

CSR REPORT 2018

Integrated Report on Sustainability

Hulic Co., Ltd.

Hulic Co., Ltd.

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Corporate Philosophy and Basic Stance

Corporate Philosophy

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

Basic Stance

Ideal Company: We aim to be a company that grows each day by utilizing stable corporate infrastructures.
Corporate Culture: We always conduct business from a new viewpoint in an effort to increase our corporate value.
Stance to Customers: We are committed to providing optimal products and services to customers, placing customer satisfaction as our top priority.
Ideal Employees: Each of Hulic's employees strives to provide high quality value as a professional.

CSR Vision

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

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.
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Reporting Media

	Financial information	Non-financial information
WEB	 IR information https://www.hulic.co.jp/en/ir/	 CSR Initiatives Initiatives for CSR https://www.hulic.co.jp/en/csr/
Annual Report	Financial statements Fact book	 CSR Report Japanese/ English Corporate Governance Report
Others	 Annual reports "For our stakeholders" Summary and note on financial statements	News release

Editorial Policy

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

Reporting Boundary

The boundary of this report is the Hulic Group. Figures for "power consumption," "gas consumption," "CO₂ emissions" and "water consumption" are those for the following 55 buildings, and a figure for "waste disposal" is that for buildings in which the head office of Hulic Group companies reside.

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

Hulic Shinkawasaki Building	49,863	Hulic Gotanda Building	6,245
Toyosu Prime Square	42,483	Hulic Mita Building	6,228
Hulic Osaka Building	30,353	Hulic Kawasaki Building	6,004
Yamato Haneda Building	29,226	Hulic Torigoe Building	5,954
Hulic Kudan Building	26,027	Hulic Hamamatsu Building	5,538
Hulic Asakusabashi Building	19,636	Hulic Nishikicho Building	5,451
Hulic Kobunacho Building	17,172	Hulic Ginza 3-chome Building	5,356
Hulic Ginza Wall Building	16,950	Hulic Nishi Ginza Building	5,172
Hulic Shinsaibashi Building	16,659	Hulic Hachioji Building	5,152
Hulic Sapporo Building	14,254	Hulic Shibuya Building	5,090
Hulic Shinbashi Building	13,983	SIA Aoyama Building	4,946
Hulic Fukuoka Building	12,646	Hulic Ginza 1 Chome Building	4,771
Hulic Ginza Sukiyabashi Building	11,570	Hulic Kyobashi East Building	4,765
Hulic Sapporo NORTH33 Building	11,017	Asakusa Park Hall Building	4,598
Hulic Head Office Building	10,472	Hulic Kamata Building	4,446
Hulic Shinjuku Building	9,781	Hulic Ueno Building	4,419
Hulic Nanba Building	9,147	Hulic Kaishikawa Building	4,408
Hulic Kojimachi Building	8,926	Hulic Nakano Building	4,319
Hulic Aoyama Building	8,790	Hulic Nihonbashi Muromachi Building	4,117
Hulic Ginza Building	8,579	Hulic Nakaakachimachi Building	3,704
Hulic Kobe Building	8,354	Hulic Hatchobori Building	3,506
Hulic Kaminarimon Building	7,779	Hulic Hirakawacho Building	3,421
Hulic Minamioyama Building	7,483	Hulic Sakurashinmachi Building	3,321
Hulic Ryogoku Building	7,442	Hulic Yaesu No.2 Building	3,184
Hulic Setagaya	7,163	Daiwa Yayogi No.2 Building	3,166
Hulic Asakusabashi Edo-dori	6,851	Shinbashi Yamaguchi Building	3,127
Hulic Kabutocho Building	6,579	Hulic Edobashi Building	3,032
Hulic Kyobashi Building	6,323		

Reporting Period

Fiscal year 2017
(from January 1, 2017 to December 31, 2017)
Regarding a portion of the priority items, the activity report before and after the 2017 fiscal year is included.

Reference Guidelines

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

Time of Issuance

August 2018 (Previous issue: August 2017, Next issue: August 2019 (scheduled))

Head Office

Hulic Co., Ltd.
 • Headquarters: 7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, 103-0011
 • Established: March 1957
 • Business Outline: Real estate holding, leasing, sales and brokerage
 • Paid-In Capital: ¥62.718 billion (as of December 31, 2017)
 • 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, Japan Council of Shopping Centers

Major Group Companies (As of December 2017)

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

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

* ESG stands for Environment, Social and Governance

Hulic's Real Estate Business

Leasing business

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

Reconstruction and Development Businesses

Our portfolio of assets includes many properties with unexploited floor area capacity. We actively work on the systematic reconstruction of those properties because we believe maximizing the use of floor space by recreating properties as more spacious and convenient facilities that are appropriate for individual locations will serve as a major growth driver of business. We also promote the development business, drawing on our expertise accumulated in the reconstruction business, and engage in public-private partnership (PPP)*1 projects and corporate real estate (CRE)*2 projects to maximize asset values.

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

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

Value-added Real Estate Business

We carry out renovations and improve the compliance, etc. of our portfolio properties and newly acquired and invested real estate to maximize the value of properties, in order to create added value for properties, with the aim of facilitating the recycling of real estate. We aim to grow the value-added real estate business as a business that supports our sustainable growth strategy.

Investment Business

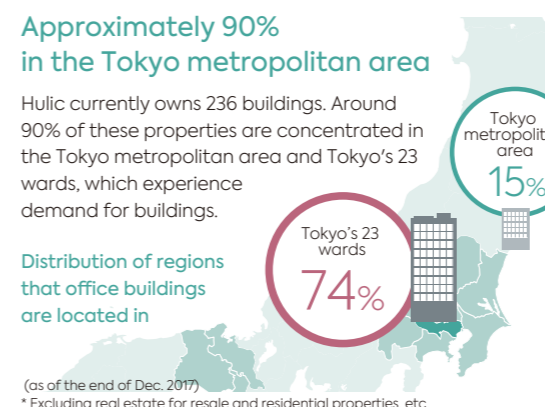
We proactively undertake investments in the operation and development of real estate assets to strengthen our asset portfolio concentrated in central districts of the Tokyo metropolitan area. Our investment targets are office buildings, as well as hotels and commercial buildings.

Hulic's strength - A stable leasing business

Approximately 90% in the Tokyo metropolitan area

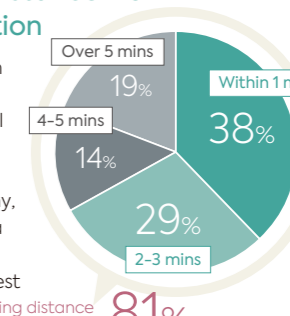
Hulic currently owns 236 buildings. Around 90% of these properties are concentrated in the Tokyo metropolitan area and Tokyo's 23 wards, which experience demand for buildings.

Distribution of regions that office buildings are located in



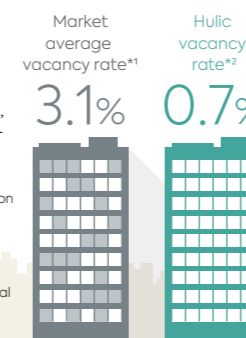
Distribution of distance from the nearest station

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



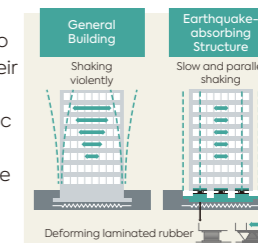
Vacancy rate

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



Safe and secure buildings

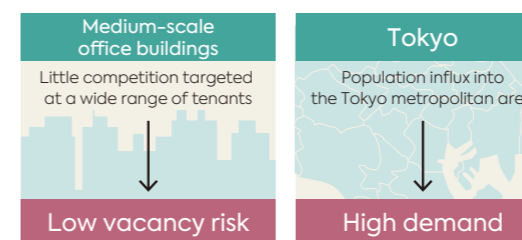
We are accelerating the efforts to make our properties resistant to earthquake by introducing the latest technologies of earthquake-absorbing, earthquake-damping and earthquake-resistance into new buildings based on their locations, and by ensuring implementation of aseismic retrofits that exceed the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



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

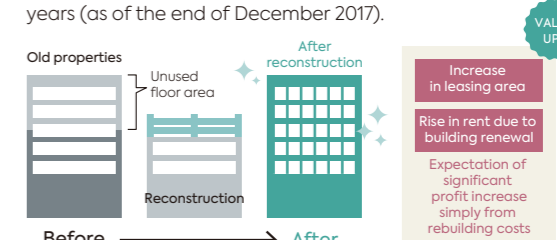
Selection and concentration

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



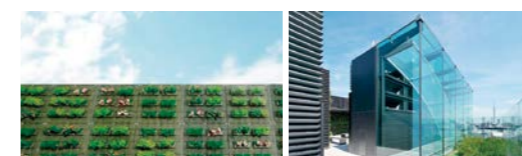
Promoting reconstruction

We increase the leasing area by actively reconstructing our properties, thereby improving income. 43% of our properties are relatively new properties built within 10 years (as of the end of December 2017).



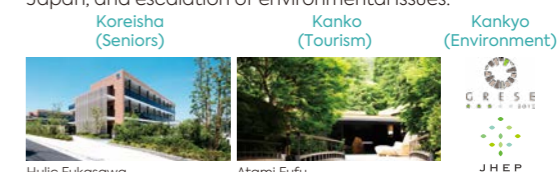
Environmentally friendly buildings

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



3K businesses

We are exploring and strengthening new business domains in our 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)), with the aim of responding to various changes in the environment, such as an aging population, increase in foreign tourists visiting Japan, and escalation of environmental issues.





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

For more than half a century, Hulic has been operating a real estate leasing business focusing on a portfolio of office buildings in central Tokyo. Our strength of owning a solid business foundation, based on the prime locations of properties, has allowed us to maintain continued growth of profits and dividends without being affected by market conditions even in the face of adversity, including difficulties associated with the Lehman Brothers' bankruptcy and the Great East Japan Earthquake. Hulic's sustainable growth is supported by CSR management, which incorporates Environment, Social, and Governance (ESG) factors into decision making.

In our corporate philosophy, we uphold the following values: "Total commitment to our customers and the community. Creating productive environments. Creating amenity. Creating peace of mind." As part of our management strategy, we consider that taking initiatives to address social issues will create business opportunities. We will strive to remain a mission driven company with a strong social responsibility by implementing CSR management.

Our Performance in 2017

In fiscal year 2017, Hulic achieved its highest profits since listed, with operating revenue of 289.6 billion yen, operating income of 64.2 billion yen, and ordinary income (recurring income) of 61.8 billion yen. In addition, we achieved the goals of the Medium-term Management Plan (2016-2018) one year ahead of schedule. The primary factors contributing to these achievements are the growth of earnings of our core leasing business, an increase in rent revenue from newly acquired large-scale commercial properties in the Shinsaibashi area (Osaka) and the Minatomirai area (Yokohama), as well as an increase in revenue from property sales with the establishment of Hulic Private Reit Management Co., Ltd. In fiscal 2017, we opened the HULIC & New, a series of the first Hulic brand of commercial complexes in Shibuya and Shinbashi, and established Hulic Property Solution Co., Ltd., with the aim of strengthening the value-added real estate business that pursues creating added value for properties. In addition, we continue to focus on the 3 future growth businesses (3K businesses), i.e., *Koreisha* (seniors), *Kanko* (tourism), and *Kankyo* (environment). In the *Koreisha* (seniors) business, Hulic's private nursing homes with assisted living care, such as "Hulic Chofu" and "Hulic Fukasawa" were completed successively. In the public-private partnership (PPP) business, we reached agreements to carry out three development projects to construct hotels and Japanese-style luxury hotels, etc. using real estate owned by local governments, namely, "Redevelopment of the site of the former Rissei Elementary School" in Kyoto City, "Project to preserve, manage, and utilize the site of the former Takabatakecho Court" in Nara Prefecture, and "Ryogoku river center development project" in Sumida-ku, Tokyo. In the environment-related business, we proactively adopted environmental technologies in our reconstruction and development projects, etc. Hulic is committed to achieving the sustainable growth of corporate value by promoting new businesses, while focusing on the existing real estate leasing business as its core business.

New Medium-term Management Plan and CSR Strategy

In fiscal year 2018, Hulic launched a new medium-term management plan (2018-2020), which represents the final phase of the current long-term management plan, aiming to reach the plan's goal of achieving ordinary income of 85.0 billion yen (in 2023) three years ahead of schedule. While maintaining Hulic's distinctive business model, the Group will endeavor to sustain its steady growth through evolution by responding to changing times and changes in the environment. In addition to making efforts to expand and improve the quality of the portfolio of assets under management in the leasing business, the Group aims to evolve its business model into one designed to expand stable earnings by strengthening the development business and the value-added real estate business, and through the asset management business, etc. We will also continue to promote ESG-conscious business operations and create value as a company that is a member of a sustainable society.

Material CSR Issues and Our Progress

Following the adoption of the Sustainable Development

Goals (SDGs) by the UN General Assembly in 2015, Hulic has considered what it can do as a real estate company toward realizing a sustainable society. We have identified our material CSR issues and are carrying out various initiatives to address those issues. We consider that reducing CO₂ emissions, waste, and water consumption at many buildings owned by Hulic, mainly in central Tokyo, will reduce environmental impacts, and have set their reduction targets from the standpoint of promoting environmentally conscious management. In particular, we have established the long-term target of reducing CO₂ emissions by 45%, relative to the 2013 level, by 2030. With the aim of achieving the target, we have introduced natural lighting systems, natural ventilation systems, and high-efficiency lighting and air-conditioning systems in new buildings. In addition, we actively carry out energy-saving renovations, etc. of our existing buildings. We have also created a long-term environmental vision, under which "low-carbon society" and "recycling society" are designated as our ideal forms of society by 2050, and have clarified our stance on environmental initiatives. We will work to continually achieve various targets, such as the number of capital investments for renewable energy and the number of greening projects for new buildings. In fiscal year 2017, we formulated the "Hulic Health Management Declaration" based on the idea that promoting health management, whereby the Company makes strategic efforts to maintain and promote the health of its employees, is essential for the Company to achieve the corporate philosophy of having a "Total commitment to our customers and the community. Creating productive environments. Creating amenity. Creating peace of mind."

Based on this declaration, in addition to continuing with ongoing initiatives such as increasing the usage rate of paid leave and the percentage of employees who received medical checkups, Hulic has set a new target, taking a step beyond just encouraging employees to participate in training programs and receive medical checkups, to achieve 100% participation by employees in reexaminations if required as a result of medical checkups, and raise employee awareness toward achieving this target.

With the focus on strengthening corporate governance, we have worked continuously to enhance the functions of "risk management," "compliance," and "internal controls." Hulic will continue to take various initiatives to meet the needs of society and realize a sustainable society.

To Our Stakeholders

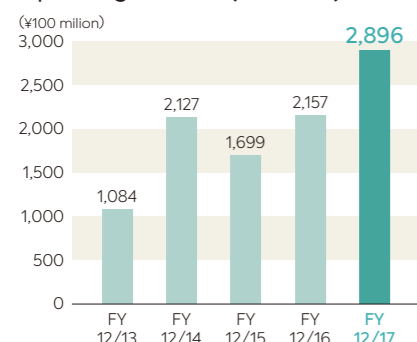
In the future, our employees and officers will remain united in our efforts to continue contributing to society as a progressive business enterprise that cultivates good relations with all stakeholder groups. In these activities, we look forward to enjoying the continued support of our shareholders and other stakeholders.

