| Purchase of investment securities                                    | (15,520)  | (24,744)  |
| Proceeds from sales of investment securities                         | 348   | 36,304  |
| Purchase of newly consolidated subsidiaries                          | —   | (135,374)   |
| Proceeds from purchase of additional newly consolidated subsidiaries | 652   | —   |
| Payments on loans  | —   | (308)   |
| Collection of loans receivable                                       | 0   | —   |
| Other, net   | 20,299  | 60  |
| <b>Net cash provided by (used in) investing activities</b>           | <b>(83,815)</b>   | <b>(284,580)</b>  |
| <b>Cash flows from financing activities</b>                          |   |   |
| Net increase (decrease) in short-term loans payable                  | 22,700  | 76,000  |
| Net increase (decrease) in short-term bonds payable                  | (54,020)  | (4,026)   |
| Proceeds from long-term loans payable                                | 98,000  | 249,000   |
| Repayments of long-term loans payable                                | (76,023)  | (124,084)   |
| Proceeds from issuance of bonds                                      | 17,903  | —   |
| Payments on redemption of bonds                                      | —   | (12,000)  |
| Proceeds from issuance of stocks                                     | —   | 79,997  |
| Proceeds from exercise of share options                              | 169   | 87  |
| Proceeds from sales of treasury shares                               | 0   | 0   |
| Purchase of treasury shares  | (2)   | (1)   |
| Cash dividends paid  | (4,460)   | (7,802)   |
| Proceeds from payment from minority shareholders                     | —   | 889   |
| Cash dividends paid to minority shareholders                         | (73)  | (124)   |
| Other, net   | (1)   | (1)   |
| <b>Net cash provided by (used in) financing activities</b>           | <b>4,192</b>  | <b>257,934</b>  |
| Effect of exchange rate change on cash and cash equivalents          | 28  | 242   |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>4,528</b>  | <b>9,868</b>  |
| Cash and cash equivalents at beginning of period                     | 16,600  | 21,129  |
| <b>Cash and cash equivalents at end of period</b>                    | <b>21,129</b>   | <b>30,997</b>   |





# Consolidated Financial Statements

## ► Consolidated Statements of Changes in Net Assets

| (Unit: Million Yen)<br>Previous consolidated accounting period<br>(ended December 2014) |               |                 |   |                 |                            |
|---|---------------|-----------------|---|-----------------|----------------------------|
|   | Capital stock | Capital surplus | Shareholders' equity<br>Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of the current period  | 22,205        | 38,270          | 96,422                                    | (189)           | 156,708                    |
| Cumulative effect of changes in accounting policy                                       |               |                 |   |                 | —                          |
| Balance at the beginning of the fiscal year<br>reflecting changes in accounting policy  | 22,205        | 38,270          | 96,422                                    | (189)           | 156,708                    |
| Changes of items during the current period  |               |                 |   |                 |                            |
| Issuance of new shares  |               |                 |   |                 | —                          |
| 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 the current period  | 84            | 85              | 17,892                                    | (2)             | 18,059                     |
| Balance at the end of the current period  | 22,290        | 38,355          | 114,314                                   | (191)           | 174,767                    |

| (Unit: Million Yen)<br>Previous consolidated accounting period<br>(ended December 2014) |  |                                       |  |   |   |                    |                  |
|---|--|---------------------------------------|--|---|---|--------------------|------------------|
|   | Valuation difference on<br>available-for-sale securities | Deferred gains or<br>losses on hedges | Foreign currency<br>translation adjustment | Adjustments for cumulative<br>retirement benefits | Consolidated statements<br>of changes in net assets | Minority interests | Total net assets |
| Balance at the beginning of the current period  | 18,736   | (289)                                 | 853  | —   | 19,299  | 1,273              | 177,280          |
| Cumulative effect of changes in accounting policy                                       |  |                                       |  |   |   |                    | —                |
| Balance at the beginning of the fiscal year<br>reflecting changes in accounting policy  | 18,736   | (289)                                 | 853  | —   | 19,299  | 1,273              | 177,280          |
| Changes of items during the current period  |  |                                       |  |   |   |                    |                  |
| Issuance of new shares  |  |                                       |  |   |   |                    | —                |
| 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 current period  | 7,813  | 110                                   | 468  | (121)   | 8,270   | 1,810              | 28,140           |
| Balance at the end of the current period  | 26,549   | (179)                                 | 1,321                                      | (121)   | 27,569  | 3,083              | 205,421          |

