



# ESG Report

## 2020

Date of Issuance: October 1, 2020

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## Scope of this Report

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reporting Boundary</b> | <p>The status of activities of mainly the following two entities:</p> <ul style="list-style-type: none"> <li>• Hulic Reit, Inc. (hereinafter, "Hulic Reit")</li> <li>• Hulic REIT Management Co., Ltd.<br/>(Hulic Reit's asset management company; hereinafter, "Hulic REIT Management")</li> </ul> <p>Also includes Hulic Co., Ltd. (Hulic REIT Management's parent company; hereinafter, "Hulic") and the Hulic Group for some sections.</p> |
| <b>Reporting Period</b>   | <p>Hulic Reit, Inc.<br/>In principle, reporting on performance from January 1, 2019 to December 31, 2019, but also shows content other than the concerned period for some sections.</p> <p>Hulic REIT Management Co., Ltd.<br/>In principle, reporting on performance from January 1, 2019 to December 31, 2019, but also shows content other than the concerned period for some sections.</p>                                                 |
| <b>Reporting Cycle</b>    | Basically, issued once a year                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Fiscal Years</b>       | <p>Each fiscal year is the period from January to December each year.</p> <p>Fiscal 2015: from January 2015 to December 2015</p> <p>Fiscal 2016: from January 2016 to December 2016</p> <p>Fiscal 2017: from January 2017 to December 2017</p> <p>Fiscal 2018: from January 2018 to December 2018</p> <p>Fiscal 2019: from January 2019 to December 2019</p>                                                                                   |

## Message from the Executive Officer

The 2008 financial crisis called for a review of the then prevalent business stance of seeking short-term profit, increasingly raising the importance of corporate management seeking long-term and sustainable enhancement of corporate value. In particular, sustainable corporate growth with emphasis on environmental, society and governance (ESG) considerations came to be demanded by various stakeholders. Even today, we believe such sustainable corporate growth is increasingly growing in importance in the face of the significant impact of the coronavirus disease 2019 (COVID-19) pandemic on the global economy.

Under such circumstances, Hulic Reit and Hulic REIT Management have been continually implementing initiatives in consideration for ESG. These include Hulic REIT Management formulating the Sustainability Policy in March 2016 based on the view that consideration for ESG leads to maximization of Hulic Reit's unitholder value over the medium to long term, and also include initiatives to enhance consideration for the environment and customer (tenant/user) satisfaction, initiatives to contribute to local communities, and initiatives to raise the effectiveness of prevention of transactions involving conflict of interest at Hulic Reit and Hulic REIT Management.

This Report is issued for the purpose of reporting Hulic Reit's and Hulic REIT Management's ESG approach and the content of Hulic Reit's and Hulic REIT Management's ESG initiatives to unitholders and other various stakeholders.

We intend to continue utilizing this Report as one of the tools for communicating with stakeholders.

**Eiji Tokita**

Executive Officer, Hulic Reit, Inc.

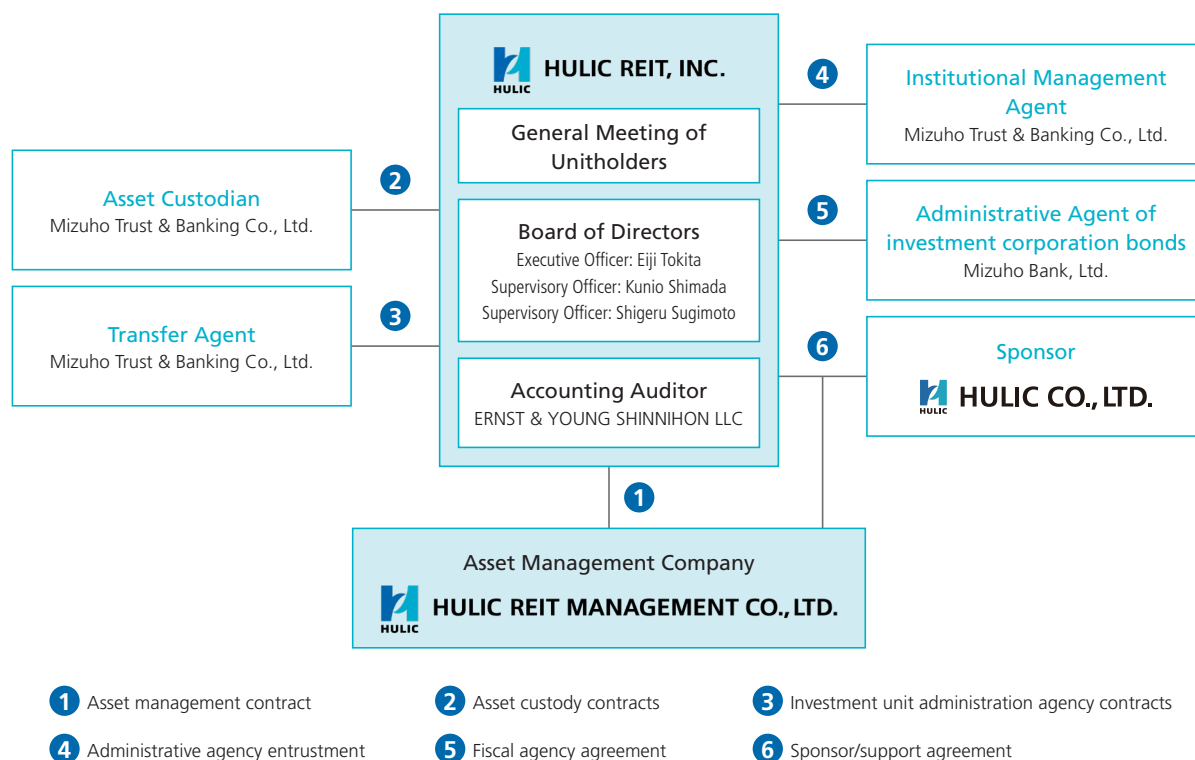
President and CEO, Hulic REIT Management Co., Ltd.



# ESG Basic Policy and Promotion System

## (1) About Hulic Reit and Hulic REIT Management

### 1. Structure of Hulic Reit



### 2. Overview of Hulic Reit

Hulic Reit listed on the real estate investment trust (REIT) market of Tokyo Stock Exchange in February 2014 with Hulic as the sponsor. We focus investment on Tokyo Commercial Properties (office properties and retail properties), in which Hulic has abundant management record and expertise. We also invest in Next-Generation Assets Plus (private nursing homes, network centers, hotels and other properties), investment targets of which are assets that can be expected to become increasingly needed as infrastructure for “creating productive environments, creating amenity, promoting peace of mind” in the future and thus aim to secure stable earnings over the long term, or are assets for which we believe risk can be managed appropriately and earnings can be secured by drawing on the expertise built up by Hulic in tenant management and other areas and thus would contribute to securing stable earnings over the long term and maximization of unitholder value over the medium to long term. Through such investment, we aim to maximize unitholder value.