Saburo Nishiura
Chairman, Representative Director

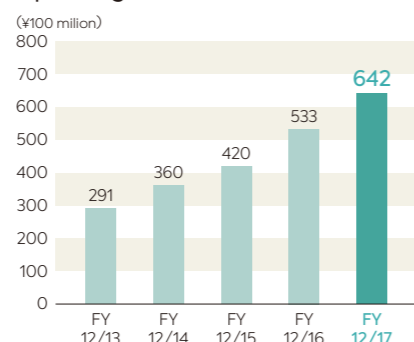
Manabu Yoshidome
President, Representative Director

Main Financial Indicators

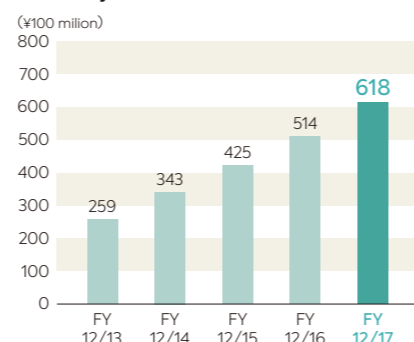
Operating Revenue (Net Sales)



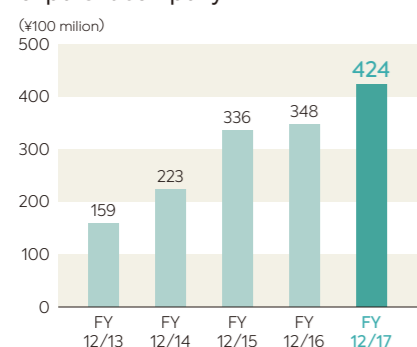
Operating Income



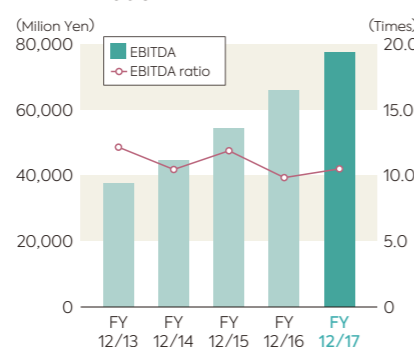
Ordinary Income



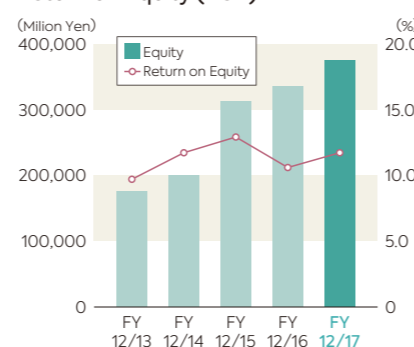
Net profit attributable to shareholders of parent company



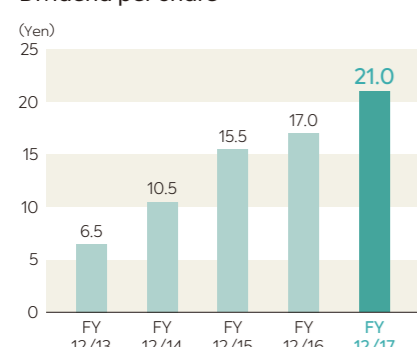
EBITDA*1 / EBITDA Ratio*2



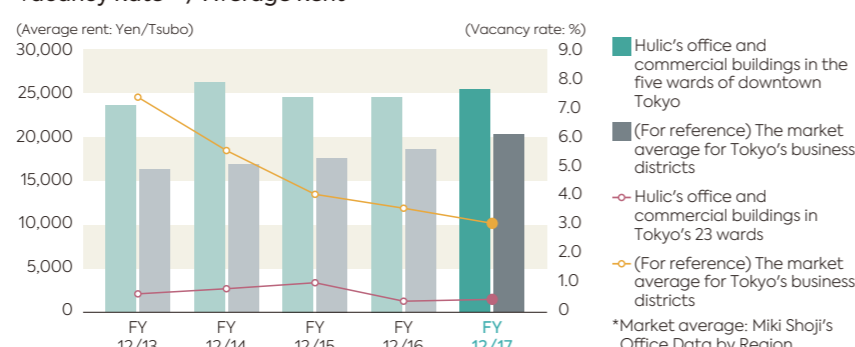
Shareholders' Equity / Return on Equity (ROE)*3



Dividend per Share



Vacancy Rate** / Average Rent



Changes in Real Estate Business Related Index
Target: Real estate owned by Hulic*5

	Unit	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
Vacancy Rate**	Office and commercial buildings owned by Hulic in Tokyo's 23 wards	%	0.3	0.7	1.5	0.4
Average Rent	All the office and commercial buildings owned by Hulic *6	(Yen)	19,817	20,759	20,451	20,073
	Office and commercial buildings in Tokyo central 5 wards *6	(Yen)	23,714	25,147	24,510	24,970
Number of Properties	Tokyo metropolitan area	(Building)	141	148	182	190
	Other	(Building)	20	19	20	22
	Total	(Building)	161	167	202	212
Rentable Area	Tokyo metropolitan area	m ²	537,582	633,918	771,049	894,179
	Other	m ²	142,090	140,696	160,179	135,517
	Total	m ²	679,672	774,615	931,229	1,029,696

*1 EBITDA=Ordinary Income - Equity in Earnings (Losses) of Affiliates + Interest Expenses + Depreciation and amortization *2 Interest-Bearing Debt/EBITDA Ratio=Interest-Bearing Debt/EBITDA *3 ROE=Net Income/Average Equity *4 Excluding the unsigned floor space which was reserved due to the tenant's demands and reconstruction *5 Excluding real estate held for sale *6 Calculated by dividing rent revenue in the account closing month by rented area at the end of the period

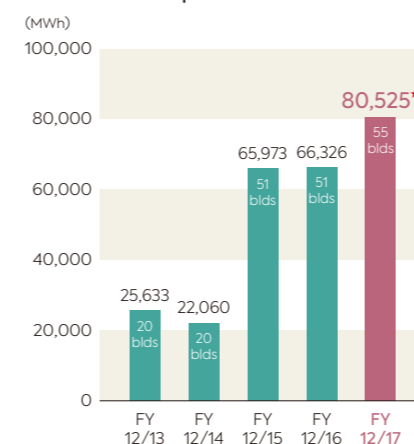
Hulic has been achieving earnings growth every year since going public in 2008. In the fiscal year ended December 2017, Hulic achieved record highs for operating revenue (net sales), operating income, ordinary income, net income, and EBITDA, due to increases in rent revenue from new investments and proceeds from the sale of properties to REITs. In addition, we carried out expeditious capital increases (in 2012 and 2015) and have steadily accumulated profits, which have allowed us to maintain a robust financial base. As a result, our dividend per share was the highest ever at 21.0 yen. Most of Hulic's properties are in prime locations close to stations in Tokyo. Accordingly, the vacancy rate of Hulic's properties has been significantly lower than the market average vacancy rate and the average rent of Hulic's properties has been above the market average rent.

Main Non-Financial Indicators

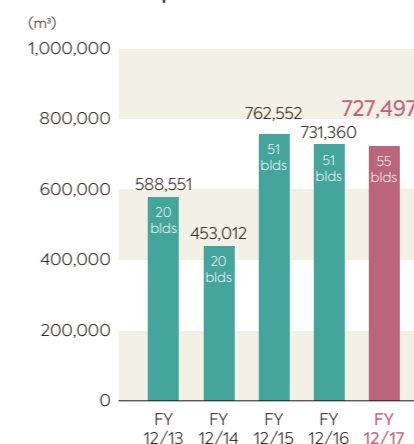
Since 2015, amounts of power/gas consumption, CO₂ emissions intensity and waste disposal have substantially differed from the results until 2014 due to a significantly different number of target properties. With regard to the detailed boundary of these indicators, please refer to page 15, "Initiatives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

Items marked with "*" have been assured by an independent assurance provider. For items marked with "**", some prior-year figures have been adjusted. For details, please refer to page 16.

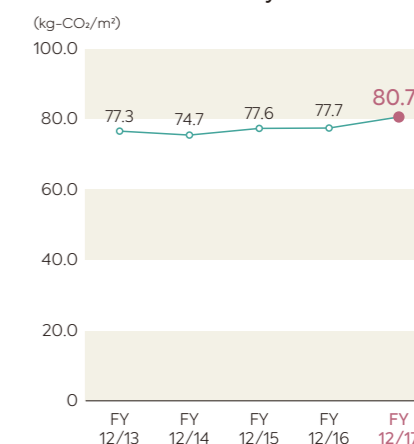
Power Consumption



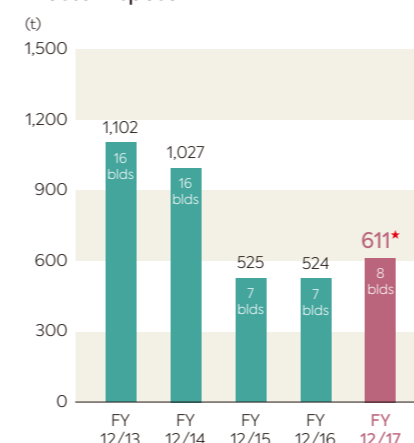
Gas Consumption*



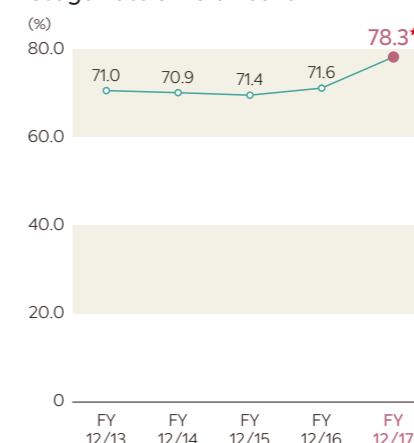
CO₂ Emissions Intensity*



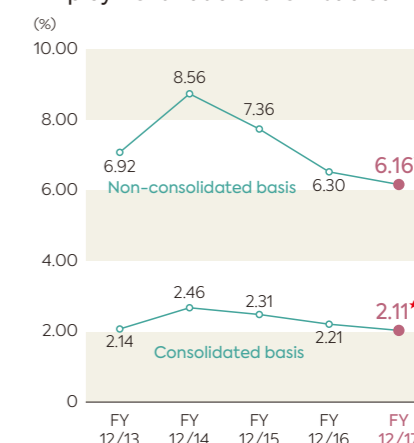
Waste Disposal*



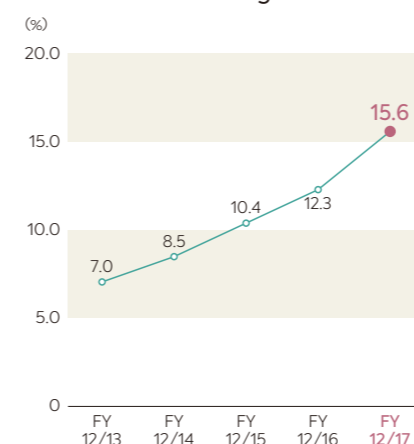
Usage Rate of Paid Leave



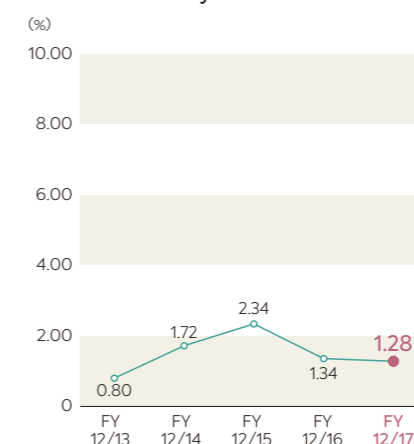
Employment Ratio of the Disabled



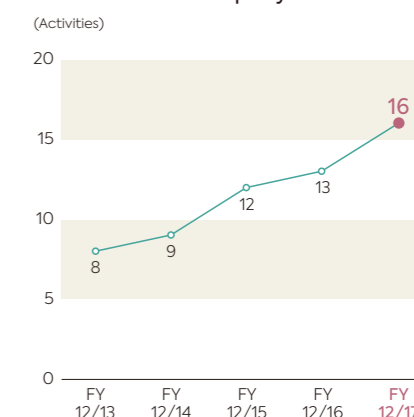
Ratio of Female Managers



Rate of Voluntary Job Turnover



Number of Social Contribution Activities as a Company



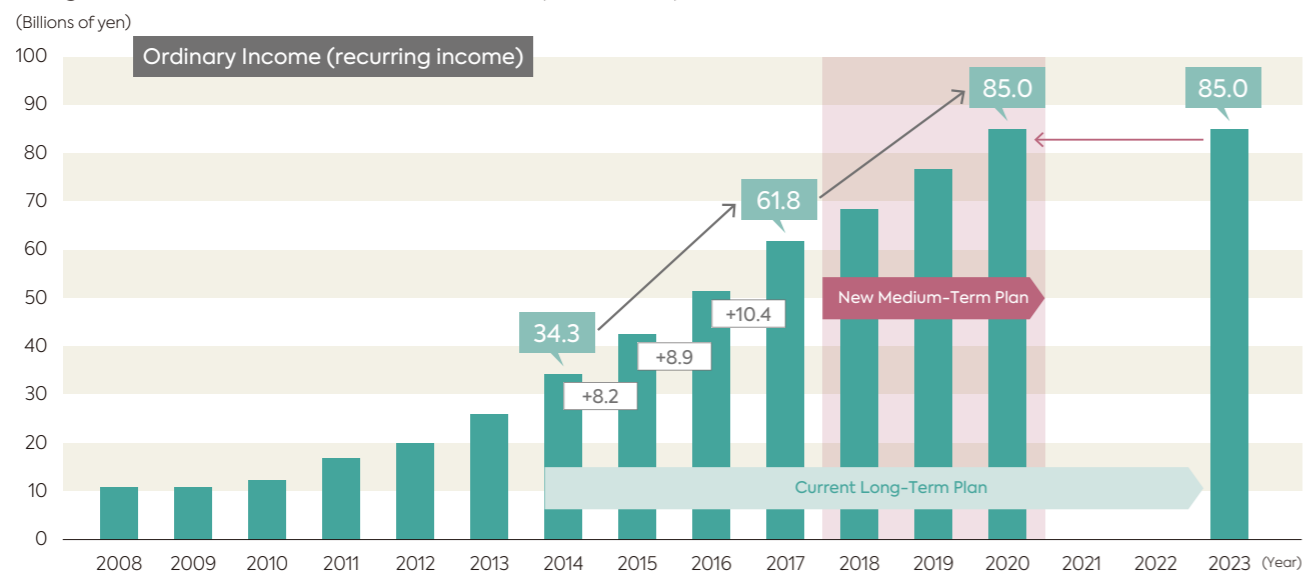
Hulic works to reduce CO₂ emissions from electricity and gas, as well as reduce waste from the standpoint of environment-conscious management, and we set reduction targets and identify the status of progress.

In 2017, we endeavored to further increase the usage rate of paid leave as a measure to improve work-life balance and promoted implementation of the "My Friday" system, through which employees are encouraged to take a half day off on a Friday afternoon once a month. As a result, the usage rate of paid leave reached the highest ever. We have continued to take initiatives to promote diversity, which resulted in an increase in the ratio of female managers from the previous year. In addition, we have steadily expanded the areas of social contribution activities.

Develop and evolve Hulic's distinctive business model with the aim of further enhancing sustainable corporate value

Hulic achieved the goal set out in our medium-term management plan (2016-2018), launched in 2016, one year ahead of schedule. Accordingly, we newly formulated the current medium-term management plan for 2018 through 2020 as the final phase in the vision set out under the long-term plan titled "Hulic 10 Years from Now (2014-2023)." In 2018, in keeping with the concept of innovation and sense of speed, we will strive to maintain and develop our business foundation for the early attainment of the goals set in the current medium-term plan.

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



Numerical Target

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

Basic Policy

While retaining leasing as our main business focus, the Group will further strengthen the development business, the value-added real estate business, asset management and other businesses.

Initiatives for ESG

Environment (E)	Social (S)	Governance (G)
<ul style="list-style-type: none"> Improve Hulic's presence as an environmentally conscious company by developing new technologies and introducing those technologies to our properties 	<ul style="list-style-type: none"> Utilize diverse human resources and further increase opportunities for promoting women's careers with the focus on diversity management Take initiatives for health management and work-style reforms, etc. to improve labor productivity and secure and develop excellent human resources 	<ul style="list-style-type: none"> Continuously monitor the corporate governance system whereby risk management, compliance, and internal controls function effectively in accordance with the corporate governance code

Profit plan	FY 2017	FY 2020 Target
Operating Income	64.2	88.0
Ordinary Income (recurring income)	61.8	85.0
Net Income	42.4	55.0
EBITDA	77.7	105.0
Financial restraints		
Interest-Bearing Debt to EBITDA Ratio	10.6 times	12* times or less
Net D/E Ratio	2.3 times	3.0* times or less
Capital efficiency		
ROE	11.9%	10% or more
Shareholder return		
Dividend payout ratio	32.6%	Approx. one third

* 50% (75 billion yen) of Hybrid finance issued in 2018 (150 billion yen) is calculated as equity.

Medium-term Management Plan: 2018-2020

Target Profile

While maintaining the Hulic business model, the Group will continue to achieve steady growth through evolution by responding to changes in the environment.

Basic Strategy

1. Bolstering and enhancing the quality of the lease portfolio

- Expand asset portfolios that reflect the needs of the times by incorporating office buildings, as well as commercial buildings and 3K businesses-related facilities (hotels and senior facilities, etc.) in a well-balanced manner
- Strengthen asset management functions to increase the asset value of individual properties

2. Strengthening the development business

- Systematically promote long-term development projects which are limited to properties in prime locations and reconstruction of Hulic's properties.
- Actively develop the "&New" series of medium-sized urban commercial facilities
- Firmly establish a recycling business model for the Group's assets, including assets owned by REIT companies

3. Expansion of the value-added real estate business

- Achieve value added in both building software and hardware by leveraging the Group's technological expertise and leasing capabilities
- Diversify exit strategies using various sourcing channels and networks to get the value-added real estate business on a growth track

4. Cultivation of new business domains and enhancement of overall the Group strengths

- Strengthen efforts in new business areas to cultivate new profit-making businesses
- Strengthen earning capabilities of the Group's individual companies and leverage collaboration within the Group to capture earning opportunities
- Actively enter into merger and acquisition and alliance deals as means to get new businesses off the ground and increase the Group's overall strengths at an early stage

5. Balanced business management and Risk management

- Practice balanced management whereby "growth," "safety," and "productivity (efficiency)" are achieved at a high level and in a well-balanced manner
- Maintain a robust financial base and ensure diverse forms of financing
- Strengthen risk management in response to the diversification of business and ensure balance sheet control in times of market changes

6. Promote management by placing importance on sustainability based on our CSR Vision

- Operate businesses and create value by taking ESG into account in a bid as a company that is a member of a sustainable society

Balanced management

Environment-friendly business development

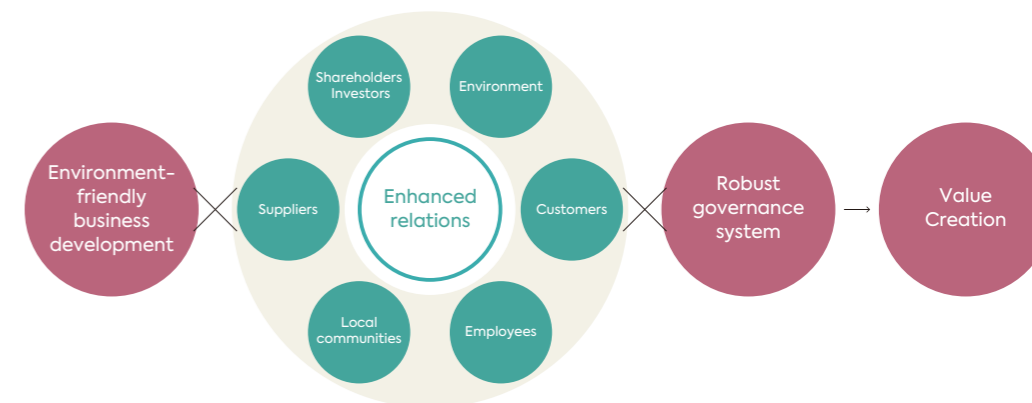
E (Environment)

Enhanced stakeholder relations

S (Social)

Robust governance system

G (Governance)



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.