| (Unit: Million Yen)<br>Current consolidated accounting period<br>(ended December 2015) |               |                 |   |                 |                            |
|--|---------------|-----------------|---|-----------------|----------------------------|
|  | Capital stock | Capital surplus | Shareholders' equity<br>Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of the current period   | 22,290        | 38,355          | 114,314                                   | (191)           | 174,767                    |
| Cumulative effect of changes in accounting policy                                      |               |                 | 73  |                 | 73                         |
| Balance at the beginning of the fiscal year<br>reflecting changes in accounting policy | 22,290        | 38,355          | 114,387                                   | (191)           | 174,841                    |
| Changes of items during the current period   |               |                 |   |                 |                            |
| Issuance of new shares   | 40,307        | 40,307          |   |                 | 80,615                     |
| Issuance of new shares - exercise of subscription rights to shares                     | 43            | 43              |   |                 | 87                         |
| Dividends of surplus   |               |                 | (7,802)                                   |                 | (7,802)                    |
| Net income   |               |                 | 33,628                                    |                 | 33,628                     |
| Purchase of treasury shares  |               |                 |   | (1)             | (1)                        |
| Disposal of treasury shares  |               | 0               |   | 0               | 0                          |
| Net changes of items other than shareholders' equity                                   |               |                 |   |                 |                            |
| Total changes of items during the current period                                       | 40,351        | 40,351          | 25,826                                    | (1)             | 106,527                    |
| Balance at the end of the current period   | 62,641        | 78,706          | 140,214                                   | (193)           | 281,368                    |

| (Unit: Million Yen)<br>Current consolidated accounting period<br>(ended December 2015) |  |                                       |  |   |   |                    |                  |
|--|--|---------------------------------------|--|---|---|--------------------|------------------|
|  | Valuation difference on<br>available-for-sale securities | Deferred gains or<br>losses on hedges | Foreign currency<br>translation adjustment | Adjustments for cumulative<br>retirement benefits | Consolidated statements<br>of changes in net assets | Minority interests | Total net assets |
| Balance at the beginning of the current period   | 26,549   | (179)                                 | 1,321                                      | (121)   | 27,569  | 3,083              | 205,421          |
| Cumulative effect of changes in accounting policy                                      |  |                                       |  |   |   |                    | 73               |
| Balance at the beginning of the fiscal year<br>reflecting changes in accounting policy | 26,549   | (179)                                 | 1,321                                      | (121)   | 27,569  | 3,083              | 205,495          |
| Changes of items during the current period   |  |                                       |  |   |   |                    |                  |
| Issuance of new shares   |  |                                       |  |   |   |                    | 80,615           |
| Issuance of new shares - exercise of subscription rights to shares                     |  |                                       |  |   |   |                    | 87               |
| Dividends of surplus   |  |                                       |  |   |   |                    | (7,802)          |
| Net income   |  |                                       |  |   |   |                    | 33,628           |
| Purchase of treasury shares  |  |                                       |  |   |   |                    | (1)              |
| Disposal of treasury shares  |  |                                       |  |   |   |                    | 0                |
| Net changes of items other than shareholders' equity                                   | 5,158  | 105                                   | (1,321)                                    | 55  | 3,998   | 1,024              | 5,022            |
| Total changes of items during the current period                                       | 5,158  | 105                                   | (1,321)                                    | 55  | 3,998   | 1,024              | 111,550          |
| Balance at the end of the current period   | 31,708   | (73)                                  | —  | (66)  | 31,568  | 4,108              | 317,045          |



# Third-party Assurance

With the aim of enhancing the credibility of our CSR Report, a set of selected environmental and social performance indicators for fiscal 2015 that are disclosed in this Report have been assured by the third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. (Indicators that have been assured are marked with “\*”.) We will continue to put our best efforts into improving the quality of our sustainability report going forward.



## Independent Assurance Report

To the President of Hulic Co., Ltd.

We were engaged by Hulic Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with an asterisk \* for the period from January 1, 2015 to December 31, 2015 (the “Indicators”) included in its CSR Report 2016 (the “Report”) for the fiscal year ended December 31, 2015.

### The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company's reporting criteria”), as described in the Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's Hulic Kudan Building and Hulic Kobunacho Building selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
August 9, 2016