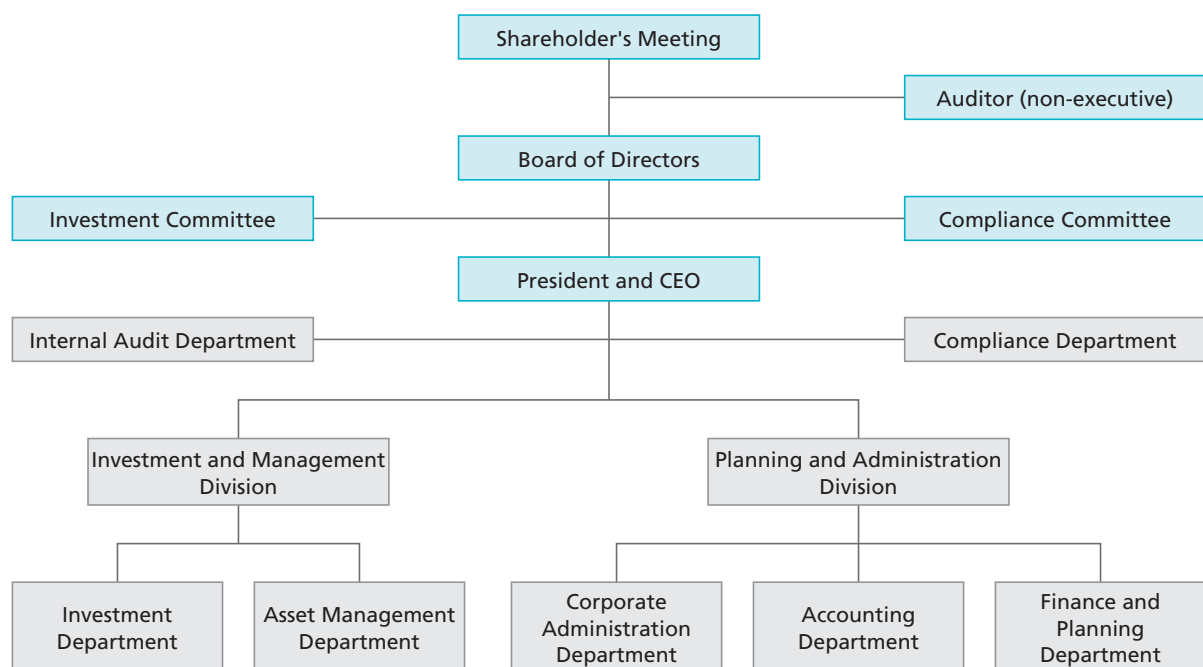
|                       |                                                                  |
|-----------------------|------------------------------------------------------------------|
| <b>Name</b>           | Hulic Reit, Inc.                                                 |
| <b>Representative</b> | Eiji Tokita, Executive Officer                                   |
| <b>Location</b>       | 2-26-9, Hatchobori, Chuo-ku, Tokyo                               |
| <b>TEL</b>            | +81-3-6222-7250 (Hulic REIT Management's phone number is shown.) |
| <b>Listed</b>         | February 7, 2014                                                 |
| <b>Listing</b>        | Tokyo Stock Exchange REIT market (securities code: 3295)         |
| <b>Fiscal Periods</b> | Ends of February and August of each year                         |

### 3. Overview of Hulic REIT Management

Hulic REIT Management was established in April 2013, as a wholly owned subsidiary of Hulic, to act as the asset management company of Hulic Reit.

|                                      |                                                                                                                                                                                                                                                                                          |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name</b>                          | Hulic REIT Management Co., Ltd.                                                                                                                                                                                                                                                          |
| <b>Representative</b>                | Eiji Tokita, President and CEO                                                                                                                                                                                                                                                           |
| <b>Location</b>                      | 2-26-9, Hatchobori, Chuo-ku, Tokyo                                                                                                                                                                                                                                                       |
| <b>Capital</b>                       | ¥200 million                                                                                                                                                                                                                                                                             |
| <b>Established</b>                   | April 1, 2013                                                                                                                                                                                                                                                                            |
| <b>Shareholder</b>                   | Hulic Co., Ltd. (100%)                                                                                                                                                                                                                                                                   |
| <b>Fiscal Period</b>                 | End of December of each year                                                                                                                                                                                                                                                             |
| <b>Business Operations</b>           | Investment management                                                                                                                                                                                                                                                                    |
| <b>Registrations, Licenses, Etc.</b> | Real Estate Brokerage Business: Governor of Tokyo (2) Registration No. 95294<br>Trading Agency Etc. License: Minister of Land, Infrastructure, Transport and Tourism License No. 76<br>Financial Instruments Business Registration: Director of the Kanto Local Finance Bureau, No. 2734 |

#### Organization Chart



## (2) Sustainability Promotion System

### 1. Chronology of Promotion of Sustainability

Hulic REIT Management has been working substantially as one with Hulic Reit in promoting a range of ESG initiatives.

| Date      | Outline                                                                                                                                                                                                                                                                                              |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mar. 2016 | Hulic REIT Management established Sustainability Policy, and the associated Sustainability Promotion System Regulations (named changed to Sustainability Promotion Regulations in September 2020), Energy Conservation Policy, Policy on Reducing Greenhouse Gas Emissions, and EMS Operating Manual |
| Sep. 2016 | Hulic Reit participated in GRESB Real Estate Assessment for the first time                                                                                                                                                                                                                           |
| Jul. 2017 | Hulic Reit selected as one of the constituents of MSCI Japan ESG Select Leaders Index (to date)                                                                                                                                                                                                      |
| Sep. 2017 | Received "Green Star" rating—the highest—in GRESB Real Estate Assessment, and "4-Star" rating—the second highest—in GRESB Rating                                                                                                                                                                     |
| Aug. 2018 | Received "Green Star" rating—the highest—in GRESB Real Estate Assessment for second consecutive year, and "4-Star" rating—the second highest—in GRESB Rating for second consecutive year                                                                                                             |
| Sep. 2019 | Received "Green Star" rating—the highest—in GRESB Real Estate Assessment for third consecutive year, and "4-Star" rating—the second highest—in GRESB Rating for third consecutive year; Received "A" rating—the highest—in GRESB Public Disclosure                                                   |
| Oct. 2020 | Hulic Reit issued ESG Report for the first time                                                                                                                                                                                                                                                      |



## 2. Sustainability Policy

The Hulic Group has adopted the following corporate philosophy: “Total commitment to our customers and the community. Creating productive environments. Creating amenity. Promoting peace of mind.” Based on this corporate philosophy, the Hulic Group has established the “Sustainability Vision” and gives consideration to sustainability in its real estate development and investment.

Hulic REIT Management shares the Hulic Group's corporate philosophy. Believing that consideration for ESG leads to the maximization of medium- to long-term unitholder value, it has formulated the Sustainability Policy and implements this policy in its operations.

### 1. Compliance and Risk Management

We give consideration to sustainability in our asset management operations. This involves complying with the laws and regulations, and other rules related to ESG, while taking appropriate measures to evaluate risks such as those related to the natural environment and hazardous substances.

### 2. Prevention of Global Warming

We contribute to the prevention of global warming by striving to improve our energy efficiency through energy-saving initiatives involving renovations or building management and promoting the reduction of greenhouse gas (GHG) emissions such as CO<sub>2</sub>.

### 3. Recycling-Oriented Society

We contribute to the formation of a recycling-oriented society by promoting water-saving measures and the 3Rs of “Reduce, Reuse, Recycle.”

### 4. Environmental Management System

We formulate a basic policy relating to energy-saving and reduction of GHG such as CO<sub>2</sub>, and aim for their continuous improvement in accordance with the basic policy.