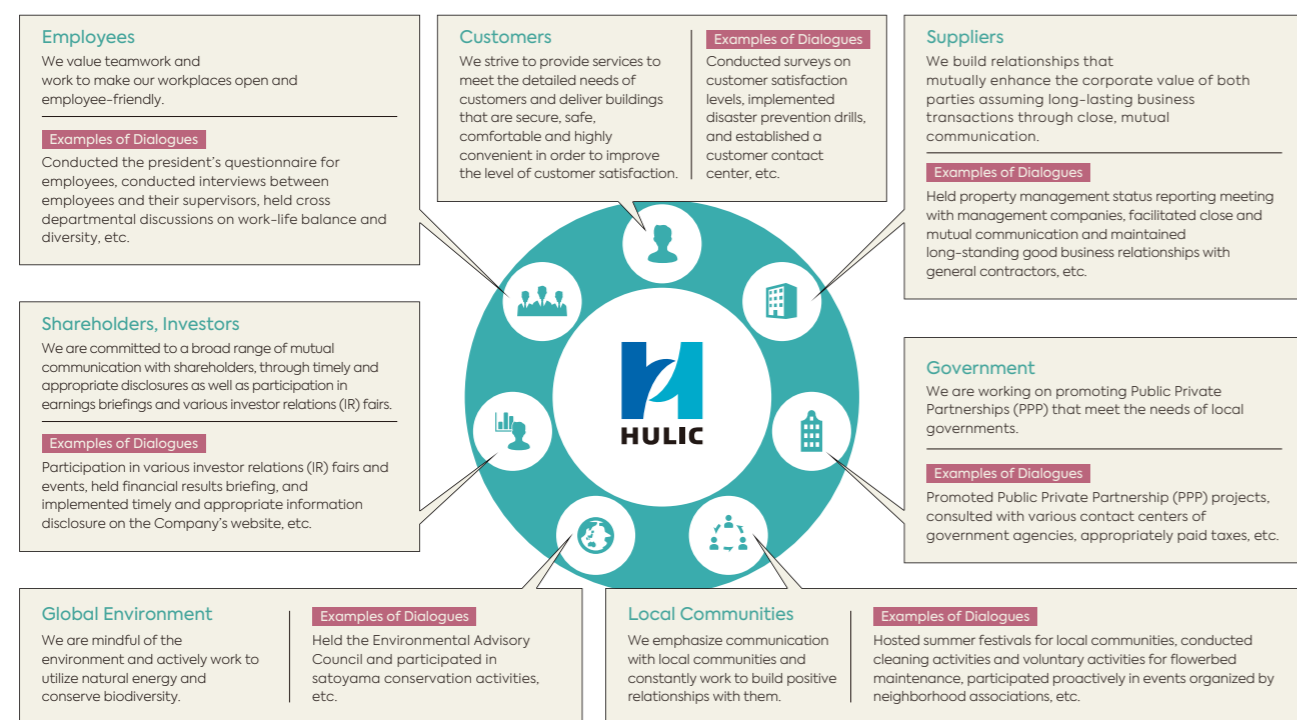


We identify the material issues in order to continue achieving sustainable growth.

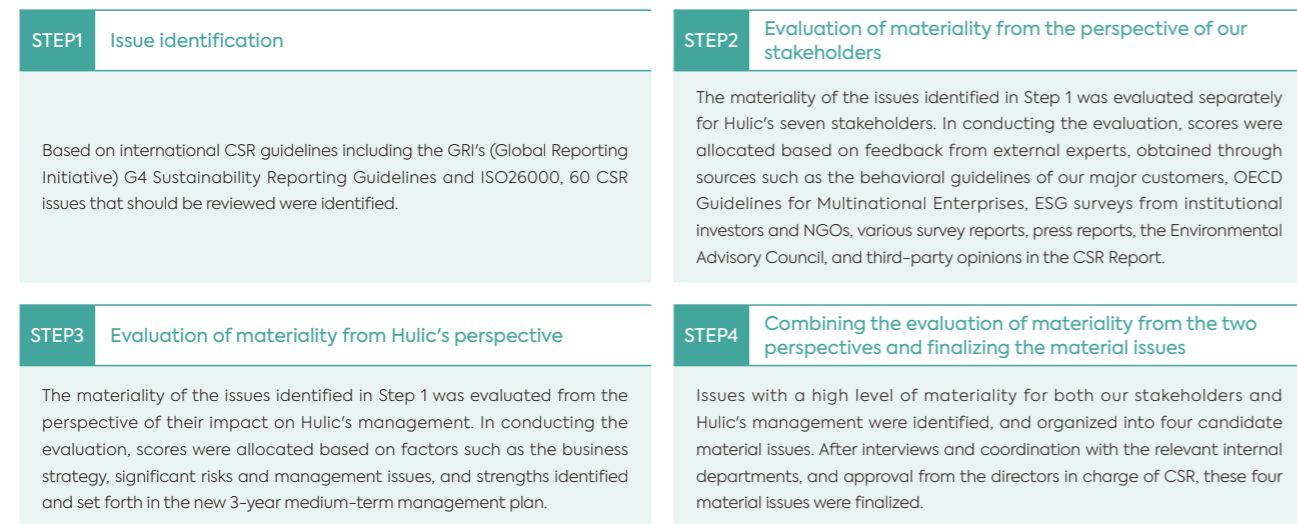
Hulic identifies material CSR issues upon which we should continue to focus, in order to meet the needs and expectations of our stakeholders, and contribute to society while achieving sustainable growth. In fiscal year 2016, we examined the direction in which we should steer our businesses based on the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

Communication with our stakeholders

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

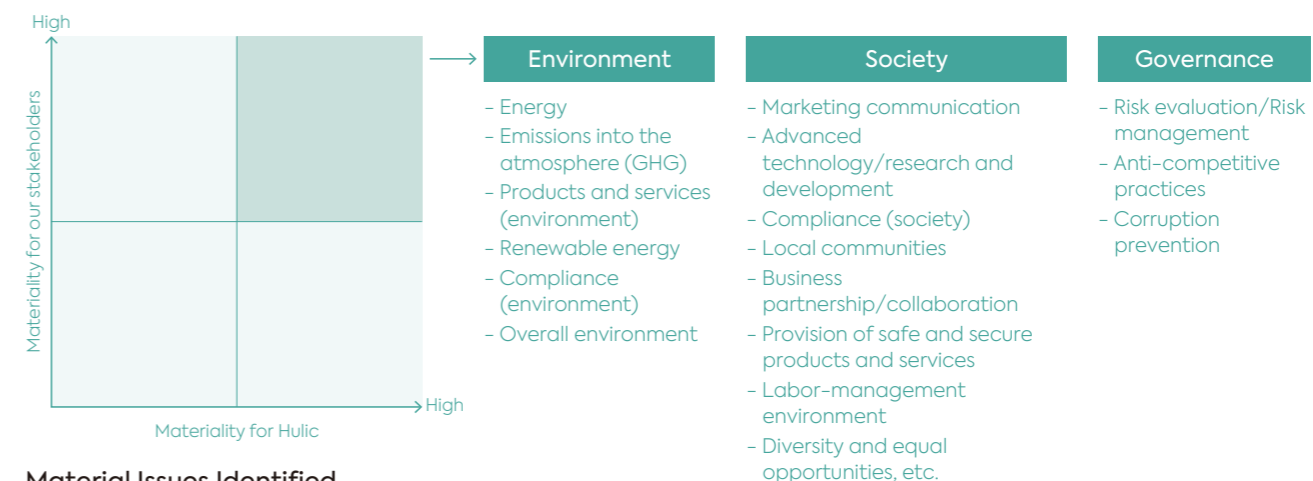


Process to Identify Material Issues



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



Material Issues Identified



Based on the identified material issues, Hulic formulated the Medium-term CSR Vision (goals for 2020) with the aim of clarifying its medium- and long-term CSR promotion activities.

Medium-term CSR Vision



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

In order to improve while objectively assessing CSR activities, we have established key performance indicators (KPI) and target for each material CSR issue. For non-priority issues, we have adopted an assessment indicator that helps us monitor the results of the implementation of initiatives. Figures marked with "★" are those that have been assured by an independent assurance provider. This year, we received assurance from an independent assurance provider concerning the following eight items: power and gas consumption, CO₂ emissions and CO₂ emissions intensity (Scope 1, Scope 2), number of greening projects, waste disposal, water usage, employment ratio of the disabled, usage rate of paid leave, and percentage of employees who received medical checkups.

We will make efforts for constant improvement using the PDCA Cycle, while disclosing data on the progress of our CSR activities to the stakeholders. For items marked with "★", some prior-year figures have been adjusted. For details, please refer to notes at the bottom of this page.

Material issues	Medium-Term CSR Vision (Goals for 2020)	Items	KPIs/Targets ¹¹	Boundaries	Results					Major Achievements in FY2017	Evaluation	Reference
					FY 2013	FY 2014	FY 2015	FY 2016	FY 2017			
Environmental measures	<ul style="list-style-type: none"> - Carry out initiatives to reduce CO₂ emissions and waste and use limited resources such as energy and water efficiently - Use renewable energy proactively - Give consideration to biodiversity and promote greening - Carry out environmentally conscious management based on an awareness of value chains 	Measures for global warming across the entire value chain of Hulic's buildings	Power consumption(MWh) Gas consumption(m ³) ¹¹ ★ Reduction in CO ₂ emissions intensity (kg-CO ₂ /m ²) by 17% during the period from 2017 through 2020, relative to 2013 level (per unit floor area) ¹¹ ★ ² *	55 existing primary buildings ³	25,633 588,551 77.3	22,060 453,012 74.7	65,973 762,552 77.6	66,326 731,360 77.7	80,525★ 727,497★ 80.7★	<ul style="list-style-type: none"> - Environmental consideration for new buildings (adoption of natural lighting/natural ventilation system, highly efficient lighting equipment, and highly efficient air conditioning system) - Renovation works on existing buildings for energy saving - Initiatives toward reduction of power consumption in collaboration with management companies and tenants (adjusting temperature setting of air conditioners, decreasing the number of lights on, adjusting brightness) 	-	P21-25
		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	5	6	6	3	4	<ul style="list-style-type: none"> - Installed photovoltaic generation systems in new buildings. - Worked toward achieving offsite ZEB using photovoltaic generation systems. 	◎	P23
		Promotion of greening	Number of greening projects ¹¹ : 1 project or more per fiscal year	All Hulic's buildings	6	5	9	1	5★	<ul style="list-style-type: none"> - Implemented greening of walls and rooftops to new buildings in consideration of biodiversity 	◎	P27
		Reduction of waste at Hulic's buildings	Reduction in the average amount of waste (t) by 15% during the period from 2017 to 2019 compared with average during period from 2005 through 2007. (per unit floor area) ⁴	Eight buildings occupied by the head offices of Hulic's Group companies ⁶	1,102	1,027	525	524	611★	<ul style="list-style-type: none"> - Promoted 3R (Recycle, Reuse, Reduce) activities 	-	P26
		Reduction in water consumption at Hulic's buildings	Reduction in average water consumption (m ³) by 26% during the period from 2017 through 2019 compared to the average during the period from 2005 through 2007. (per unit floor area)	55 existing primary buildings ³	148,508	127,745	381,553	401,272	436,882★	<ul style="list-style-type: none"> - Used rain water and installed various water-saving devices 	-	P25
		Reduction of waste in new buildings	Number of technological measures (Precast Concrete (PC) construction method/extension of life span) implemented to reduce the amount of waste in reconstruction business: 1 case or more per fiscal year	All Hulic's buildings	8	7	8	4	6	<ul style="list-style-type: none"> - Proactively adopted long-life structure specifications for new buildings 	◎	P26
		Strengthening the 3K businesses toward resolving social issues	<ul style="list-style-type: none"> - Promote the provision of senior facilities in accordance with an aging population and the provision of accommodations in response to increasing number of tourists, with the aim of resolving social issues. 	Tourism business projects	Accommodation facilities (number of properties owned): No target (follow-up item)	All Hulic's buildings (As of the end of December 2017)	-	-	8bids	11bids	11bids	<ul style="list-style-type: none"> - The number of properties owned as of December 31, 2017 - We completed construction of the Hulic Roppongi 3-chome Building (hotel) in 2017.
Senior business projects	Senior facilities (number of properties owned): No target (follow-up item)			All Hulic's buildings (As of the end of December 2017)	-	-	16bids	20bids	21bids	<ul style="list-style-type: none"> - The number of properties owned as of December 31, 2017 - We newly acquired Medical Home Granda Okamoto and completed construction of Hulic Chofu and Hulic Fukasawa in 2017. 	-	P30
Diversity and work-life balance	<ul style="list-style-type: none"> - With respect of fundamental human rights, work toward creating an environment where each employee can play an active role in the workplace regardless of gender, age, or disabilities. - Improve a work-life balance and implement measures to encourage the use of paid leave and to prevent long working hours in order to foster a workplace in which employees stay healthy and can make the best use of their abilities. - Encourage employees to obtain qualifications and participate in trainings with the aim of enhancing their professional skills. 	Improvement of systems to develop women's careers	Ratio of female managers: 20% by 2020 Number of seminars organized by the women's career promotion project team: Once a year	Hulic	7.0%	8.5%	10.4%	12.3%	15.6%	<ul style="list-style-type: none"> - 65 male managers, 12 female managers - In addition to meetings of the women's career promotion project team, we held seminars and conferences for exchanging opinions for all female employees. 	◎	P33
		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, 2017) ⁹ (Reference) Hulic (As of June 1, 2017)	2.14% 6.92%	2.46% 8.56%	2.31% 7.36%	2.21% 6.30%	2.11%★ 6.16%★	<ul style="list-style-type: none"> - Business requests from group companies increased and we are operating steadily. 	◎	P32
		Promoting the use of the next generation nurturing support system	Usage rate of childcare leaves/Number of people: 70% of eligible female employees or more on average / 1 male employee or more per fiscal year	Hulic (Women) Hulic (Men)	No eligible person 1	100% 1	100% 2	100% 6	100% 0	<ul style="list-style-type: none"> - Received the Grand Prix for the Ikumen Company Award 2017 - Continued operation of daycare nursery inside Hulic's head office building. 	○	P34
		Promoting the planned use of paid leaves	Ratio of employees who returned to work after childcare leaves: 100% Usage rate of paid leaves ⁷ : 70% or higher per fiscal year	Hulic	100% 71.0%	100% 70.9%	100% 71.4%	100% 71.6%	100% 78.3%★	<ul style="list-style-type: none"> - Promoted the use of the My Friday system, plus-one paid leave, and consecutive paid leaves 	◎	P34
		Promoting health and productivity management	Percentage of employees who took medical checkup: 100%	Hulic ⁸	100%	100%	100%	100%	100%★	<ul style="list-style-type: none"> - Provided thorough medical checkups and stress check tests 	◎	P34
		Human resource development	Number of newly obtained qualifications ¹⁰ : No target (follow-up item)	Hulic	-	-	-	10	32	<ul style="list-style-type: none"> - Obtained qualifications of registered real estate broker, ARES Certified Master, Certified Building Administrator, etc. 	-	P34
		Strengthening corporate governance and risk management	<ul style="list-style-type: none"> - Implement timely and appropriate risk evaluation/management with the aim of complying with laws and regulations, and respond to various risks in our businesses. - Work to prevent violations of antitrust laws, bribery, and corruption, and conduct corporate activities with a strong sense of ethics. - Proactively adopt structures with high seismic capacity to provide buildings that are secure, safe, and comfortable. 	Compliance	Number of compliance seminars attended: No target (follow-up item) Number of internal audits conducted: No target (follow-up item)	Hulic Hulic	- -	- -	5 8	5 9	5 11	<ul style="list-style-type: none"> - Ensured compliance with rules for handling information according to information classification and conducted training on human rights issues. - Number of internal audits implemented for Hulic and Hulic's group companies.
Corporate Governance	Participation rate in the Board of Directors' Meeting: No target (follow-up item)			Hulic	-	-	98%	96%	97%	<ul style="list-style-type: none"> - 15 Board of Directors' meetings were convened in fiscal year 2017. Participation rate covers all Directors and Auditors. 	-	P38-40
Earthquake countermeasures for Hulic's buildings	Percentage of buildings that conform to new earthquake resistance standards: 100%			All new office buildings completed	100% (2 buildings)	100% (1 buildings)	100% (9 buildings)	100% (2 buildings)	100% (6 buildings)	<ul style="list-style-type: none"> - Adopted building structures that conform to new earthquake resistance standards in all new buildings 	◎	P29
Business Continuity Plan (BCP)	Number of inspections for BCP drills, stockpiled food and goods: Once or more per fiscal year			Hulic Group	1	1	1	1	1	<ul style="list-style-type: none"> - Conducted disaster training, training on evacuating properties managed by Hulic in the event of a disaster, and first-aid training, etc. 	◎	P41
Other Initiatives	<ul style="list-style-type: none"> - We will place emphasis on dialogues with stakeholders and aim to become a company that is trusted by society. 	Improvement in customer satisfaction	Number of surveys on customer satisfaction: Once or more per fiscal year	Hulic Group	1	1	1	1	1	<ul style="list-style-type: none"> - A survey on the customer satisfaction of tenants was conducted through Hulic Building Management acting as the contact point. 	◎	P28, 30
		Corporate social contribution	Number of social action programs: 4 programs or more per fiscal year	Hulic Group	8	9	12	13	16	<ul style="list-style-type: none"> - Held students' idea competition, hosted summer festivals, donated to NPO organizations, donated to Ashinaga Scholarship Society, opened the Company's daycare nurseries to the local community, etc. 	◎	P36
		Supporting employees to conduct social contribution activities	Number of social contribution activities by employees: 3 activities or more per fiscal year	Hulic Group	6	6	6	6	6	<ul style="list-style-type: none"> - Participated in satoyama conservation activities, cleaning activities in local communities, flowerbed maintenance activities, participated in gift-matching program, donated to the Ashinaga Scholarship Society, and conducted activities to support disaster-hit areas, etc. 	◎	P35

¹The unit calorific value and CO₂ emissions factor for city gas are based on values from the "the greenhouse gas emissions accounting and reporting manual" issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, while the CO₂ emissions factor for power is based on the actual emissions factor of electric utility companies used by the target building. ²CO₂ 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. ³Since 2015, we have targeted the properties for office buildings with floor area of 3,000m² or above and hotels managed by the Company, and excluded buildings in which a bank branch is the sole tenant, real estate for sale, and condominium ownership/shared ownership. The number of target properties in 2015 and 2016 was 51, and that in 2017 was 55. ⁴Since 2016, we have aggregated city gas consumption of the companies with direct contracts with our group companies. ⁵The number of buildings for which construction was completed between January and December 2017, and which are the targets of greening projects. (excludes real estate for sale) ⁶Data for 2012-2014 covers 16 primary office buildings; since 2015, however, seven buildings occupied by the head offices of Hulic's Group companies, which are actively implementing measures to reduce the volume of waste, are covered in the data. Since 2017, the number of buildings occupied by the head offices of Hulic's Group companies and covered in the data has increased by one to eight buildings. ⁷Usage 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."