### 5. Environmental Awareness and Education for Employees and Officers, and Employee-Friendly Work Environment

- We carry out activities to promote ESG-related awareness and education for employees and officers.
- We value work-life balance, diversity, and equal opportunities for employees and officers and aim to realize an employee-friendly work environment.

### 6. Collaboration with Stakeholders

We encourage interactive communication with all our stakeholders. Through such communication, we promote collaboration with business partners, improve customer satisfaction, and contribute to the sustainable development of local communities.

### 7. Disclosure of Information to Stakeholders

We work to broadly disclose information on our initiatives related to ESG to all stakeholders, including our unitholders.

At Hulic REIT Management, basic policy, targets (KPI), specific initiatives, organizational structure and other measures have been stipulated in the Sustainability Promotion Regulations, the Energy Conservation Policy, the Policy on Reducing Greenhouse Gas Emissions and the EMS Operating Manual that have been formulated based on the Sustainability Policy above, and various measures are being carried out.

### 3. Sustainability Promotion System

Hulic REIT Management has formulated the Sustainability Promotion Regulations with the aim of establishing an internal system to implement the Sustainability Policy, collaboration with relevant parties outside of the Company, information disclosure policy, etc.

Hulic REIT Management inaugurated the Sustainability Committee, members of which include the President and CEO, in 2016 based on the Sustainability Promotion Regulations. At the Committee, consideration and drafting of basic policy, targets (KPI) and measures for energy conservation, low carbon and other sustainability are among the operations conducted, and the progress of targets (KPI) and measures are reported. In addition, problems and issues are shared, with also the President and CEO, and any necessary revisions undergo consideration of improvements and implementation of PDCA. The Compliance Officer takes part in the Committee, making it a system facilitating recommendations, overseeing of execution and such from the perspective of compliance. A system is also in place for ongoing follow-up of remaining issues and matters that have been pointed out.

In addition, the Executive Officer for Sustainability Planning hosts employee and officer training focused on sustainability at a frequency of at least once a year to share information on the progress of sustainability targets (KPI) and measures, etc. with all employees and officers as needed.

Moreover, the promotion system has been structured to ensure effectiveness by including sustainability elements in the annual performance assessment of personnel evaluations for all employees and officers of Hulic REIT Management.

#### 1. Internal System

- Sustainability Supervisor: President and CEO
- Executive Officer for Sustainability Planning: General Manager of Finance and Planning Department
- Executive Officer for Sustainability Investment and Management: General Manager of Asset Management Department

#### 2. Sustainability Committee

- Members: Sustainability Supervisor, Executive Officer for Sustainability Planning, Executive Officer for Sustainability Investment and Management, Head of Planning and Administration Division, Head of Investment and Management Division, Compliance Officer, General Manager of Corporate Administration Department, General Manager of Accounting Department, General Manager of Investment Department and the secretariat
- Secretariat: Finance and Planning Department
- Number of meetings: Once or more every three months  
Participants in the meetings will share information on sustainability, consider targets (KPI) for issues and individual measures, and report on progress in achieving these targets (KPI) and initiatives such as evaluation and analysis.

#### 3. Educational and Awareness Activities

- Sustainability training (once or more per year)
- Participation in external training
- Inclusion of sustainability elements in the annual performance assessments of employees and officers



## List of Sustainability Training

The following lists past periodic sustainability training held by Hulic REIT Management for all employees and officers (not limited to permanent employees, but including also contract employees, etc. <sup>(Note)</sup>).

| Date      | Outline                                                                         |
|-----------|---------------------------------------------------------------------------------|
| Mar. 2016 | Incorporation of ESG in real estate investment and management                   |
| Mar. 2017 | Sustainability and corporate social responsibility (CSR)                        |
| Mar. 2018 | ESG trends                                                                      |
| Mar. 2019 | Sustainable finance: Trends and relation to the real estate investment industry |
| Mar. 2020 | ESG trends: Upcoming hot topics                                                 |

(Note) Sustainability training is for all employees and officers, including also contract employees, etc., but no contract employees, etc. were in employment in fiscal 2019.

### (3) Materiality and SDGs

Hulic Reit and Hulic REIT Management extract issues that we, as a real estate investment corporation, should consider based on the concept of the Sustainable Development Goals (SDGs) from among the various ESG issues, and identify those for which initiatives should be strengthened in particular as issues of materiality.

|   |   | Materiality for Hulic Reit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Related SDGs                                                                                                                                                                                                                                                                                                                                           | Pages   |
|---|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| E | 1 | <b>Promotion of Energy Conservation and Measures for Prevention of Global Warming</b> <ul style="list-style-type: none"> <li>Promote GHG emission reduction through energy conservation at portfolio properties</li> <li>Promote proactive acquisition of green building certification with the intention of raising the reliability and objectivity of the achievements of initiatives for reducing environmental footprint</li> <li>Set targets (KPI) for energy consumption, GHG emissions and the percentage of properties that will have acquired green building certification</li> </ul> |             | P16~P24 |
|   | 2 | <b>Circular Economy Practices (Effective Utilization of Water Resources, Waste Reduction, Etc.)</b> <ul style="list-style-type: none"> <li>Contribute to the formation of a recycling-oriented society by promoting water-saving measures and the 3Rs of "Reduce, Reuse, Recycle"</li> <li>Reduce water use through water-saving and reuse of grey water and rain water</li> <li>Appropriate waste disposal in compliance with laws, regulations, etc.</li> </ul>                                                                                                                              |                                                                                                                                                                                   | P25~P26 |
| S | 3 | <b>Enhancement of Customer (Tenant/User) Satisfaction</b> <ul style="list-style-type: none"> <li>Enhance customer satisfaction and enhance the value of portfolio properties through promotion of initiatives that serve to enhance the well-being, safety and comfort of customers and asset management that boosts the attractiveness of the tangible and intangible aspects of portfolio properties</li> </ul>                                                                                                                                                                              |     | P28~P30 |
|   | 4 | <b>Disclosure of Information to and Dialogue with Stakeholders</b> <ul style="list-style-type: none"> <li>Enhance stakeholder satisfaction through interactive communication with various stakeholders, including unitholders, customers and business partners</li> <li>Proactively disclose information on ESG initiatives to unitholders and other stakeholders</li> </ul>                                                                                                                                                                                                                   |                                                                                                                                                                               | P31     |
|   | 5 | <b>Motivating Work Environment (Nurturing of Human Resources, Diversity, Etc.)</b> <ul style="list-style-type: none"> <li>Secure human resources who are appropriate for the business activities and operating conditions, among other factors, and improve their expertise with a training support system, etc.</li> <li>Realize an employee-friendly work environment with attention paid to work-life balance, diversity and equal opportunities</li> </ul>                                                                                                                                 |                                                                                          | P32~P34 |
|   | 6 | <b>Contribution to Local Communities</b> <ul style="list-style-type: none"> <li>Contribute to local communities through initiatives that contribute to revitalization of the region and community at portfolio properties as a member of the community</li> </ul>                                                                                                                                                                                                                                                                                                                              |                                                                                          | P35~P36 |
| G | 7 | <b>Strengthening of Governance</b> <ul style="list-style-type: none"> <li>Comply with laws, regulations and rules, and enhance compliance awareness through training, etc. to ensure business operations are performed with ethics and self-discipline</li> <li>Establish effective structure for prevention of transactions involving conflict of interest</li> </ul>                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                    | P38~P48 |