⁸Of 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. ⁹The target subsidiaries are companies that have been certified as affiliated subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities. ¹⁰The target qualifications are those which the Company recommends employees to acquire. ¹¹Targets for 2018 are now being developed. ^{*}Gas consumption in 2016 was revised from 999,426 m³ to 731,360 m³. Following this change, energy consumption, intensity of energy consumption, and CO₂ emissions from gas use were revised from 43,296GJ to 31,684GJ, from 1.4GJ/m² to 1.5GJ/m², and from 2,160t-CO₂ to 1,581t-CO₂, respectively, and CO₂ emissions intensity from gas use and electricity use was revised from 78.0t-CO₂/m² to 77.7t-CO₂/m². In addition, the amount of waste generated was revised from 437t to 524t. Following this change, CO₂ emissions from disposal of waste generated from operations, included in Scope 3 emissions, was revised from 31.3t-CO₂ to 42.7t-CO₂. The amount of waste generated in 2015 was revised from 434t to 525t. Following this change, CO₂ emissions from disposal of waste generated from operations, included in Scope 3 emissions, was revised from 29.2t-CO₂ to 44.0t-CO₂. Following the revision of the amounts of waste generated in 2015 and 2016, the percentage of reduction in waste generation over the four-year period from 2013 to 2016 was revised from 21% to 12% (percentage reductions calculated per total floor area compared between the average of the four years from 2013 to 2016 and the average of the three years from 2005 to 2007).

SPECIAL FEATURE

LONG-TERM VISION

FOR THE ENVIRONMENT



With the aim of contributing to the formation of a sustainable society by achieving the reduction of greenhouse gas emissions and the improvement of energy-saving through our business activities, and achieving sustainable growth by mitigating or avoiding the effect of climate change, we have formulated a long-term vision for the environment with 2050 as the target year.

Long-term Vision for the Environment

Hulic promotes environmentally friendly management to realize a low-carbon society and a recycling society in 2050, which Hulic considers to be ideal.

Current Recognition of Climate Change

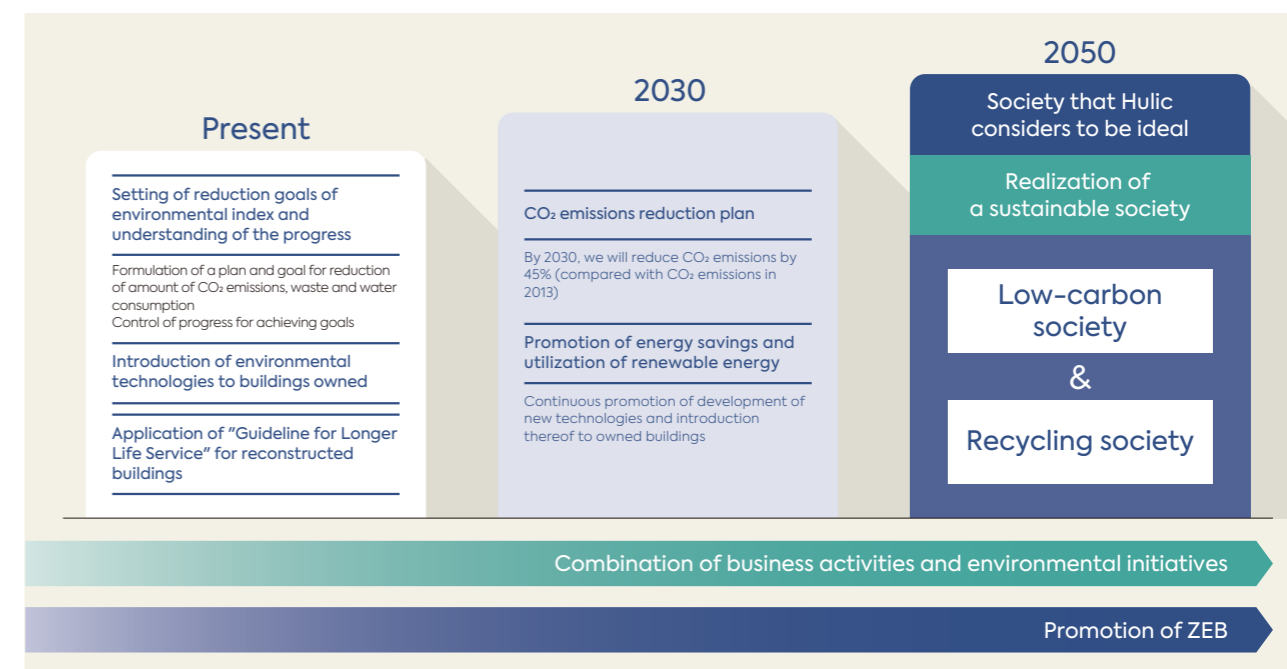
We consider that climate change, including global warming, will provide our business with the following risks and opportunities in the short and long term.

	Short term (until 2030)	Medium and long term (2030 and thereafter)
Risks	<ul style="list-style-type: none"> • Risk of implementing CO₂ emissions trading system* * If the amount of CO₂ emissions exceeds the amount required to be reduced, building owners are required to purchase emission rights. 	<ul style="list-style-type: none"> • Damage to buildings due to natural disasters such as large-scale typhoons, tornadoes and heavy snow arising from climate change • Procurement risk due to environmental changes
Opportunities	<ul style="list-style-type: none"> • An increase in demand for energy-saving products and services • An increase in demand for renewable energy and proceeds of sale of electric power under the feed-in tariff scheme 	<ul style="list-style-type: none"> • Development of new technologies for efficient utilization of natural energy • An increase of opportunities for cooperative projects with the government, local governments or private organizations, etc. to realize a low-carbon society

We hold up a “low-carbon society” and a “recycling society” as an ideal society based on our belief that effect of the risks listed above can be mitigated or avoided by promoting efforts such as promotion of energy savings and utilization of renewable energy, and the reutilization of resources.

In light of opportunities that have been brought due to climate change, we have worked on the reduction of energy use and the improvement of efficiency in business activities in advance of other companies. In order to more effectively work on these issues, we will promote environmentally conscious management while keeping up on trends of the industry over all through activities such as participating in meetings of the environmental committee of the Real Estate Companies Association of Japan.

Road Map for Realization of Vision



Example of Specific Initiatives for Achieving Vision

Natural ventilation and natural lighting systems developed through cooperative research with MIT



Rooftop solar chimney (Hulic Head Office Building)



Natural lighting louvers (Hulic Head Office Building)

Installation of photovoltaic panels on rooftop and exterior walls



Photovoltaic panels (Hospitalment Itabashi Tokiwadai)

Introduction of LED lighting, high-efficiency lighting and illumination control devices



Space with LED lighting system (Hulic Asakusabashi Building)

FUNDAMENTAL APPROACH	Hulic develops the CSR promotion system that functions effectively to promote CSR management.
	Results in FY2017 Held the CSR Committee and the CSR Supporter meetings

Establishment of the CSR Committee

Hulic has established a CSR Committee in order to combine and align its CSR-related initiatives with its business activities. It is essential for management personnel to be involved in boosting the level of CSR initiatives in the medium and long-term while striking a balance between CSR-related measures and business activities. Therefore, the CSR Committee is chaired by the President, consists of Senior Executive Managing Officers, the General Manager of the Business Planning and Management Department, the General Manager of the Real Estate Planning Department and the General Manager of the Property Development 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.



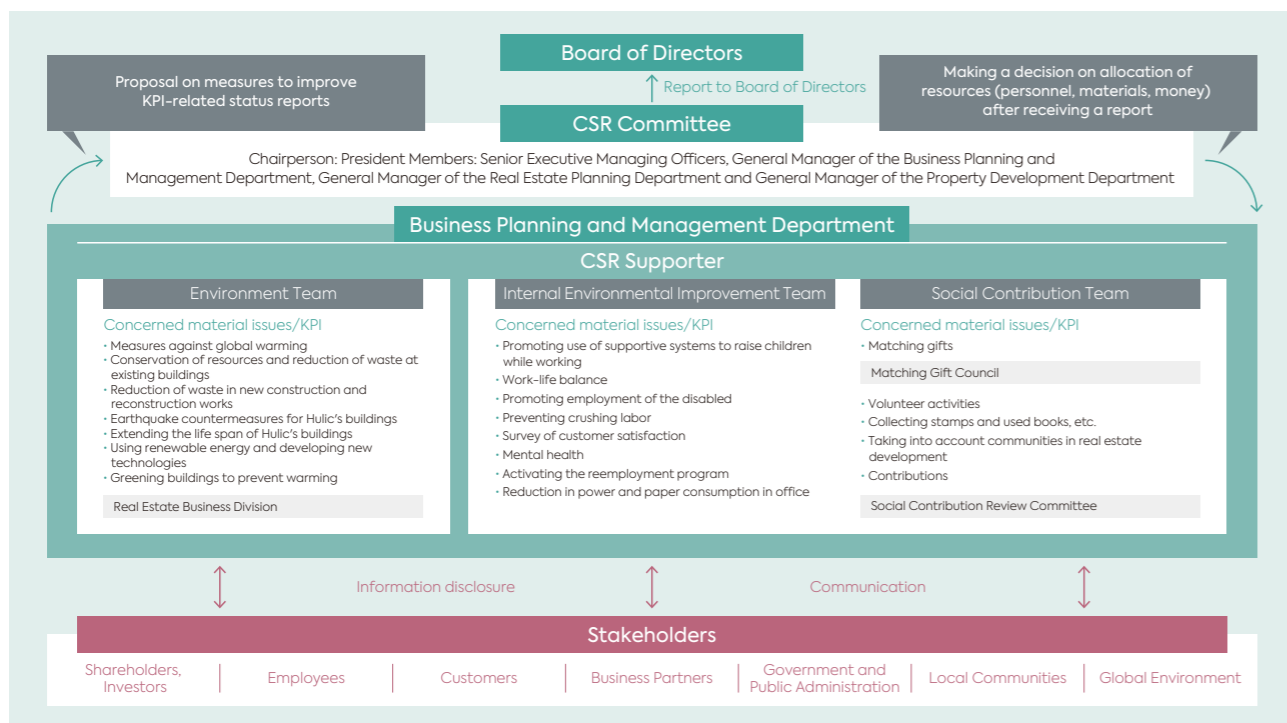
Flowerbed maintenance activities carried out by CSR supporters

Summary of CSR Committee Meeting

The 11th Meeting (September 2017) - Fiscal year 2016 performance/CSR plan for 2018/Areas of improvement

The CSR Committee discussed the change in CO₂ emissions intensity, and external CSR evaluation, etc. Based on the discussions, the committee decided properties to be monitored by KPI and the CSR Policy for 2018

CSR Promotion Systems



Environmental Initiatives

Environmental Management

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

Social Background Surrounding Hulic

In 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) was held and the Paris Agreement was adopted as a new international framework for reducing greenhouse gas emissions during the period after 2020. In Japan, the government formulated the "Plan for Global Warming Countermeasures" amid increasing social needs for solutions to environmental issues.

Initiatives for Solving Social Issues

- › Formulation of the long-term vision for the environment for 2050
- › Formulation and implementation of the CO₂ emissions reduction plan with 2030 as the target year
- › Effective use of renewable energy
- › Waste reductions through proactive adoption of longer life building designs
- › Development and introduction of energy-saving technologies
- › Initiatives for conserving biodiversity and greening

FUNDAMENTAL APPROACH

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

Results in FY2017
Developed the long-term vision for the environment for 2050

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

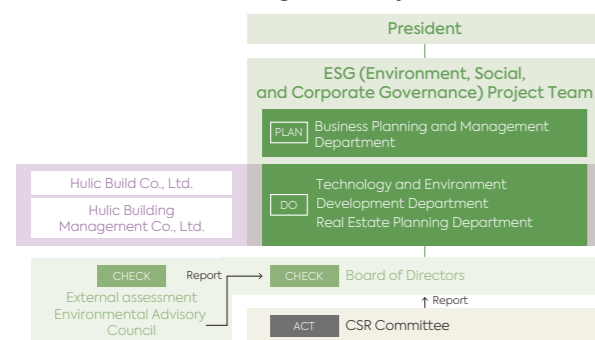
- 1 Environmental Compliance**
We strive to create a sustainable society while conforming to environmental laws and regulations.
- 2 Environmental Management System**
With environmental targets set, we make continuous efforts for improving them while contributing to the conservation of the global environment.
- 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.

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 ESG project team headed directly by the President.

To monitor the progress of environmental activities of Hulic Group, we adopt evaluations by the "Board of Directors" for internal matters and by the "Environmental Advisory Council" for external matters. The results are reported to the CSR Committee and the ESG Project Team, and are reflected when reviewing the environmental promotion system and setting targets.

Environmental Management System



Environmental Advisory Council

We have an Environmental Advisory Council in place to assess Hulic's environmental activities, including response to climate change to receive advice and opinions from external experts.

External experts and the Chairman, President, Senior Executive Managing Officers, General Managers of real estate, and environment-related departments attend Environmental Advisory Councils. The results of the councils are reported at meetings of the Board of Directors presided over by the President, Representative Director of Hulic on a regular basis.

At the Ninth Environmental Advisory Council, the progress of the CO₂ emissions reduction plan formulated in 2016 was reported and we received advice from the council members on methods to reduce CO₂ emissions. In addition, the council discussed how to work on the SDGs adopted at the United Nations General Assembly in 2015.

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 conduct 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 and project management or ordering construction work, we generally hire companies with the solid technologies, credibility, and track records. In addition, when reconstructing and developing real estate, we issue instructions on environmentally friendly designs and check whether environmentally friendly designs are adopted at the basic designing stage, implemental designing stage, and completion stage.

Environmental Compliance

With the aim of thoroughly complying with laws and regulations related to the environment, including waste and soil pollution, the Hulic Group conveys to all employees information on the latest trends in environmental laws and regulations and legal systems through the intranet, and provides environmental compliance training as needed. We use opinions raised during the compliance training in the subsequent formulation of environmental policies. There were no violations of environmental laws in fiscal year 2017.

Environmental Education

The Hulic Group participates every year in the Tokyo Green Ship Action, organized by the Bureau of Environment of the Tokyo Metropolitan Government, to raise environmental awareness, and engages in volunteer activities such as rice harvesting and trimming weeds and shrubs at the foots of mountains. These activities, with participation by many employees every year, provide them good opportunities to learn about biodiversity. The Technology and Environment Development Department, which promotes the environmental businesses of the Group, provides training on energy-saving designs and biodiversity, etc. for new employees yearly.



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

FUNDAMENTAL APPROACH

Hulic implements climate change countermeasures to achieve its CO₂ emissions reduction plan developed in 2017 (target year: 2030).

Results in FY2017
 CO₂ emissions intensity: 80.7kg-CO₂/m²
 Number of capital investments for renewable energy: 4 investments

CO₂ Emissions Reduction Plan for 2030

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

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

Actions on Climate Change

The 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), held in December 2015 in Paris, adopted the Paris Agreement as a new international framework for reducing greenhouse gas emissions after 2020. In Japan, discussions on specific measures to address climate change are picking up momentum with the formulation by the government of the "Plan for Global Warming Countermeasures," which sets the target for reducing greenhouse gas emissions of 26% by FY2030 from the level in FY2013. In addition, companies in the "commercial and other sectors" are required to reduce emissions by 40%.

In accordance with these changes in the external environment, Hulic reviewed the existing plan to reduce CO₂ emissions with the year 2020 as the target year, and formulated a new CO₂ emissions reduction plan in 2017 with the year 2030 as the target year.

Regarding the current progress of the existing CO₂ emissions reduction plan (target year: 2020), we have achieved the target on the basis of our consumption of primary energy.