## Materiality Assessment

### Step 1: Extraction of issues

- Extract elements of potential issues that should be considered when thinking about Hulic Reit's sustainable growth widely from environmental, social and governance aspects, using SDGs, GRI, GRESB, ESG rating agencies' assessment criteria and such as reference



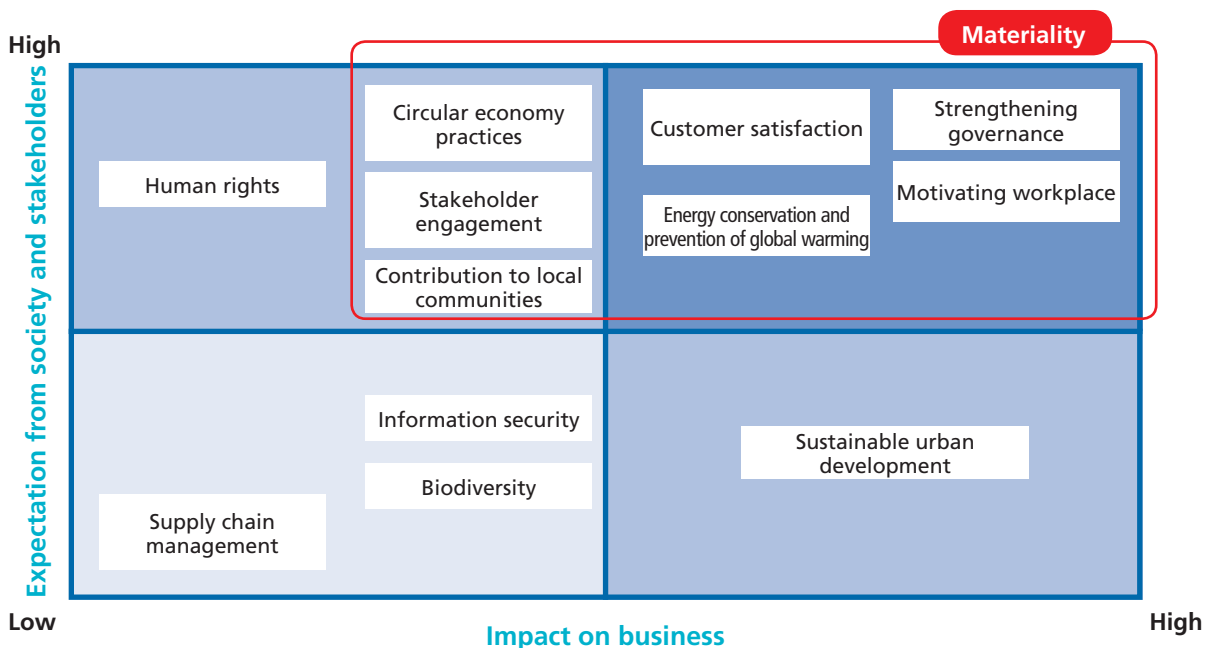
### Step 2: Refinement and prioritization of draft issues, and preparation of draft materiality

- Assess degree of importance to stakeholders based on opinions and advice of key figures representing stakeholders
- Assess degree of impact and importance in terms of Hulic Reit's business risks and opportunities in light of the findings of questionnaires of Hulic REIT Management's key employees and officers and the Sustainability Policy
- Prepare draft materiality as matrix of the outcome of assessment from the two perspectives



### Step 3: Management-level discussion, validation and approval

- Hulic REIT Management's Sustainability Committee discusses draft materiality and identifies materiality in line with Hulic Reit's and Hulic REIT Management's internal regulations, etc.



## Review by Expert (Abstract)

Hulic Reit, Inc. and Hulic REIT Management Co., Ltd. (hereinafter collectively referred to as the “Entities”) have identified seven issues of materiality using a two-axis matrix of “impact on business” and “expectation from society and stakeholders” of the Entities. In particular, emphasis is placed on “strengthening governance,” “motivating workplace,” “enhancement of customer satisfaction” and “energy conservation and prevention of global warming” as four issues having relatively high impact on business. These are considered to be of appropriate content given the Entities’ business description and the various ESG issues surrounding REITs, and can be said to be characteristic for the following points:

- Strengthening governance is placed top priority as decided by the Entities’ top management, and the introduction of remuneration linked with the relative performance of investment unit price in the case of remuneration for the main officers of the asset management company and other measures reflect such stance of focusing on governance.
- In terms of enhancement of customer satisfaction, emphasis is placed on “the well-being, safety and comfort of customers” with COVID-19 also addressed, and initiatives already include acquisition of certification that certifies buildings in recognition of well-being and comfort.
- In terms of energy conservation and prevention of global warming, targets (KPI) for energy consumption, GHG emissions by 2030 and the percentage of properties that will have acquired green building certification have been set, and even engaging in investment and management of properties that incorporate use of natural ventilation system and other advanced technologies of Hulic, the sponsor, as individual initiatives.

Being members of the Hulic Group, which has also announced support for the Task Force on Climate-related Financial Disclosures (TCFD), I look forward to recognition of and initiatives for physical risks and transition risks being included in the future.



### Ryuichi Horie

Co-founder and CEO of CSR Design Green Investment Advisory, Co., Ltd.

Horie is Co-founder and CEO of CSR Design Green Investment Advisory, Co., Ltd., which focuses on ESG advisory in the real estate and infrastructure sectors as well as research on green buildings and sustainable finance. He graduated from Tokyo University's Faculty of Law and holds an MBA degree from the University of California at Berkeley. Horie is a member of the Advisory Committee for PRI Japan Network and Co-chairperson of the Green Building Working Group at Principles for Financial Action for the 21st Century, as well as a member of global Advisory Group of UNEP FI Property Working Group.

## (4) Third-Party Evaluations of Hulic Reit

### Successive Selection in MSCI Japan ESG Select Leaders Index —8 J-REITs selected among 63 J-REITs (as at end of June 2020)—

Hulic Reit was selected for “MSCI Japan ESG Select Leaders Index” provided by MSCI in July 2017, and has been continuously included in the index even after the rebalancing in June 2020.

This index is one of the ESG indices that the Japanese Government Pension Investment Fund (GPIF) selected for their passive investment strategy.

#### 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

### Acquisition of “Green Star” in the GRESB Real Estate Assessment

Hulic Reit received a “Green Star” rating in the GRESB Real Estate Assessment in 2019 for a third consecutive year. We earned outstanding evaluations in terms of “Management & Policy” and “Implementation & Measurement”—two operational dimensions subject to assessment in light of efforts aimed at addressing environmental concerns and sustainability issues. We received a “4-Star” rating, the second highest evaluation of “GRESB Rating,” for a third consecutive year. Hulic Reit’s information disclosure on its environmental consideration and sustainability initiatives was assessed as particularly impressive, and was given a rating of “A,” the highest of five possible scores, in the GRESB Public Disclosure, introduced from fiscal 2017.





## (5) Hulic's Endorsed Initiatives and Third-Party Evaluations—As a member of the Hulic Group—

Hulic, Hulic Reit's sponsor, is working to solve various ESG issues under the "Sustainability Vision" established in 2020 with the aim to simultaneously pursue both realization of a sustainable society and sustainable corporate growth.

Hulic is also promoting work style reform, initiatives for striking work-life balance and health and productivity management to create a workplace where each employee can perform and will find comfortable to work, and has been recognized for such in several third-party evaluations.

In recognition of such initiatives, Hulic has been included in several ESG indices.

### Participating Initiatives

#### Support for TCFD Recommendations



Hulic promotes initiatives to transition to a low-carbon society through the real estate business as part of the practice of management with an emphasis on sustainability. Aware of the importance of disclosing climate-related financial information, Hulic announced support for the TCFD (Note) in 2020 and began discussions on incorporating business risks and opportunities caused by climate change.

(Note) The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) to develop recommendations for a framework for disclosing climate-related information to investors.

#### Joined RE100



In November 2019, Hulic joined RE100, an international initiative that aims to operate with 100% renewable energy. Hulic committed to achieving the RE100 goal of 100% renewable energy by 2025 by sourcing 100% from own renewable energy equipment (non-FIT solar power generation equipment).

### Third-Party Evaluations

#### Certified as "Platinum Kurumin"

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, Hulic has received a certification of "Platinum Kurumin" from the Minister of Health, Labour and Welfare as the company supports employees in raising the next generation at a distinctive level.



#### 2020 Certified Health & Productivity Management Outstanding Organization (Small- and Medium-sized Enterprises Category)

Hulic was certified as a Health & Productivity Management Outstanding Organization for the second consecutive year in recognition of health and productivity management initiatives. The award has been promoted by the Ministry of Economy, Trade and Industry in conjunction with the Nippon Kenko Kaigi to advance health and productivity.



### Inclusion in Indices

FTSE4Good Global Index Series

FTSE Blossom Japan Index

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)



E

Environment

# (1) Promotion of Energy Conservation and Measures for Prevention of Global Warming

Hulic Reit and Hulic REIT Management are working to reduce the carbon footprint for the entire portfolio to promote energy conservation and measures for prevention of global warming.

Environmental measures are promoted through investment and management operations by implementing a PDCA cycle of regular performance tracking, analysis and execution of measures to achieve reduction targets (KPI) for energy consumption and GHG emissions. Specifically, activities to raise awareness among tenants, utilization of renewable energy, introduction of energy-efficient facilities and equipment, and other efforts are made to reduce GHG emissions.

## 1. Targets (KPI)

We have set targets (KPI) for and monitor the performance of the following key indicators.

### Energy Consumption

#### Target (KPI)

The target (KPI) is reduction of energy consumption intensity for the entire portfolio by 25% relative to the actual figures for 2018 by the end of 2030.

### GHG Emissions

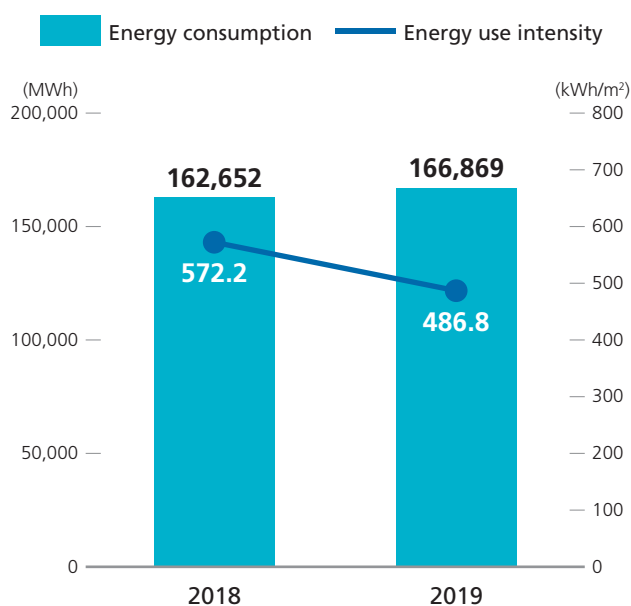
#### Target (KPI)

The target (KPI) is reduction of GHG emissions intensity for the entire portfolio by 30% relative to the actual figures for 2018 by the end of 2030.

## 2. Performance

### Actual Figures (Entire Portfolio) <sup>(Note 1)</sup> <sup>(Note 2)</sup>

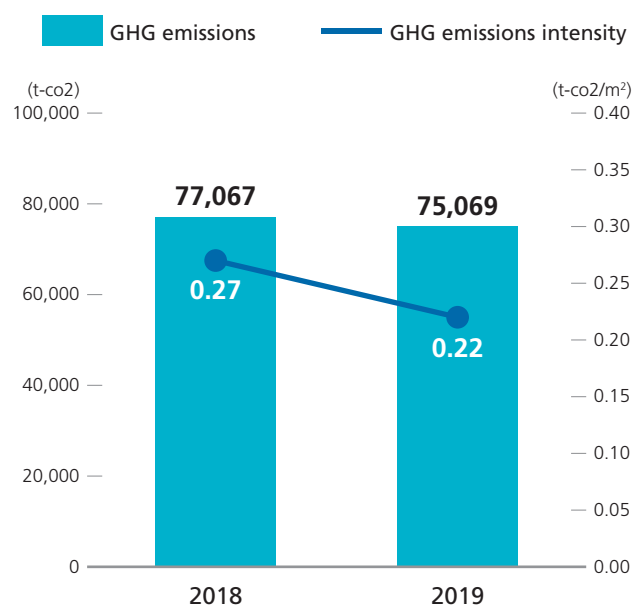
#### ■ Energy Consumption



Intensity reduction rate relative to 2018

**-14.9%**

#### ■ GHG Emissions <sup>(Note 3)</sup>



Intensity reduction rate relative to 2018

**-19.2%**

The 2019 reduction performance is mainly attributable to the energy consumption and GHG emissions for the green building such as Shinagawa Season Terrace acquired in September 2018, among other properties with high energy efficiency, counting for a full year.

(Note 1) The following is the scope of subject properties for each year in the calculation of actual figures (entire portfolio). The same applies hereinafter.

- Subject properties are those held throughout the year (limited to properties for which data is available).
- For the properties that Hulic Reit holds under co-ownership, calculations are based on the figures equivalent to the co-ownership interest held by Hulic Reit at the beginning of each year.

(Note 2) The actual figures have been verified by a third-party organization.

(Note 3) GHG emissions are calculated by multiplying energy consumption by the factor, etc. in accordance with the Ministry of the Environment's "GHG Emissions Accounting, Reporting and Disclosure System."

## 3. Key Utilization of Energy-Conservation and Power-Saving Equipment at Portfolio Properties

We are working to improve the energy efficiency of the portfolio through investment in and management of properties equipped with energy-conservation and power-saving equipment and such. The following are key examples.

### Adoption of LED Lighting

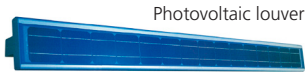
As at the end of August 2020, LED lighting have been introduced at 82.5% of the properties held by Hulic Reit (based on number of properties) <sup>(Note)</sup>.

(Note) The calculation is the number of properties held by Hulic Reit that have introduced LED lighting in some or all of the exclusive-use spaces or shared spaces divided by the number of properties held by Hulic Reit (excluding properties for which ownership is of the land interest only).

## Adoption of Photovoltaic Equipment

We are reducing buildings' lighting load through use of renewable energy.

A 150 kW photovoltaic louver with the highest capacity among office buildings in Tokyo is installed on the southern face of the building.



Photovoltaic louver



Ochanomizu Sola City



Shinagawa Season Terrace



Hulic Asakusabashi Building

## Effective Utilization of Water and Outside Air

### ■ HVAC system utilizing subway seep water and wastewater

Ochanomizu Sola City utilizes subway seep water, using the water after filtration as a heat source for HVAC and then reusing within the site/building, thereby reducing tap water use.