Basic Plan to Achieve the Goal

- Properties for reconstruction
 Reduce energy consumption by an average of 25% by implementing various energy-saving measures.
- Properties requiring maintenance/renovation
 properties to be newly purchased
 Reduce energy consumption by an average of 5% by implementing facility renovation (increasing value),

and the use and operational arrangement of green leasing*.

All buildings

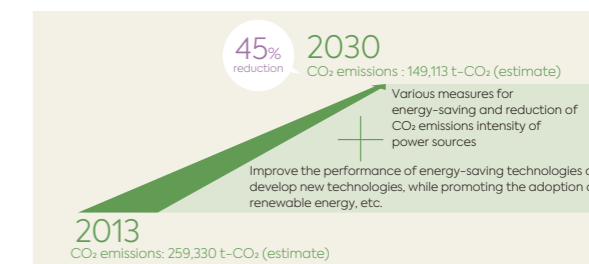
Endeavor to reduce energy consumption with cooperation from tenants by taking measures such as visualizing the energy consumption of each building.

*Under green leasing, building owners collaborate with tenants and make voluntary arrangements on reducing environmental impacts through energy-saving measures for real estate and improving the work environment by specifying in a contract or memorandum of understanding, etc., and implement the agreements.

Adoption of Energy-saving Technologies, etc.

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

Road Map for 2030



Effective Use of Renewable Energy

Initiatives for Utilizing Renewable Energy

The Hulic Group promotes the eco-business as one aspect of our 3K businesses (Koreisha (seniors), Kanko (tourism), and Kankyo (environment)), and has set the target for the number of capital investments on renewable energy at three investments or more in each year.

Photovoltaic Generation System

We have been making efforts to reduce CO₂ emissions through photovoltaic power generation by installing a photovoltaic cell module on the rooftop of buildings. On the rooftop of Hulic Fukasawa, completed in 2017, a 10.0 kW photovoltaic generation system with a capacity to generate upwards of 10,000 kWh of electricity every year has been installed.

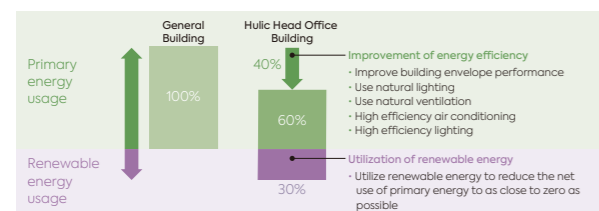


Photovoltaic panels installed on the rooftop of Hulic Fukasawa

Initiatives for Achieving ZEB through Mega Solar Power Project

With environmental issues becoming more serious, in November 2014, Hulic decided to invest and become involved in a mega solar power plant project located in Hirono Town, Futaba District, Fukushima Prefecture, in order to address society's needs to strengthen our efforts toward environmental management. We expanded the initiative to Ogoyama Town in Kasama City, Ibaraki Prefecture in 2015, and to Yokoshibahikari Town in Sanbu District, Chiba Prefecture in 2016. Using the solar power plants at these three locations, we are working toward achieving offsite ZEB at the Hulic Head Office Building. ZEB is an acronym for Zero Energy Building. ZEB means that a building uses zero net primary energy annually thanks to improvements made in the energy efficiency of the building and its facilities as well as the use of renewable energy.

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



As the Hulic Head Office Building is a building with high energy-saving performance which has been introduced energy-saving technologies such as natural lighting and natural ventilation systems, it has been able to reduce the amount of energy consumption by about 40% compared to the amount of energy consumption in other general buildings. As for the remaining 60%, 30% is sourced by renewable energy. Therefore, the Hulic Head Office Building is close to being a ZEB.

Promotion of Energy-saving

Adoption of Energy-saving Technologies

Hulic has actively worked on the promotion of energy savings, use of renewable energy, and greening promotion, etc. as measures for climate change in engaging in new development and managing existing buildings owned by Hulic. Specifically, we use high-efficiency equipment, air conditioning systems, total heat exchangers, and cogeneration systems/storage batteries depending on the features of properties. In addition, we will proactively introduce new energy-saving technologies and improvements of existing performance. In addition, Hulic will conduct its own research and development on energy-saving technologies.

Activities to Promote Energy-saving Cooperation with Building Management Companies

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

Introduction of Energy-saving Measures in Cooperation with Tenants

We have introduced an energy usage visualization system on a trial basis to examine measures for saving energy at tenants and for reducing the electricity consumption of an entire building. We have started by monitoring electricity usage in one building for a year on a trial basis, and will expand the target buildings for which energy savings can

be achieved.

Based on the building's electricity consumption for one year, adjustments will be made with each tenant, then we examine equipment settings and propose utility cost reduction measures through more efficient operations, and implement small-scale renovations as needed.

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

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



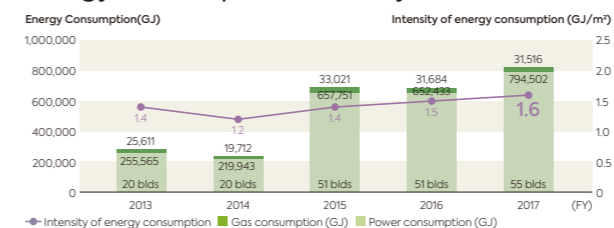
Visualization system (Hulic Asakusabashi Building)

Situation of Greenhouse Gas Emissions

Energy Consumption and CO₂ Emissions at Hulic's Buildings

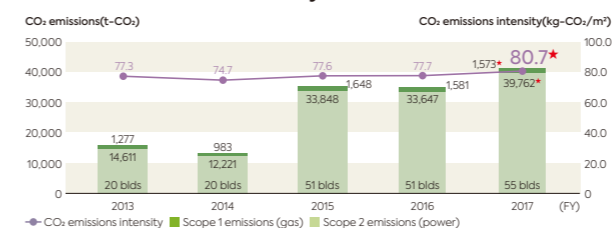
In tandem with our business expansion, we increased the number of properties to be included in this report since 2015. With the increasing target properties, we aim to further promote energy-saving activities. We will work proactively toward our goal of reducing CO₂ emissions by 45% from 2013 by 2030.

Energy Consumption/Intensity*



Note 1: As the target buildings for calculation increased from 2015, energy consumption is on the rise.
 Note 2: 0.00997 GJ/kWh and 0.00928 GJ/kWh are used as the unit calorific value for day-time power and night-time power, respectively, and 44.8 GJ/1000 m³ for city gas.

CO₂ Emissions/Intensity*



Note 1: Figures marked with "*" have been assured by an independent assurance provider.
 Note 2: As the target buildings for calculation increased from 2015, CO₂ emissions are on the rise.
 Note 3: CO₂ emissions intensity is the sum obtained through calculations that take the total floor area of the offices that use power and city gas, respectively as the denominator for each emission volume.
 Note 4: 0.0136tC/GJ is used as the emissions factor for city gas.

Promoting Initiatives Across the Entire Value Chain

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

In addition, the Hulic Group calculates not only its own emissions (Scope 1 and Scope 2), but also indirect emissions related to its business activities (Scope 3) to broadly understand and lower greenhouse gas emissions across the entire value chain.

Scope 3 Emissions*

Unit: t-CO₂

Category	Main target for calculation	2015	2016	2017
Purchased goods and services	Consumables, office goods (Hulic Co., Ltd.), water and sewerage (55 key buildings)	333.7	351.0	385.1
Calculations for fuel and energy-related activities outside of Scope 1 and Scope 2	Electricity use (55 key buildings)	2,335.4	2,348.0	2,850.6
Upstream transportation and distribution	Shipping parcels and letters (Hulic Co., Ltd.)	6.8	30.8	32.3
Waste generated from operations	Waste generated from 8 key buildings	44.0	42.7	46.9
Business travel	Travel by train, bus or airplane, etc. (Hulic Co., Ltd.)	52.3	58.4	71.3
Employee commuting	Employee commuting by train or bus, etc. (Hulic Co., Ltd.)	39.0	40.8	45.3
Scope 3 total emissions		2,811.2	2,871.7	3,431.5

Note: We have calculated greenhouse gas emissions, including those from the entire value chain, based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.3 published by the Ministry of the Environment.

Green Procurement Initiatives

In order to work on the reduction of environmental impacts through our entire operation, we ask our business partners such as suppliers to cooperate in the following green procurement policy:

1. To engage in energy-saving activities and reduce GHG emissions;
2. To reduce the amount of water consumption as much as possible;
3. To carry out a biodiversity-friendly business;
4. To fully prevent environmental pollution; and
5. To make efforts to save resources and reduce the amount of waste.

TOPICS

Ranked 1st in the Real Estate/ Warehouse Industry for the Eighth 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 eight consecutive years since the 14th Environmental Management Survey in 2010. Given that we were able to achieve another high score, we will continuously promote environmentally-conscious management and be committed to combining global environmental conservation with corporate growth.

WEB

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

* For items marked with "*", some prior-year figures have been adjusted. For details, please refer to page 16.

FUNDAMENTAL APPROACH

We are proactively working to reduce waste and water consumption in cooperation with tenants and building management companies toward the realization of recycling society. For reconstructing buildings, we endeavor to reduce environmental impacts by promoting the 3R (reduce, reuse, and recycle) through the adoption of Longer Life Building designs that enable to reduce waste significantly and effectively utilizing resources.

Results in FY2017 Hulic's Longer Life Buildings completed based on the standards established in the "Hulic Guideline for Longer Life Service": 6 buildings

Prevention of Pollution and Preservation of Water

Prevention of Pollution

The Company considers that the minimization of environmental pollution due to business activities is indispensable to realize a recycling society. Thus, we have worked on the reduction of emission of pollutants, including CFCs and PCBs with the cooperation of design companies and construction companies, as well as endeavoring to adopt construction methods that reduce pollutant discharge as much as possible.

In addition, we have collected data of SOx, NOx, VOC and toxic waste generated from reconstruction activities in the past and identified the amount of those substances generated.

Amount of emission of SOx, NOx and VOC in the past three years

	2015	2016	2017
SOx emissions (kg)	8	62	42
NOx emissions (kg)	1,106	418	281
VOC emissions (kg)	-	-	51

* Figures are only for reconstructed buildings completed in each year and for which data were collected.

TOPICS

Receiving of Prize of Excellence for the "21st Environmental Communication Awards"

In recognition of our efforts for the improvement of environmental management and the CO₂ emissions reduction plan for 2030, our CSR REPORT 2017 received the prize of excellence for the environment report section of the "21st Environmental Communication Awards" hosted by Ministry of the Environment and Global Environmental Forum.



Effective Utilization of Water in Buildings Owned by Hulic

In order to reduce the amount of water consumption in buildings owned by Hulic, we have taken the initiative of putting water-saving devices on water taps installed

in the plumbing of existing buildings owned by Hulic. Installing a water-saving device can save about 40% per tap. In addition, we are introducing water-saving toilet bowls and sinks into the existing buildings owned by Hulic as the standard type.

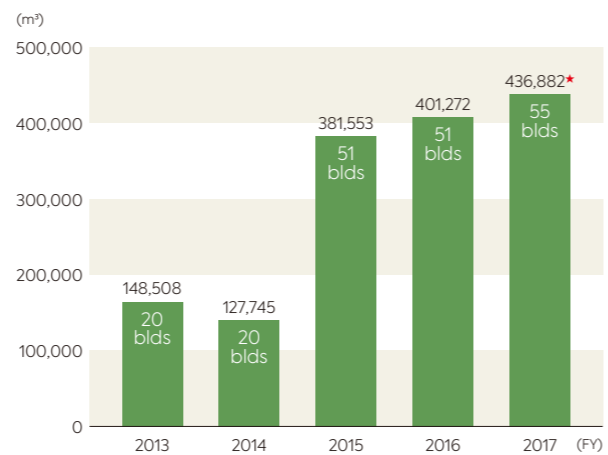
Efforts toward Recycling of Water

We are engaged in not only the reduction of water consumption, but also the recycling of water in buildings owned by Hulic. In Hulic Setagaya, completed in 2014, we made efforts toward effective utilization of limited water resources by reutilizing rain water for sprinkling and washing for toilets.



Rain water reutilization equipment at Hulic Setagaya

Water Consumption



* Since fiscal year 2015, we have been targeting key buildings with total floor area of 3 thousand m² or more. In 2017, the number of target properties was 55.

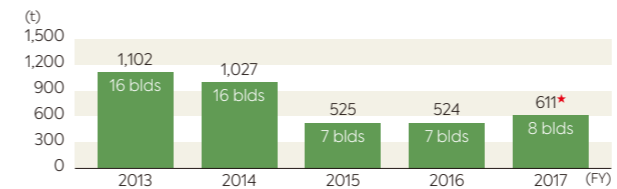
Efforts for Resource-saving and Reduction of Waste

Resource-saving and Reduction of Waste in Buildings Owned by Hulic and Reconstruction of Buildings

As a result of our steady efforts to realize a recycling society, we have reduced the amount of waste* by 12% (the reduction rate calculated based on the total floor area in comparison with the average amount during the period from 2013 to 2016 and the average amount during the period from 2005 to 2007). From the viewpoint of a business operator, we have also adopted the PC method,* which can substantially reduce the amount of resources used and waste at the time of construction of buildings, including reconstruction. We have reduced impact on limited resources both from input and output perspectives. In recent years, we adopted the PC method to construct Hulic Residence Chofu Shibasaki.

* PC (precast concrete) method: The method of assembling precast wall panels, which are manufactured at a factory under consistent quality control, after carrying them to a construction site.

Waste Disposal*



Figures marked with "*" have been assured by an independent assurance provider. * Since fiscal year 2015, we have been targeting buildings owned by Hulic. These buildings include Hulic Group companies' head offices as tenants which are proactively working to reduce waste generation.

Waste that Can and Cannot Be Recycled

	2015	2016	2017
Number of target buildings			
Waste that can be recycled	7blds	7blds	8blds
Paper	249	240	296
Bottles, cans, plastic bottles	27	28	29
Total	276	268	325
Waste that cannot be recycled			
Other general waste	192	195	218
Industrial waste	56	61	68
Total	249	256	286
Total of waste that can be recycled and waste that cannot be recycled	525	524	611*

* Since fiscal year 2015, we have been targeting buildings owned by Hulic. These buildings include Hulic Group companies' head offices as tenants which are proactively working to reduce waste generation.

Raw Materials Purchase Volume

	2015	2016	2017
Steel materials purchase volume (t)			
	5,506	688	2,315
Batten cleats purchased volume (m ³)			
	207	33	91
Plywood purchased volume (m ³)			
	688	60	91
Lumber purchased volume (m ³)			
	895	93	182

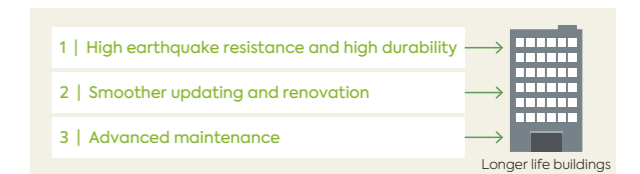
* Figures are only for reconstructed buildings completed in each year and for which data were collected.

Creating a New Standard of Buildings that Last 100 Years

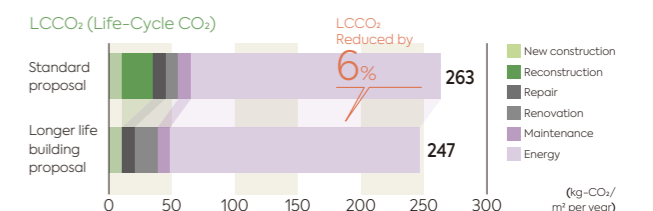
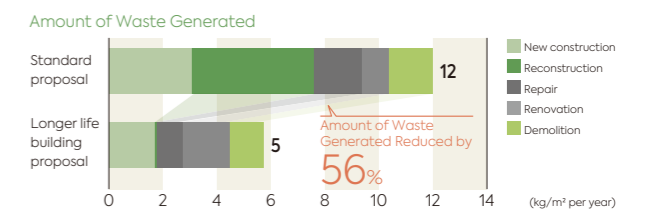
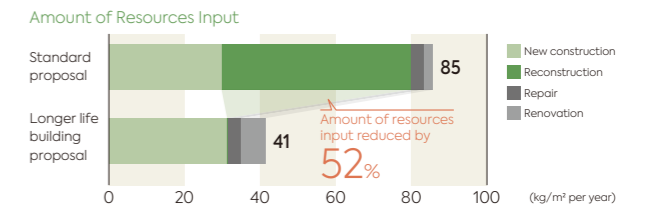
"Hulic Guideline for Longer Life Service" is composed of three ideas, 1) high earthquake resistance and high durability; 2) smoother updating and renewal; and 3) advanced maintenance. High-grade building frames are ensured so as to continue to be used for over 100 years in safety, and on the other hand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

Longer life buildings that can be used for over 100 years can reduce waste generation and resources used for reconstruction by 50% or more compared to the cases in which buildings are reconstructed every 40 years as before (standard plans). We have adopted longer life designs for all reconstructed buildings completed in 2017 or for which the construction was started in 2017.

Hulic Guideline for Longer Life Service



Environmental Advantages of Longer Life Buildings



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

Effects: As 3/4 of LCCO₂ or more is CO₂ that accompanies energy consumption, the effect of a reduction in CO₂ emissions from extending 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

WEB Waste Countermeasures
<https://www.hulic.co.jp/en/csr/ecology/waste/>

* For items marked with "*", some prior-year figures have been adjusted. For details, please refer to page 16.



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 FY2017	Number of greening projects: 5 projects (Target: properties completed in 2017)

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 program operated by the Ecosystem Conservation Society - Japan.

Primary Certified Properties

Name of Project	Rank of Certification	Date of Certification
Aristage Kyodo	A	January 2017 (Initial certification: January 2012)
Hulic Residence Tsudanuma and Hulic Garden Tsudanuma	AA	December 2016 (Initial certification: December 2011)
Hulic Residence Senriyama	A	December 2016 (Initial certification: December 2011)
Hulic Court Yukigaya	A	October 2016 (Initial certification: October 2011)
Granda Omori Sannou	A	October 2016 (Initial certification: October 2011)
Construction of Hulic Setagaya	A	November 2014



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. Our greening projects aim to create lush green urban spaces and to harmonize with nature while considering biodiversity. In addition, we have jointly developed with other companies and commercialized thin-layered wall greening system that can be easily introduced to the existing buildings.

Greening on Rooftops and Premises/Greening on Walls

It is possible to achieve energy-saving effects by 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.

Covering a building exterior with plants, wall greening can be a countermeasure against the heat-island effect by utilizing the transpiration effect.

In addition, as it improves the amenities of the building, soothing effects for people walking on the street are also expected.



Case Study Hulic Fukasawa (Completed in July 2017)

This property has been leased to a fee-based assisted living nursing home operated by Charm Care Corporation. This property is located in a quiet residential area with a row of cherry trees and lush greenery and planned to harmonize with the surrounding relaxed atmosphere.

Along the exterior of the building, we have given due consideration to biodiversity and proactively introduced wall greening and rooftop greening so that the lush greenery of trees of various heights and seasonal plants can be enjoyed from many places in the building. In addition, a sidewalk open space with plants has been developed on the site facing the road, which contributes to the community.



WEB Biodiversity/Encouraging Greening <https://www.hulic.co.jp/en/csr/ecology/communication/communication.html>



Social Initiatives

Initiatives for Our Customers

FUNDAMENTAL APPROACH	We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance, and convenience. In addition, we have established various emergency and disaster scenarios, for which we have created measures to improve the structural performance of our buildings, as well as operational and management aspects of buildings.	
	Results in FY2017	Customer satisfaction: 100%

Efforts toward the Improvement in Customer Satisfaction

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

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

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

Holding regular management status reporting meetings with property management companies

Hulic regularly holds property management status reporting meetings with property management companies to check the implementation status of management work, including complying with laws and regulations, and receive reports on various problems related to buildings, including the results of measures to fix defects that have occurred in buildings. In this way, we are promoting the maintenance and improvement of quality, as well as unifying the quality of overall property management and operation services.

Quality evaluation for management companies

Each year, Hulic evaluates the implementation status of management work and provides property management

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

Social Background Surrounding Hulic

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

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

Initiatives for Solving Social Issues

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

companies with feedback to improve and unify the quality of their work.

We use the results of evaluations as information to decide whether to continue to entrust management work with the current property management companies in accordance with the rules for real estate outsourcing management.

Specific primary evaluation items

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

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

Systematic implementation of preventive maintenance of buildings and facilities

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

Thorough Implementation of an Earthquake Resistance Diagnosis and Seismic Reinforcement

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

Earthquake resistance diagnosis, reinforcement works, and confirmation of validity of structural calculation

We diagnosed the earthquake resistance of all Hulic's properties that were built before the new earthquake resistance standards were established *1, and almost all buildings that did not meet the earthquake resistance standards underwent seismic reinforcement. In relation to the office buildings which were determined to require reconfirmation *2 although constructed after the new earthquake resistance standards, we also rechecked their structural calculations to confirm the validity of their structural design.



Earthquake-absorbing equipment

*1 Excludes buildings with box frame type concrete construction and buildings that will be demolished.

*2 Includes office buildings for which appropriate structural calculations could not be reconfirmed. For example, if the architectural firm that implemented the structural calculation had already discontinued its business.

Liquefaction Countermeasures

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

Measures against Water Damage

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

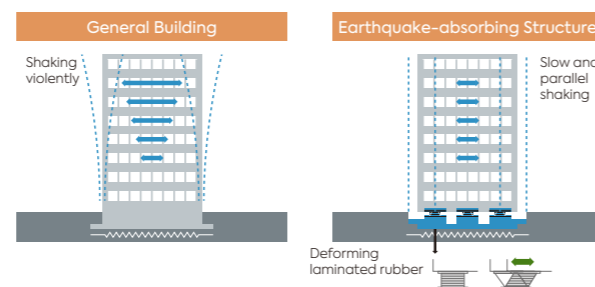
In addition, as measures to deal with recently increasing torrential downpour, etc., a rainwater storage tank has been installed in Hulic Fukasawa completed in 2017.

Proactive Adoption of Earthquake-absorbing and Earthquake-damping Structures

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

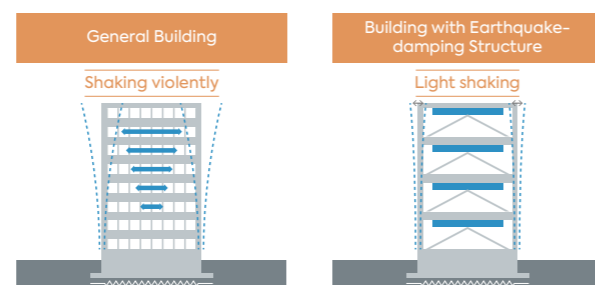
Earthquake-absorbing structures

By isolating the building from the ground with a mechanism called an isolator, seismic energy is absorbed to reduce the intensity of shaking to 10%-50% compared to other general earthquake-resistant structures. Another feature of this structure is that how a building shakes during an earthquake does not differ significantly between upper floors and lower floors of the building. Sendai First Tower, a jointly developed building completed in Sendai where earthquakes occur frequently, is one of the few buildings with this earthquake-absorbing structure. Our stance toward ensuring safety is highly evaluated.



Earthquake-damping structures

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



Customer Satisfaction Survey

We conduct a customer satisfaction survey once a year to ensure tenants of Hulic's properties (corporate tenants) are able to use the buildings comfortably. Survey items include matters concerning building hardware and software, and things customers have noticed while using our buildings on a daily basis. We check the responses of customers, and then take steps to identify latent customer needs and make improvements accordingly. In the survey conducted in 2017, we consistently received high ratings. This mainly reflects our systematic facility reinforcement and quick response to problems. In addition, responsible staff individually explained matters requested by customers in relation to the survey items or responded to them.

Responsible Marketing

Hulic has set out the principle of "treating customers

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

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

WEB Initiatives for Our Customers
<https://www.hulic.co.jp/en/csr/customers/>

Promoting 3 future growth businesses (3K Businesses) toward Resolving Social Issues

Initiatives for Tourism Business

The number of accommodation facilities owned by Hulic as of December 31, 2017: 11

Case study 1

Developing THE GATE HOTEL brand

THE GATE HOTEL KAMINARIMON by HULIC, which opened in 2012 and is directly operated by Hulic group, has been awarded one star in the Michelin Guide for six consecutive years since 2013, and thus stable operation has been secured. In addition to THE GATE HOTEL TOKYO which will open in December 2018 in the Ginza/Yurakucho district, we are currently promoting development projects of GATE HOTEL, the redevelopment of the site of the former Rissei Elementary School in Kyoto City and Ryogoku River Center Development Project.



THE GATE HOTEL Tokyo by HULIC

Case study 2

Developing Japanese style luxury hotels "Fufu Series"

Amid growing demand for personal travel, Hulic is promoting the acquisition and development of luxury hot spring hotels. We acquired Hakone Suishoen, Atami Fufu, and ATAMI Kai-Ho-Rou in 2015. In October 2018, Lake Kawaguchi Fufu will open. We plan to develop around ten hotels of the Fufu Series in Nikko, Kyoto, Gora and Nara in the future.



Atami Fufu

Initiatives for the Senior Business

The number of senior facilities owned by Hulic as of December 31, 2017: 21

Hulic is striving to respond to an aging population by developing and making investments in senior facilities centering on senior residences, and expanding our business to hospital development for warehousing and the medical sector through CRE. In 2017, Hulic Fukasawa (senior residence) which we developed as a project of the effective use of the former site of Nippon Sport Science University's Fukasawa Women's Dormitory and Hulic Chofu (senior residence) were completed.

Hulic Fukasawa is a facility that involves the leasing of the former site of Fukasawa Women's Dormitory owned by Nippon Sport Science University for a period of 60 years and the contribution to the community as a CRE project. In 2018, we acquired Sompo-no-ie Komae and As Heim Oizumigakuen (both senior residences).



Hulic Fukasawa

Hulic Chofu

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 FY2017 Evaluated the status of work implementation by outsourced property management companies

CSR Procurement Policy

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

CSR Procurement Policy

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.
 - ① Prohibition of discrimination
We prohibit any discrimination against any person on the ground of his or her belief, religion, age, sex, sexual orientation, race, nationality, origin, physical or mental disability, etc.
 - ② Prohibition of harassment
We prohibit any act, including sexual harassment or abuse of authority, to inflict emotional distress on any person by language or behavior that damages his or her character or dignity.
 - ③ Prohibition of child labor
We prohibit any child labor.
 - ④ Prohibition of forced labor
We prohibit any forced labor carried out through violent acts or intimidation.
 - ⑤ Respect for the right of freedom of association and right of collective bargaining
In line with international labor standards, we respect the right of freedom of association and right of collective bargaining.
 - ⑥ Reduction of excessive working hours
In addition to ensuring compliance with labor-management agreements, including the 36 Agreement and laws and regulations of relevant countries and regions, we adopt basic policies to reduce overtime work and limit excessive work.
 - ⑦ Securing of health and safety of workers
In accordance with laws and regulations of relevant countries and regions, including the Labor Standards Act, we endeavor to offer a workplace where workers can work healthily and safely.
 - ⑧ Payment of wages over minimum wage
We pay wages over minimum wages prescribed in various local laws and regulations as well as the Minimum Wage Act.
3. We will take consideration of environmental conservation and will strive to promote green procurement.
We will endeavor to conduct procurement in accordance with the Hulic Green Procurement Policy in order to realize a sustainable society.
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.

Cooperation with Building Management Companies

In accordance with the rules for real estate outsourcing management, Hulic Building Management Co., Ltd. personnel in charge of buildings visit management companies and buildings randomly selected once a year to inspect the management conditions and evaluate management companies. (Please refer to page 28, "Maintenance and Improvement of Quality and Ensuring Uniformity in Quality of Hulic's Buildings.")

Fair Trades with Outsourced Contractors

Considering long-term business relationships with

outsourced contractors, we work to ensure fair trade with them as a partner on an equal footing. Regarding outsourcing by the real estate business division, we ensure fair trade based on the "rules for real estate outsourcing management," respecting related laws and regulations as well as guidances from administrative organizations. We select an outsourcing contractor that is most appropriate for each project by checking track records and abilities to execute operations.

Public Private Partnerships

PPP (Public Private Partnership) projects intend to efficiently utilize and operate real estate owned by national or local governments (public real estate) through collaboration and cooperation between the public and private sectors. We are actively engaged in PPP projects by utilizing abundant development results and a stable business base as one of the leading companies of PPP projects. Taking into account the issues and needs of administrative agencies and communities through exchanges of information with them, we aim to contribute to the regional economy by settling the issues of the communities and realizing business to improve the value of public real estate through collaboration between the public and private sectors.

TOPICS

PPP Projects

1. Former Rissei Elementary School in Kyoto City Project
In March 2017, we were selected as a candidate contractor and we are currently engaged in its development. We will give consideration to the beautiful scenery by the Tokase River, and develop buildings with facilities for accommodation and community activities that blend the valuable existing school buildings with modern architecture as a "complex facility that serves as a cultural center where people meet, generating energy and excitement among people which will spread to the local community."
2. Project of Preservation, Management, and Utilization Former Site of Court in Takabatake-cho, Nara Prefecture
In March 2017, we were selected as a contractor having first refusal rights, and are currently engaged in the development. We will create a new attraction in Nara Park by developing high-quality accommodation facilities that blend with the existing trees and the remains of a garden, as well as restaurants that offer Japanese dishes using ingredients produced in Nara Prefecture.
3. Ryogoku River Center Project in Sumida-ku, Tokyo
In September 2017, we were selected as a proposed contractor and we are currently engaged in the development. We will develop complex facilities consisting of administrative facilities and accommodation facilities that present various local attractive features. These facilities, connecting the waterfront area and the city, continuously generate energy and excitement among people as a base for excursions.



WEB Initiatives for Our Business Partners
<https://www.hulic.co.jp/en/csr/dealings/>

FUNDAMENTAL APPROACH

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

Results in FY2017 Ratio of female managers: 15.6%

Promoting Human Rights and Diversity

Respect for Human Rights

The Company has established the Hulic Human Rights Policy, which proclaims respect for human rights so that all employees can maximize their abilities and contribute to the realization of a "society full of peace of mind and trust." In our Human Rights Policy, we declare that we prohibit any acts of discrimination and harassment, as well as any discrimination against any person on the ground of his or her beliefs, religion, age, sex, sexual orientation, race, nationality, origin, physical or mental disorder, etc. We also prohibit any act, including sexual harassment or abuse of authority, to inflict emotional distress on any person through language or behavior that damages his or her character or dignity. 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, prohibition of forced labor and child labor, freedom of association, and collective bargaining stipulated in the ILO's international labor standards. In 2017, Hulic posted on its intranet regarding the themes of "changes in work style" and "pregnancy discrimination (parternity discrimination)," etc. In addition, we held a seminar on LGBT* as part of compliance training for our directors and general managers.

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

Employment of Diverse Human Resources

Participating in the joint declaration on the charter of

Personnel Performance Data

		2013	2014	2015	2016	2017
Number of employees (person) (non-consolidated)	Men/Women	90/35	85/31	93/35	109/40	112/44
	Total	125	116	128	149	156
Number of employees (person) (consolidated)		461	753	784	836	862
Average annual salary (ten thousand yen)		1,120	1,268	1,295	1,418	1,530
Number of voluntarily resigned employees (person)		1	2	3	2	2
Ratio of voluntarily resigned employees (%)		0.80	1.72	2.34	1.34	1.28
Number of employees in managerial positions (person) (excluding executive officers)	Men/Women	53/4	43/4	43/5	57/8	65/12
Employment ratio of the disabled (%) (non-consolidated)		6.92	8.56	7.36	6.30	6.16*
Employment ratio of the disabled (%) (consolidated)		2.14	2.46	2.31	2.21	2.11*
Number of employees who took childbirth leave (person)		1	3	6	0	2
Number of employees who took childcare leave (person)	Men/Women	1/0	1/3	2/3	6/3	0/2
Ratio of employees who returned to work after childcare leave (%)		100	100	100	100	100
Number of employees with shorter working hours (person)		2	3	5	7	6
Number of employees who took day off for family care (person)		2	0	3	1	1
Number of employees who took family care leave (person)		0	0	0	0	0
Number of employees who took day off for nursing care (day) (absorbed previous nursing care leave)		17	31	34	60	114
Number of users of the subsidy system for daycare nursery fees (person)		8	11	14	22	31
Number of employees who took leave to take part in volunteer activities (person)		21	18	14	18	13

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

corporate ethics concerning employment issued by Keidanren (Japan Business Federation), we proactively employ new graduates in accordance with the purpose of the charter. When performing pre-employment screening, we respect the basic human rights of applicants and make efforts to secure diverse human resources based on their aptitudes and abilities, regardless of backgrounds and gender. The total number of employees newly hired in 2017 (the total of the number of new graduates and experienced individuals) is 26 (male: 20, female: 6); the proportion of women is 23.1%. The ratio of female managers has increased as a result of active efforts to promote the active participation and advancement of female employees in the workplace, with an enhanced system to support the development of the next generation. Hulic aims to become a company where female employees can thrive professionally with the target of increasing the ratio of female managers to 20% by the year 2020.

Promoting Employment of the Disabled

The Hulic Suginami Office marked its 10th anniversary, and as of June 2017, Hulic's employment rate of persons with disabilities was 2.11%* on a consolidated basis and 6.16%* on a non-consolidated basis. Currently, seven 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 team of the Head Office is held to ensure that 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, Hulic has been certified as an excellent corporation in employing the disabled in Tokyo since September 2010. We will make efforts to improve the workplace so that people with disabilities can feel a sense of worth in their work.

Promoting Female Empowerment

Hulic's basic approach is for the work of individual relations employees to be aligned with their abilities, aptitudes, and personalities, enabling individual employees to make the most of their abilities and the Company to operate a high value-added business with less manpower. For this reason we see it as essential to provide opportunities to all employees irrespective of gender and, in particular, we are strengthening initiatives for the career development of women. The women's career promotion project team has been conducting activities regularly since 2010 with themes such as improving work-life balance and career development. In 2016, we received the highest certification as an "Eruboshi" company under the Act on Promotion of Women's Participation and Advancement in the Workplace, and was selected as a "Nadeshiko" Brand. In 2017, we also engaged in activities with a focus on organizing the "Science and Engineering Challenge (Riko-challe)" events in cooperation with the Cabinet Office, Keidanren and the Ministry of Education, Culture, Sports, Science and Technology. In November 2017, we organized an in-house seminar on the topic of unconscious bias. Furthermore, an annual meeting between the women's participation promotion project team and President as the manager is being held to create opportunities for female employees to share their thoughts and concerns with the President of the Company.



Establishing Good Labor-management Relations

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

Efforts Regarding Salaries

The Hulic Human Rights Policy prescribes that we pay wages over minimum wage prescribed in various local laws and regulations as well as the Minimum Wage Act.

Providing Internship Program

We provide an internship program intended for understanding of the industry and work for undergraduate and graduate students at the Hulic Head Office Building. We offer a program where the participants can learn about the real estate business and Hulic's identity through acquiring knowledge of real estate affairs and verifying projects. In fiscal year 2017, 83 students participated.