Shinagawa Season Terrace uses a HVAC system that utilizes wastewater.

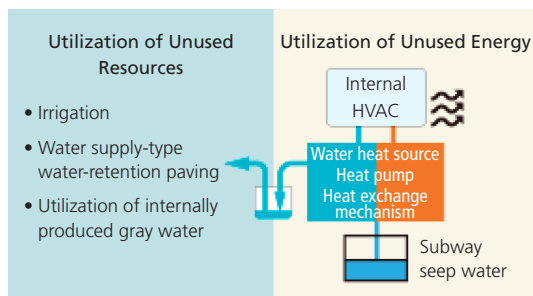
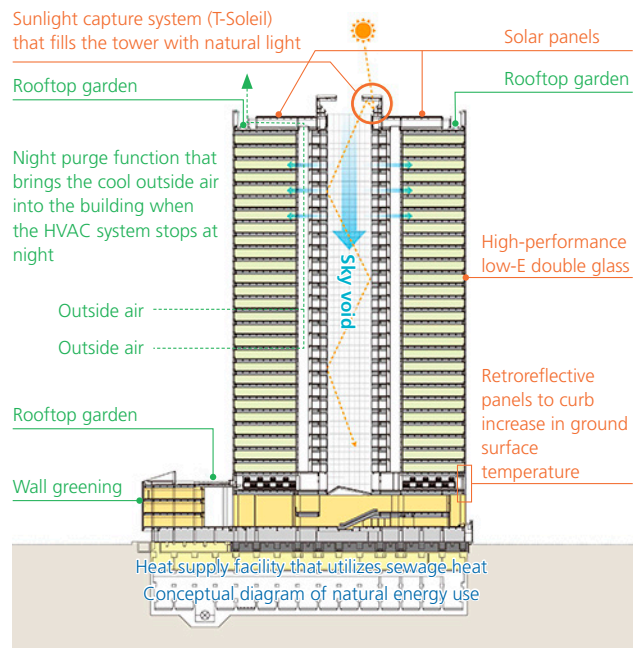


Diagram of System to utilize subway seep water



State of installation of subway seep water filtration system  
(Ochanomizu Sola City)



Conceptual diagram of natural energy use  
(Shinagawa Season Terrace)

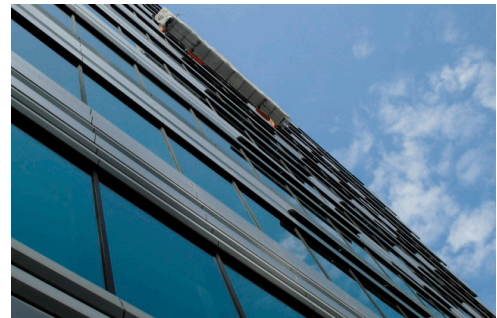
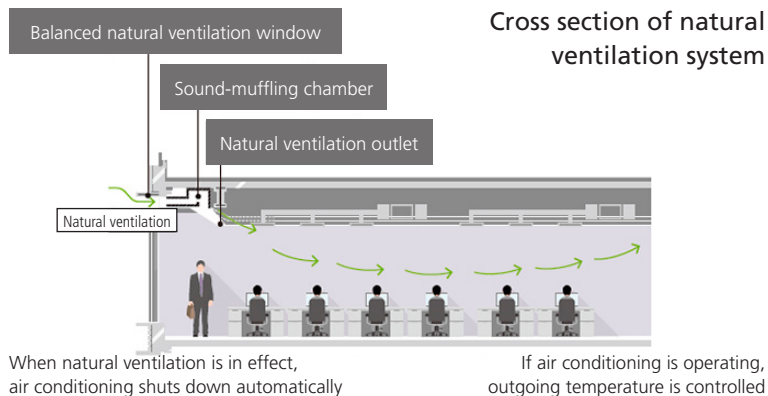
### ■ Reduction of HVAC load with large air volume outdoor air cooling and night purge

## Reduction of Thermal Load with Exterior Cladding, Etc.

- Reduction of thermal load with low-E double-glazed glass
- Reduction of thermal load with sunlight tracking electric blinds
- Installation of retroreflective panels on the exterior, thereby improving the surrounding thermal environment

## Adoption of Natural Ventilation System

If the load from HVAC can be lessened by making maximum use of natural energy, energy consumption can be curbed and GHG emissions reduced. Hulic Toranomon Building adopts a system that has been commercialized as a result of joint research between Hulic and the Massachusetts Institute of Technology (MIT) that involved meticulous simulation of the flow of air and other factors. Outside air is supplied from the upper part of sashes on each floor, realizing a pleasant indoor environment.



Natural ventilation system  
(Hulic Toranomon Building)

## Adoption of Natural Lighting System

The natural lighting system is a system that can capture sunlight on the ceiling of rooms according to the changing seasons and times (orientation and elevation of the sun). Shinagawa Season Terrace adopts a system in which the primary mirror, which has an automatic sun-tracking function, captures sunlight from any direction, which is then reflected on the secondary mirror so that the light can be diffused within the space. In addition, Hulic Toranomon Building adopts the natural lighting film jointly developed with Sharp Corporation, reducing lighting power.



Natural lighting film  
(Hulic Toranomon Building)

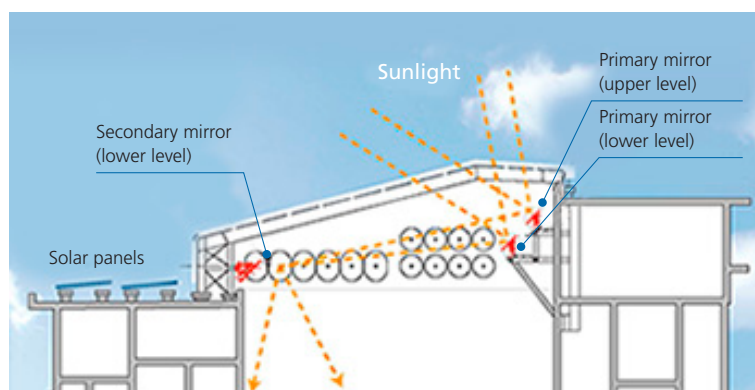


Illustration of sunlight capture system (Shinagawa Season Terrace)

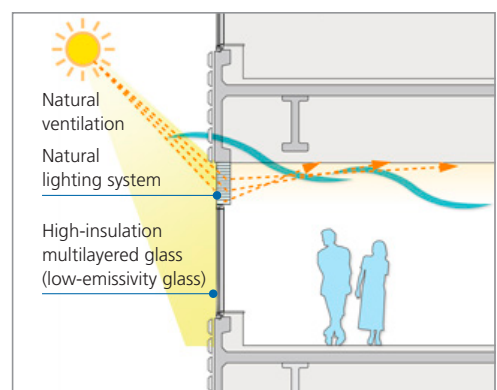


Illustration of natural lighting (Hulic Toranomon Building)

## Green Lease Agreement

We are promoting the inclusion in lease contracts of green lease provisions agreeing to cooperate with tenants for energy conservation and environmental consideration in their leased space, aimed at ensuring that not only the shared spaces and facilities but the entire building is a green building.