Management of Risks regarding Labor and Human Rights Issues

We endeavor to prevent violation of laws related to labor and occurrence of accidents. Although risks of child labor and forced labor are low at Hulic as we have developed a highly specialized business mainly in Tokyo, we declare that we do not permit any form of child labor or forced labor. In order to prevent such labor, we regularly audit compliance with laws in employment management and also provide compliance education, including regarding the prevention of child labor and forced labor, to employees.

Occupational Safety and Health

In promoting the creation of comfortable workplaces, we give first priority to the securing of safety and health and endeavor to secure employees' health and safety by engaging in various efforts. While we have not obtained certifications such as OHSAS18001, we secure occupational safety under our own system by regularly conducting risk assessment and improving issues. The number of accidents occurred in 2017 was zero (zero in 2016) and no accidents that require time off from work or fatal accidents occurred in the past three years (rate of occurrence was 0%). We will continuously promote the improvement of the level of occupational safety and health in the workplace.

External Evaluation

Received the 29th "Commendation for Leading Companies Where Women Shine"

In 2017, we received Minister of State for Gender Equality Award of the 2017's "Commendation for Leading Companies Where Women Shine" hosted by the Cabinet Office for advanced companies which have excellent policies, initiatives, and actual results of appointment of women and made excellent disclosure thereof.

TOPICS

Received Grand Prize of "Ikumen Award 2017"

While we had previously focused mainly on the development of the careers of women, we have promoted the improvement of systems such as a child care leave system that both men and women can use. This is based on our belief that the sharing by a couple of the burdens of child rearing and housekeeping which tend to be shouldered by women will promote women's willingness to raise children and continue working. In recognition of the higher rate of acquisition of child care leave by male managers and the ensuring of distribution of the "Child Care Support Guide for Mothers and Fathers" prepared by Hulic, we received the grand prize. We will promote the creation of comfortable workplaces for all employees, and promote male employees' balancing of work and childrearing.

FUNDAMENTAL APPROACH

In order for employees to be healthy and fully exercise their abilities, we will promote a work-life balance and take measures to promote acquisition of paid holidays and to prevent long work hours.

Results in FY2017

Usage rate of paid leave: 78.3%

Work-life Balance/ Human Resource Development

Work-life Balance

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

Establishment of Hulic's Onsite Childcare Nursery Facility

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

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



Health and Productivity Management

Based on the idea that employees' good health is essential for improving productivity and growth of the company and that promoting health and productivity management contributes to our corporate philosophy "Total commitment to our customers and the community. Creating productive environments. Creating amenity. Creating peace of mind," Hulic is promoting various initiatives.

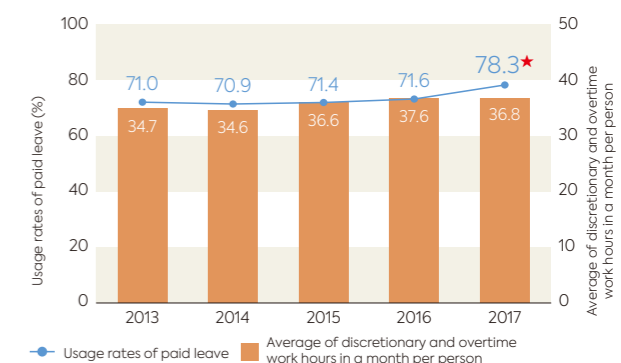
For instance, we provide employees with a full health checkup, hold meetings of the Health Committee to

discuss the status of use of paid leave and work hours of employees and implement mental health care to perform stress check tests.

Planned Use of Leave and Reduction of Overtime Work

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

- Promoting the use of "Plus-one" paid leave and consecutive paid leave
- Implementation of No Overtime Day
- Implementation of "My Friday"
- Improving the efficiency of business processes and promoting outsourcing



* Figures marked with "★" are those that have been assured by an independent assurance provider.

Stance on Human Resource Development

Hulic's ordinary income per employee is over 400 million yen. This is the highest level among listed companies. We assume that this figure has been accomplished because we are a small group of elite professionals. Currently, many of our employees are licensed professionals such as lawyers, certified public accountants, real estate appraisers, and first-class registered architects. Furthermore, with the aim of enhancing their professional skills, employees are recommended to obtain two or more qualifications by the time they reach the age of 30. In 2017, we clarified a road map to obtain qualifications so that employees can obtain the same more systematically. The costs for obtaining qualifications are fully covered by the Company. Training cost per employee in 2017 was 186,632 yen.

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

FUNDAMENTAL APPROACH

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

Results in FY2017

Social contribution by the company: 16 items
Social contribution by employees: 6 items

Policy for Social Contribution Activities

Basic Philosophy

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

Activity Guidelines

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

Supporting Employees to Conduct Social Contribution Activities

Matching Gift Program

Launching the matching gift program in June 2008, Hulic established the “Hulic Fureai Fund,” which deducts 100 yen every month from the salary of employees who want to take part in the program (300 yen for directors), and donates the collected money to organizations selected by majority vote of all employees. Hulic, Hulic Insurance Service, Hulic Building Management, Hulic Reit Management, Hulic Proserve and Hulic Private Reit Management 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.

Activities conducted in 2017

In 2017, we donated a total of 1.3 million yen to Second Harvest Japan. Second Harvest Japan is an organization that receives donations of food of good quality before the best before date that will be disposed of for various reasons, in large quantities from supporters such as companies. It then transfers such food to NPOs and welfare facilities, etc. while coordinating the transferees’ needs.



Social contribution by employees

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

Social Contribution as a Company

1. Support for Japan Para-Badminton Federation
2. Held students’ idea competition
3. Hosted summer festivals
4. Donation of used postal stamps
5. Donation to Second Harvest Japan
6. Sponsorship to support Mainichi Shimbun in Fukushima relief efforts
7. Support for Japan Shogi Association (Kisei Match, Minister of Education, Culture, Sports, Science and Technology Cup, etc.)
8. Donation to Red Cross
9. Donation to Akaihane
10. Donation to Ashinaga Scholarship Society
11. Opened the company daycare nursery to local community members
12. Sponsorship to the Kyoto Kenchiku Center
13. Support for Nezu Foundation
14. Establishment of Hulic Scholarship Program for Training of Welfare Caretakers
15. Assistance for Environmental Studies at Kyoto University
16. Donation to a scholarship program of Kyoto University



Social Contribution as a Company

Activity | 1

Expansion of Support for Japan Para-Badminton Federation

As part of its social contribution activities, Hulic has concluded an Official Gold Partner Agreement with the Japan Para-Badminton Federation and provided support for para-badminton since 2016. For the purpose of supporting the stable operations of the federation, since September 2017, we have lent the gym of Nishi Kasai Center Building owned by Hulic (Hulic Nishikasai Gym) to the federation at no charge as a practice gym dedicated for players from the Japan Para-Badminton Federation. We have conducted improvement work such as installation of slopes and plumbing so that the players can use the gym more comfortably. We will further expand support for handicapped persons and support the success of para-badminton players as well as respecting human rights and promoting diversity management in which we actively practice diversity.



Announcement of the opening of Hulic Nishikasai Gym in August 2017

Activity | 2

Assistance for Research at Kyoto University and Support for Scholarship Program of Kyoto University

We provided assistance for Environmental Studies at Kyoto University and made a donation to a scholarship program for students.

We support development of the next generation through the donation to a scholarship program for students of Kyoto University as well as supporting environmental protection through assisting research at Kyoto University.



The site observation conducted as part of assistance for research in February 2018

Activity | 3

Establishment of Hulic Scholarship Program for Training of Welfare Caretakers

For the purpose of supporting students aiming to be welfare caretakers, developing human resources engaging in nursing care and contributing to resolution of social issues related to the advancement of an aging society, we have established the Hulic Scholarship Program for Training of Welfare Caretakers, under which we provide non-repayable scholarships. We aim to provide support to address the current status of labor shortages at nursing care sites for the senior business which we promote as one of our focused 3 future growth businesses (3K businesses) (Koreisha (seniors), Kanko (tourism), and Kankyo(environment)) from the CSR point of view.



Practical training

Activity | 4

Holding the Fifth Hulic Student Ideas Competition on the Theme of “THE OMOTESANDO”



Competition poster

We planned this competition as a real estate company with the aim of providing students with opportunities to propose urban development and construction ideas. For this year’s fifth Student Ideas Competition, we solicited free and unconventional ideas as proposals for “THE OMOTESANDO,” a building that represents Omotesando – a building that symbolizes the ages that Omotesando has gone through and people who have gathered in Omotesando — at the corner of the crossing of Omotesando and Aoyama-dori; i.e., the place that can be called the face of Omotesando. We received 188 entries. At the open second screening, students presented their ideas, followed by a question and answer session with judges. After consultations among judges, one winner of the grand prize, three winners of the excellence award, and six winners of the honorable mention award were selected.

WEB Initiatives in the Local Community
<https://www.hulic.co.jp/en/csr/social/>

VOICE

Support for Para-Badminton

Since September 2016, we, the Japan Para-Badminton Federation, have received support from Hulic Co., Ltd. as a gold official partner, and moreover, since September 2017, we have borrowed Hulic Nishikasai Gym at no charge. Before that, it was difficult to reserve gyms for practice and our players practiced in very difficult conditions. Since Hulic started to lend us the gym for free, we have been able to carry out training projects for our players such as a training camp. The gym is also used by our players freely as a daily practice gym. The gym is equipped with bathrooms, a shower room, lockers, and slopes of universal design so that handicapped persons can use them easily. The players are pleased to use the gym. In addition, we are very grateful to Hulic for their decision on another ten-year, long-term period of support from this fiscal year to March 2028. We will first aim for the success of players at the Tokyo 2020 Olympic and Paralympic Games and make efforts for stable activities of the organization.



Kazumi Hirano, Chief Director Japan Para-Badminton Federation

FUNDAMENTAL APPROACH

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

Results in FY2017

Number of information sessions for personal investors held: 8 times (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 benefiting shareholders and investors to make a decision on investment. In compliance with relevant laws and regulations, we proactively disclose management strategies and financial data, etc. in order to have them understand our business activities. Information, to which the rules of timely disclosure and relevant laws and regulations, etc. are inapplicable, but which are considered helpful for investment decisions, is disclosed promptly through the Company's website, etc.

Enhancement of Various IR Tools

In addition to correspondences to shareholders issued semiannually, we transmit the latest topics through the IR page on our website in a timely manner. E-mails are also sent to 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 available.



Dividend Policy

We regard returning profits appropriately to our shareholders as a management issues and adopt a basic policy to continue providing the stable payment of dividends as based on the trends of our business performance.

Shareholder Incentives

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

Briefing Session for Private Investors

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



Brief Sessions for Organizational Investors and Analysts

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

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



Corporate Governance

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

Social Background Surrounding Hulic

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

Initiatives for Solving Social Issues

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

Corporate Governance

FUNDAMENTAL APPROACH

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

Results in FY2017

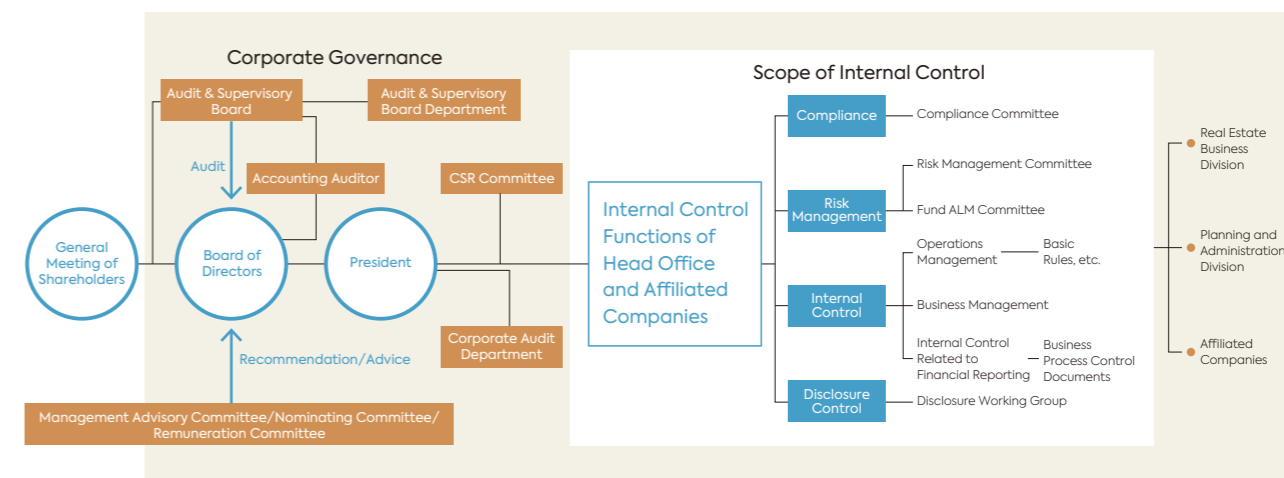
Number of internal audits conducted: 11 times
Participation rate in the Board of Directors' Meeting: 97%

Corporate Governance System

The Board of Directors meets once a month in principle, and holds further meetings as needed. The Board of Directors is comprised of 10 directors, of which four are independent External Directors designated and reported as independent directors based on the stipulations of the Tokyo Stock Exchange (as of March 2018). Three out of five Audit & Supervisory Board Members are independent External Audit &

Supervisory Board Members designated and reported as independent auditors as specified above (as of April 2018). Directors determine important matters concerning Hulic's business activities, including CSR, and supervise the execution of duties. In March 2012, Hulic appointed its first female external director, and since then we have been promoting multifaceted business management based on diversity.

Corporate Governance System Chart (As of March 2018)





Internal Audit Structure

Internal audits are carried out independently from other business lines by the Corporate Audit Department, which is placed under the direct control of the President. The internal audit basic plan is finalized by the Board of Directors based on Corporate Audit Regulations and the internal audit is systematically carried out by the Corporate Audit Department. The results of the internal audit will be reported to the President and feedback to departments subject to the audit will also be provided. Internal audits are carried out by four employees (as of March 2018). In 2017, we implemented internal audits eleven times. Regarding matters for which significant risk management deficiencies were identified, we have provided feedback and appropriately confirmed the status of improvements. Meanwhile, the results of an external quality evaluation of the internal audits showed that Hulic's internal audit functions generally conform (GC) to the international standards for internal auditing defined by the Institute of Internal Auditors (IIA). Based on the evaluation results, we will continue to strive to further improve the quality of our internal audit functions.

Policy for the Selection of Directors and External Directors

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

External Directors and External Auditors are selected based on 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 and the "Criteria for assessing the independence of independent external directors" set forth in Hulic's Corporate Governance Guidelines. 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 External Directors and External Audit & Supervisory Board Members

We appointed the independent External Directors and independent External Audit & Supervisory Board Members, who have fulfilled Hulic's criteria for assessing the independence of independent external directors (disclosed in the company's Corporate Governance Guidelines) in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange. The expertise and reasons for selection of the External Directors and External Audit & Supervisory Board Members are as follows.

External Directors

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 person with relevant knowledge and experience
Hideo Yamada	Lawyer of Yamada Ozaki Law Office	Highly discerning and insightful as a lawyer
Atsuko Fukushima	Journalist, management council member of Shimane University	Highly discerning and insightful as a journalist
Kaoru Takahashi	Representative Director, President of Sampo Japan Nipponkoa Himawari Life Insurance, Inc.	Highly discerning and insightful as a business operator

External Audit & Supervisory Board Members

Name	Profession/Affiliation, etc.	Reasons for selection
Koichi Nezu	Chairman Emeritus, Tobu Department Store Co., Ltd.	Highly discerning and insightful as a business operator
Nobuyuki Kobayashi	President, Kobayashi Certified Public Accountants Office	Highly discerning and insightful as an accounting specialist
Kenichi Sekiguchi	Special Advisor, Meiji Yasuda Life Insurance Company	Highly discerning and insightful as a business operator

Policy for Determining Director Compensation

Compensation of directors consists of basic fixed compensation, which is based on job position and the weight of duties, and performance-based compensation, which is based on corporate performance and contribution to corporate performance.

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

Amount of remuneration, etc. by classification of Executive Officers (2017)

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	Stockbased rewards	Stock options	Bonuses	
Directors (excluding External Directors)	649	374	137	-	137	6
Auditors (excluding External Auditors)	72	72	-	-	-	2
External executive officers	88	88	-	-	-	7

Nominating Committee and Remuneration Committee

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

Nominating Committee

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

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

Remuneration Committee

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

1. Remuneration standards and other matters pertaining to the remuneration of Directors
2. Matters concerning the remuneration of Directors, as deemed necessary by the Board of Directors

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

Directors (as of May 2018)



Board of Directors

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

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

Audit & Supervisory Board Members

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

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



FUNDAMENTAL APPROACH

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

Results in FY2017

Number of total disaster training and first-aid training conducted: 1 times

Risk Management Structure

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

Business Continuity Initiatives for Disasters

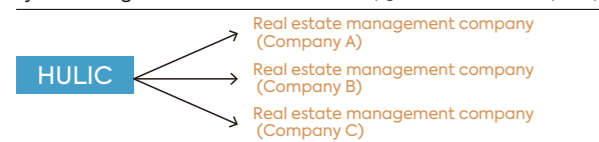
Hulic is a real estate company that engages in the development, reconstruction, and operation of office buildings and condominiums primarily in Tokyo's 23 wards. We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance,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

Collaborative and Cooperative Structure with Business Partners



Employees undergoing disaster training

Immediate Confirmation of Damages Emergency notification system using wireless communications (agreement with three companies)



Response Aimed at Recovery of Operations Emergency repair agreements (22 companies)



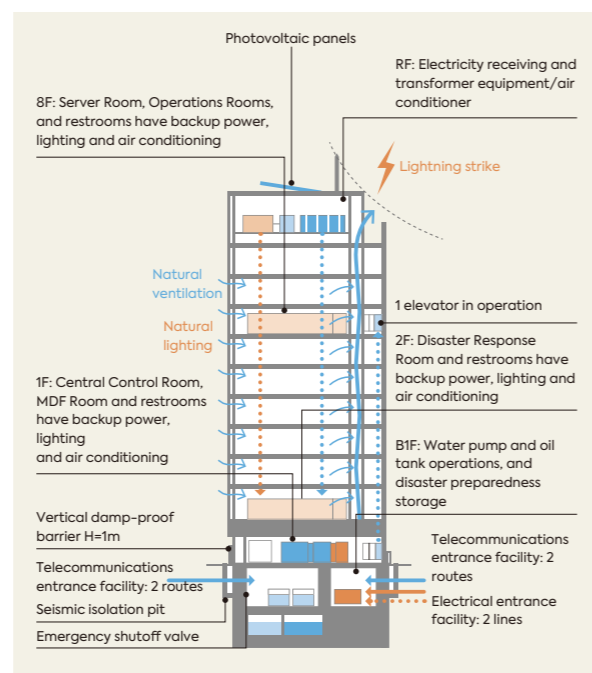
Facilities and Stockpiles for Sustaining Business Operations

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.

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

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

Maintaining Functions during a Disaster (Hulic Head Office Building)



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

FUNDAMENTAL APPROACH

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

Results in FY2017

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

Compliance Promotion System

In accordance with the compliance rules, we have built a company-wide system composed of the Board of Directors at the top, the Compliance Committee, executive managing directors in charge of legal affairs and compliance, and compliance officers of each department. The status of activities based on the compliance program is regularly reported to the Board of Directors through the Compliance Committee. The Compliance Manual requires that employees immediately report compliance issues or possible issues to the Compliance Officer, who will then investigate the matter as necessary, identify the cause, and implement the necessary measures to prevent future re-occurrences. In 2017, Hulic had no compliance violations.

Initiatives for Preventing Corruption

Hulic prohibits any act or suspicious act that leads to corruption with business partners, including public agencies such as the government and local government. We also strictly prohibit any bribery and clearly define prohibited activities specifically that lead to corruption and bribery in the section "Business Entertainment/Gift Giving and Prohibition of Bribery" of the Compliance Manual. In addition, we conduct compliance seminars for all employees as appropriate to build their awareness on prohibited activities such as giving gifts to public officials and excessive entertainment as well as disseminating Hulic's policy on prohibition of corruption and bribery through the Compliance Manual. Moreover, twice a year, our Legal & Compliance Department checks whether each department is appropriately managing the issues related to business entertainment of interested parties and the acceptance or offering of gifts and bribery, and identifies and assesses risks. Furthermore, employees of Hulic and our business partners are encouraged to report any matters involving compliance issues, including suspected corruption, directly to the Compliance Hotline on an anonymous basis. We made no political contributions in 2017.

Initiatives for Fair Competition

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

Compliance Hotline

Our employees are encouraged to report directly to the internal or external Complaint Hotline when they consider it unlikely that appropriate corrective actions will be

implemented after they consult with the compliance officers of their departments on matters involving compliance issues, or when they are uncomfortable consulting with compliance officers due to the nature of the issues involved.

The Compliance Hotline investigates issues reported and promptly implements corrective actions by paying due consideration to the privacy of whistleblowers. In 2017, the Compliance Hotline did not receive any report.

Compliance Seminar

We regularly provide compliance seminars covering set themes to instill awareness of compliance among all employees. In 2017, we held seminars on the ensuring of rules of handling of information based on categories of information and issues related to human rights, etc. In addition to seminars on these overall themes, we hold theme-based seminars on important themes including Building Lots and Buildings Transaction Business Act and Act on Prevention of Transfer of Criminal Proceeds, in consideration of compliance specific to real estate businesses. Furthermore, we hold discussions in each department if appropriate. We also post compliance-related news and Q&As to the Company's intranet once a month. We compile comments on compliance seminars, obtained through questionnaires, as feedback and reflect them in subsequent seminars.

Compliance Seminars in 2017

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

Information Security Management

In an attempt to prevent information leaks, one of the critical risks in relation to the performance of business, we have established an information security management system, and enhanced operation management in accordance with the information management rules included in the information security policy. We more strictly check the right of access to the shared server, regulate the use of storage media, and regulate instances where information assets can be taken off-site. In our themed compliance seminars held on a regular basis, we thoroughly teach the significance of information management and information security measures in terms of systems in order to increase each employee's awareness. Additionally, we carry out internal audits to check compliance with company rules on information management. In 2017, there was no case or accident related to information leaks.

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

Consolidated Balance Sheets

Assets	(Unit: Million Yen)	
	2016	2017
Current assets		
Cash and deposits	22,898	28,217
Notes and operating accounts receivable	4,297	5,244
Merchandise	0	0
Real property for sale	63,510	111,458
Real estate for sale in process	32,205	15,037
Costs on uncompleted construction contracts	91	111
Supplies	39	44
Operational investment securities	1,032	442
Deferred tax assets	961	1,139
Other	2,975	3,221
Allowance for doubtful accounts	△5	△1
Total current assets	128,007	164,913
Non-current assets		
Property, plant and equipment		
Buildings and structures	264,169	280,085
Accumulated depreciation	△70,404	△80,150
Buildings and structures, net	193,765	199,935
Machinery, equipment and vehicles	4,017	4,132
Accumulated depreciation	△1,163	△1,432
Machinery, equipment and vehicles, net	2,853	2,700
Land	638,078	792,489
Construction in progress	6,503	9,010
Other	1,789	2,154
Accumulated depreciation	△1,030	△1,126
Other, net	758	1,028
Total property, plant and equipment	841,959	1,005,164
Intangible assets		
Goodwill	4,088	4,055
Leasehold right	21,510	21,994
Other	475	569
Total intangible non-current assets	26,074	26,619
Investments and other assets		
Investment securities	121,136	136,047
Guarantee deposits	9,367	13,257
Deferred tax assets	755	818
Net defined benefit asset	37	66
Other	6,376	5,184
Allowance for doubtful accounts	△0	△0
Total investments and other assets	137,673	155,373
Total non-current assets	1,005,707	1,187,157
Deferred assets		
Business commencement expenses	6	-
Share issuance cost	272	66
Total deferred assets	279	66
Total assets	1,133,994	1,352,137

Liabilities	(Unit: Million Yen)	
	2016	2017
Current liabilities		
Short-term loans payable	28,000	30,066
Current portion of long-term loans payable	85,544	69,957
Short-term bonds payable	-	11,999
Current portion of bonds	-	15,000
Accrued expenses	3,363	3,994
Income taxes payable	6,904	15,667
Advances received	5,395	5,655
Provision for bonuses	367	403
Provision for directors' bonuses	164	196
Other	9,248	7,095
Total current liabilities	138,987	160,036
Non-current liabilities		
Bonds payable	38,000	23,000
Long-term loans payable	513,831	676,674
Deferred tax liabilities	42,669	45,464
Provision for directors' retirement benefits	71	91
Provision for stocks payment	454	741
Net defined benefit liability	1,092	1,265
Long-term guarantee deposited	55,332	64,039
Other	2,466	1,968
Total non-current liabilities	653,919	813,245
Total liabilities	792,906	973,281

Net assets	(Unit: Million Yen)	
	2016	2017
Shareholders' equity		
Capital stock	62,695	62,718
Capital surplus	78,760	78,783
Retained earnings	163,206	193,697
Treasury shares	△1,140	△1,126
Total shareholders' equity	303,523	334,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,449	41,382
Deferred gains or losses on hedges	△50	△40
Remeasurements of defined benefit plans	△19	△9
Total accumulated other comprehensive income	33,380	41,332
Non-controlling interests	4,184	3,450
Total net assets	341,087	378,855
Total liabilities and net assets	1,133,994	1,352,137

Consolidated Statements of Income

	(Unit: Million Yen)	
	2016	2017
Operating revenue	215,780	289,618
Operating cost	145,509	204,970
Operating gross profit	70,271	84,647
Selling, general and administrative expenses	16,893	20,398
Operating profit	53,377	64,249
Non-operating income		
Interest income	11	9
Dividend income	1,545	1,761
Share of profit of entities accounted for using equity method	844	289
Income arising from cancellation of leasing contracts	281	32
Other	250	317
Total non-operating income	2,933	2,411
Non-operating expenses		
Interest expenses	4,516	4,468
Other	362	321
Total non-operating expenses	4,878	4,790
Ordinary profit	51,432	61,870
Extraordinary income		
Gain on sales of non-current assets	247	211
Gain on sales of investment securities	837	0
Gain on investments in silent partnership and other	94	-
Gain on bargain purchase	-	24
Other	35	5
Total extraordinary income	1,215	241
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	1,578	370
Loss arising from building reconstruction	667	483
Impairment loss	193	11
Other	8	97
Total extraordinary losses	2,448	963
Profit before income taxes	50,199	61,148
Income taxes - current	8,763	19,195
Income taxes - deferred	6,274	△748
Total income taxes	15,038	18,446
Profit	35,161	42,701
Profit attributable to non-controlling interests	263	299
Profit attributable to owners of parent	34,897	42,402

Consolidated Statements of Comprehensive Income

	(Unit: Million Yen)	
	2016	2017
Profit	35,161	42,701
Other comprehensive income		
Valuation difference on available-for-sale securities	1,749	7,572
Deferred gains or losses on hedges	23	10
Remeasurements of defined benefit plans, net of tax	78	△12
Share of other comprehensive income of entities accounted for using equity method	△39	382
Total other comprehensive income	1,811	7,953
Comprehensive income	36,972	50,655
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	36,709	50,354
Comprehensive income attributable to non-controlling interests	263	300

Consolidated Statement of Cash Flows

	(Unit: Million Yen)	
	2016	2017
Cash flows from operating activities		
Profit before income taxes	50,199	61,148
Depreciation	11,299	11,736
Impairment loss	193	11
Gain on bargain purchase	-	△24
Increase (decrease) in allowance for doubtful accounts	0	△2
Increase (decrease) in provision for bonuses	42	36
Increase (decrease) in provision for directors' bonuses	19	32
Increase (decrease) in provision for directors' retirement benefits	7	19
Increase (decrease) in provision for stocks payment	454	300
Increase (decrease) in net defined benefit asset and liability	106	126
Interest and dividend income	△1,556	△1,771
Interest expenses	4,516	4,468
Share of (profit) loss of entities accounted for using equity method	△844	△289
Loss on retirement of non-current assets	1,578	370
Loss (gain) on sales of property, plant and equipment	△180	△209
Loss (gain) on sales of intangible assets	△66	-
Loss (gain) on sales of investment securities	△837	△0
Loss (gain) on investments in silent partnership and other	△88	-
Decrease (increase) in notes and accounts receivable - trade	△426	△946
Decrease (increase) in inventories	39,974	△20,334
Decrease (increase) in investment securities for sale	1,224	590
Decrease (increase) in guarantee deposits	△2,201	△3,889
Increase (decrease) in guarantee deposits received	4,295	8,706
Decrease (increase) in other assets	1,326	△406
Increase (decrease) in other liabilities	4,398	△530
Subtotal	113,434	59,140
Interest and dividends income received	1,662	1,866
Interest expenses paid	△4,566	△4,343
Proceeds from compensation	1,127	-
Income taxes paid	△3,250	△10,937
Net cash provided by (used in) operating activities	108,407	45,724
Cash flows from investing activities		
Purchase of property, plant and equipment	△106,729	△196,128
Proceeds from sales of property, plant and equipment	1,679	11,458
Purchase of intangible assets	△2,427	△1,003
Proceeds from sales of intangible assets	408	-
Purchase of investment securities	△5,396	△4,104
Proceeds from sales of investment securities	888	1
Purchase of newly consolidated subsidiaries	-	0
Collections of loans receivable	-	500
Payments on loans	△143	△125
Other	702	312
Net cash provided by (used in) investing activities	△111,018	△189,088
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△77,000	2,065
Net increase (decrease) in short-term bonds payable	△2	11,997
Proceeds from long-term loans payable	225,400	232,800
Repayments of long-term loans payable	△141,137	△85,544
Payments on redemption of bonds	△100	-
Proceeds from exercise of share options	108	45
Purchase of treasury shares	△947	△0
Cash dividends paid	△11,904	△11,911
Proceeds from payment from minority shareholders	-	100
Cash dividends paid to minority shareholders	△117	△130
Other	△14	△938
Net cash provided by (used in) financing activities	△5,715	148,483
Net increase/decrease in cash and cash equivalents	△8,326	5,119
Cash and cash equivalents at beginning of period	30,997	22,671
Net increase/decrease in cash and cash equivalent with new consolidated subsidiaries	-	200
Cash and cash equivalents at end of period	22,671	27,991



Consolidated Statements of Changes in Net Assets

2016
(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	62,641	78,706	140,214	△193	281,368
Changes of items during the current period					
Issuance of new shares	54	54			108
Dividends of surplus			△11,904		△11,904
Profit attributable to owners of parent			34,897		34,897
Purchase of treasury shares				△947	△947
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during the current period	54	54	22,992	△947	22,154
Balance at the end of the current period	62,695	78,760	163,206	△1,140	303,523

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Adjustments for cumulative retirement benefits	Consolidated statements of changes in net assets		
Balance at the beginning of the current period	31,708	△73	△66	31,568	4,108	317,045
Changes of items during the current period						
Issuance of new shares						108
Dividends of surplus						△11,904
Profit attributable to owners of parent						34,897
Purchase of treasury shares						△947
Disposal of treasury shares						-
Net changes of items other than shareholders' equity	1,741	23	46	1,812	76	1,888
Total changes of items during the current period	1,741	23	46	1,812	76	24,042
Balance at the end of the current period	33,449	△50	△19	33,380	4,184	341,087

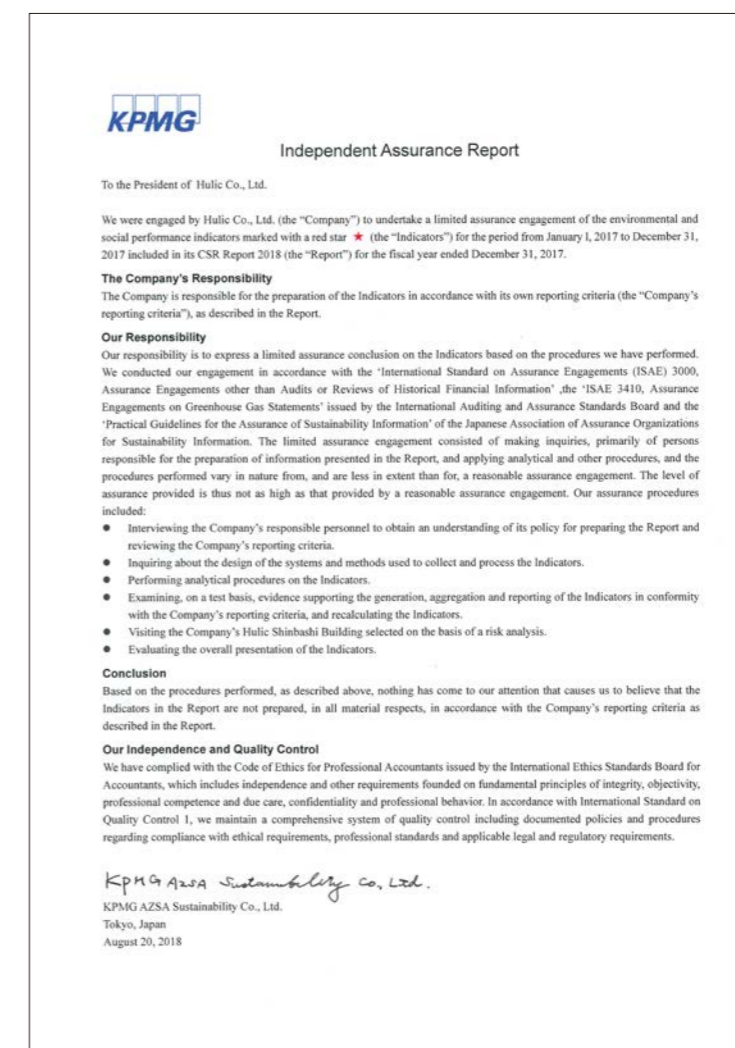
2017
(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	62,695	78,760	163,206	△1,140	303,523
Changes of items during the current period					
Issuance of new shares	22	22			45
Dividends of surplus			△11,911		△11,911
Profit attributable to owners of parent			42,402		42,402
Purchase of treasury shares				△0	△0
Disposal of treasury shares				13	13
Change of scope of consolidation			△0		△0
Net changes of items other than shareholders' equity					
Total changes of items during the current period	22	22	30,490	13	30,549
Balance at the end of the current period	62,718	78,783	193,697	△1,126	334,072

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Adjustments for cumulative retirement benefits	Consolidated statements of changes in net assets		
Balance at the beginning of the current period	33,449	△50	△19	33,380	4,184	341,087
Changes of items during the current period						
Issuance of new shares						45
Dividends of surplus						△11,911
Profit attributable to owners of parent						42,402
Purchase of treasury shares						△0
Disposal of treasury shares						13
Change of scope of consolidation						△0
Net changes of items other than shareholders' equity	7,932	10	9	7,952	△734	7,218
Total changes of items during the current period	7,932	10	9	7,952	△734	37,767
Balance at the end of the current period	41,382	△40	△9	41,332	3,450	378,855

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 2017 that are disclosed in this Report have been assured by the third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. (Indicators that have been assured are marked with "★"). We will continue to put our best efforts into improving the quality of our sustainability report going forward.



External Evaluation

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