## Adoption of Greening System

- Rooftop greening system to block direct sunlight and thereby reduce HVAC load



Hulic Toranomom Building



Toranomom First Garden

- Wall greening system to contribute to combating the heat island effect through transpiration



HULIC &New SHINBASHI



Hulic Asakusabashi Building



Hulic Shimura-sakaue

- Open green space



### Shinagawa Season Terrace

Shinagawa Season Terrace received the chairman's award at the 31st City Parks Contest organized by the Parks & Open Space Association of Japan. Shinagawa Season Terrace provides a vast green space of 3.5 ha that can be used for various events, such as for yoga and as an open-air theater.



### Ochanomizu Sola City

Ochanomizu Sola City has achieved a site greening ratio of 45% through active planting of flora in the ground-level open space and on the rooftop.

## (2) Promotion of Proactive Acquisition of Green Building Certification

Hulic Reit and Hulic REIT Management are promoting proactive acquisition of third-party green building certification <sup>(Note)</sup> with the intention of raising the reliability and objectivity of the achievements of initiatives for reducing environmental footprint and, at the same time, enhancing building value over the medium to long term.

(Note) One in which a third party certifies the initiatives, performance, etc. of a building in reducing environmental footprint, enhancing comfort for users, etc.

### 1. Targets (KPI)

We have set targets (KPI) and keep up efforts for acquisition of green building certification for portfolio properties.

#### Green Building Certification Acquisition Rate

##### Target (KPI)

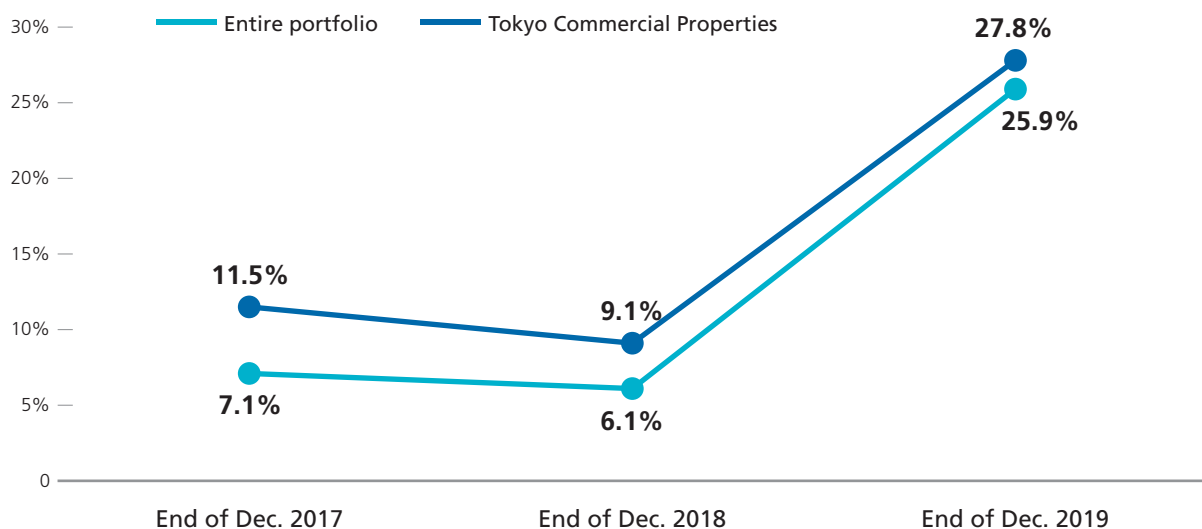
- Of entire portfolio, percentage of properties that will have acquired green building certification <sup>(Note 1)</sup>: 50% or more by end of 2025 (based on number of properties <sup>(Note 2)</sup>)
- Of Tokyo Commercial Properties, percentage of properties that will have acquired green building certification: 60% or more by end of 2025 (based on number of properties)

(Note 1) Refers to certification by a third-party certification body, such as DBJ Green Building Certification, CASBEE, BELS, and JHEP Certification. The same applies hereinafter.

(Note 2) In the calculation of the percentage of properties that will have acquired green building certification, the properties subject to calculation do not include properties for which ownership is of the land interest only. Even if a single property will have acquired several green building certifications, it is counted as 1 property. The same applies hereinafter.

### 2. Performance

Of the properties held by Hulic Reit, the actual percentage of properties that have acquired green building certification (based on number of properties) is as follows:





## ■ DBJ Green Building Certification



DBJ Green Building Certification is a certification system created by the Development Bank of Japan to support real estate properties with environmental and social awareness. The certification system evaluates and certifies real estate properties in terms of their desirability for society and the economy based on comprehensive evaluation, which includes not only environmental performance, but also responsiveness to various stakeholder needs such as consideration for emergency preparedness and the community.

| Certified year | Rating | Property name            |
|----------------|--------|--------------------------|
| 2017           | ★★★★★  | Ochanomizu Sola City     |
| 2017           | ★★★★★  | Hulic Toranomom Building |
| 2019           | ★★★★★  | Shinagawa Season Terrace |
| 2019           | ★★★★★  | Toranomon First Garden   |

| Certified year | Rating | Property name                       |
|----------------|--------|-------------------------------------|
| 2019           | ★★★    | Oimachi Redevelopment Building (#1) |
| 2019           | ★★     | Oimachi Redevelopment Building (#2) |
| 2020           | ★★★★★  | Hulic Asakusabashi Building         |



Ochanomizu Sola City



Hulic Toranomom Building



Shinagawa Season Terrace



Toranomon First Garden



Oimachi Redevelopment Building (#1)  
Oimachi Redevelopment Building (#2)



Hulic Asakusabashi Building

## ■ BELS



Building-Housing Energy-efficiency Labeling System (BELS) is a third-party verification system established by the 2016 Ministry of Land, Infrastructure, Transport and Tourism Notification No. 489 "Guidelines concerning the labeling of building energy consumption performance" based on the Act on the Improvement of Energy Consumption Performance of Buildings.

In this system for conducting energy efficiency evaluations and labeling, a star rating corresponding to the energy efficiency indicator for each application is given, along with the labeling content based on the guidelines.

| Certified year | Rating | Property name            |
|----------------|--------|--------------------------|
| 2018           | ★★★    | Hulic Toranomom Building |
| 2019           | ★★★★★  | Shinagawa Season Terrace |
| 2019           | ★★★★★  | HULIC &New SHIBUYA       |
| 2019           | ★★     | Trust Garden Tokiwamatsu |

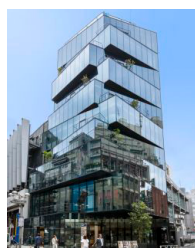
| Certified year | Rating | Property name                    |
|----------------|--------|----------------------------------|
| 2019           | ★★     | Sotetsu Fresa Inn Tokyo-Roppongi |
| 2020           | ★★★    | Hulic Kanda Building             |
| 2020           | ★★★    | Hulic Asakusabashi Building      |
| 2020           | ★★     | Charm Suite ShinjukuToyama       |



Hulic Toranomom Building



Shinagawa Season Terrace



HULIC &amp;New SHIBUYA



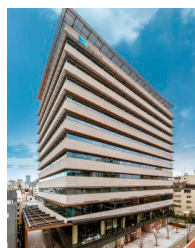
Trust Garden Tokiwamatsu



Sotetsu Fresa Inn Tokyo-Roppongi



Hulic Kanda Building



Hulic Asakusabashi Building



Charm Suite Shinjuketoyama

## ■ ZEB

Zero energy buildings (ZEBs) refers to buildings using advanced architectural designs that aim to realize substantial energy savings while maintaining the quality of the indoor environment by reducing the energy loads, proactively utilizing natural energy by applying passive technologies, introducing highly efficient equipment and systems, etc. They additionally aim to achieve the highest degree of energy independence and reduce the annual primary energy balance to zero by introducing renewable energy.

“ZEB Ready”<sup>(Note 1)</sup> refers to cutting-edge buildings built to be zero energy buildings<sup>(Note 2)</sup> and whose building envelope offers high thermal insulation and are equipped with highly efficient energy-saving equipment.

| Certified year | Rating    | Property name                                |
|----------------|-----------|----------------------------------------------|
| 2019           | ZEB Ready | Shinagawa Season Terrace <sup>(Note 3)</sup> |

(Note 1) Refers to buildings that are able to reduce primary energy consumption by 50% or more from standard primary energy consumption, excluding renewable energy.

(Note 2) Refers to buildings with net zero or negative annual primary energy consumption.

(Note 3) According to data on examples released by the Housing Performance Assessment and Labeling Association, a general incorporated association, Shinagawa Season Terrace is the only office building whose floor area is 100,000 m<sup>2</sup> or more that has earned ZEB Ready certification as of December 2019, when it acquired the assessment.



Shinagawa Season Terrace

## CASBEE for Real Estate Certification



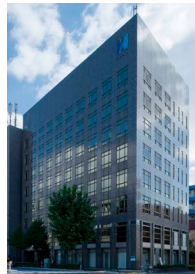
Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a method for evaluating and rating the environmental performance of buildings. This system provides a comprehensive assessment of the quality of a building, including interior comfort and the exterior, as well as environmental practices such as the use of materials that save energy or have a lower environmental load. The certification for CASBEE for Real Estate evaluates the environmental performance of existing buildings that are at least one year after completion of construction.

| Certified year | Rating | Property name               |
|----------------|--------|-----------------------------|
| 2019           | ★★★★★  | Hulic Kamiyacho Building    |
| 2019           | ★★★★★  | Hulic Takadanobaba Building |
| 2020           | ★★★★★  | Toranomon First Garden      |

| Certified year | Rating | Property name                  |
|----------------|--------|--------------------------------|
| 2020           | ★★★★★  | Hulic Shibuya 1 Chome Building |
| 2020           | ★★★★★  | Hulic Omori Building           |
| 2020           | ★★★★★  | HULIC &New SHIBUYA             |



Hulic Kamiyacho Building



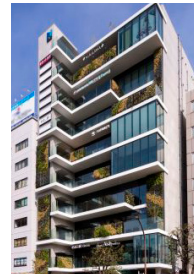
Hulic Takadanobaba Building



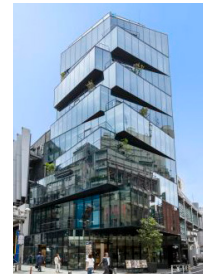
Toranomon First Garden



Hulic Shibuya 1 Chome Building



Hulic Omori Building



HULIC &New SHIBUYA

## CASBEE for Wellness Office Certification



The CASBEE for Wellness Office certification is a system that evaluates the building's specifications, performance, and initiatives supporting the maintenance and enhancement of the building users' health and comfort.

| Certified year | Rating | Property name            |
|----------------|--------|--------------------------|
| 2019           | ★★★★★  | Hulic Toranomon Building |



Hulic Toranomon Building

## JHEP Certification



Japan Habitat Evaluation and Certification Program (JHEP) is a system developed by the U.S. Department of the Interior in the 1970s to 1980s in which the Ecosystem Conservation Society-Japan quantitatively assesses and certifies the environment in terms of habitats.

| Certified year | Rating | Property name              |
|----------------|--------|----------------------------|
| 2019           | A      | Charm Suite Shinjukutoyama |
| 2019           | A      | Charm Suite Shakujiikoen   |

### (3) Circular Economy Practices (Effective Utilization of Water Resources, Waste Reduction, Etc.)

#### 1. Effective Utilization of Water Resources

Hulic Reit and Hulic REIT Management strive to reduce water use through water-saving and reuse of grey water and rain water, among other measures, in order to promote effective utilization of water resources.

#### Examples of Water-Saving at Portfolio Properties

- Use of urinals equipped with AI to adjust the amount of flushing water depending on use conditions
- Use of super-water-saving flush toilets that flush with 6L of water
- Utilization of rain water for flushing



#### Performance

The following are the actual figures of water use at the properties held by Hulic Reit <sup>(Note)</sup>.

|      | Use (thousand m <sup>3</sup> ) | Intensity (m <sup>2</sup> ) |
|------|--------------------------------|-----------------------------|
| 2018 | 367                            | 1.29                        |
| 2019 | 404                            | 1.18                        |

(Note) The following is the scope of subject properties for each year in the calculation of actual figures.

- Subject properties are those held throughout the year (limited to properties for which data is available).
- For the properties that Hulic Reit holds under co-ownership, calculations are based on the figures equivalent to the co-ownership interest held by Hulic Reit at the beginning of each year.

## 2. Waste Reduction

Hulic Reit and Hulic REIT Management strive to reduce waste by implementing activities to raise awareness among tenants and other measures.

### Examples of Waste Reduction at Portfolio Properties or Hulic REIT Management

- Promotion of going paperless
- Implementation of initiatives to promote recycling, such as installation of collection boxes for paper, cans, plastic bottles, etc.
- Preparation and implementation of plans in accordance with ordinances, guidelines, etc. specified by local governments (recycling plans, etc.) as appropriate (in collaboration with property management (PM) companies, building management (BM) companies, etc.)

### Performance

The following are the actual figures of waste at the properties held by Hulic Reit <sup>(Note)</sup>.

|      | Waste disposed (t) |
|------|--------------------|
| 2019 | 1,498              |

(Note) The following is the scope of subject properties for each year in the calculation of actual figures.

- Subject properties are those held throughout the year (limited to properties for which data is available).
- For the properties that Hulic Reit holds under co-ownership, calculations are based on the figures equivalent to the co-ownership interest held by Hulic Reit at the beginning of each year.





## (1) Enhancement of Customer (Tenant/User) Satisfaction

Hulic Reit and Hulic REIT Management implement various initiatives that serve to enhance the well-being, safety and comfort of customers with a view to realizing enhancement of customer satisfaction.

### 1. Specific Initiatives

#### Acquisition of CASBEE for Wellness Office Certification for Hulic Toranomom Building

The CASBEE for Wellness Office certification is a system that evaluates the building's specifications, performance, and initiatives supporting the maintenance and enhancement of the building users' health and comfort.



Hulic Toranomom Building

#### Implementation of Tenant Satisfaction Surveys

Hulic Reit and Hulic REIT Management conduct tenant satisfaction surveys to ensure tenants' comfortable use of buildings, utilizing the results to identify potential needs and improve building management. Survey items include not only the tangible aspects and intangible aspects of buildings, but also things tenants have noticed while using our buildings on a daily basis.

Tenant satisfaction surveys of approximately 200 tenant companies occupying properties held by Hulic Reit have continued to be conducted since 2017, receiving ratings that tenants are satisfied overall from the majority of responses.

The survey results are also shared with PM companies, BM companies, etc. to lead to enhancement of services.

#### Implementation of Initiatives in Consideration for the Well-Being of Customers

Hulic Reit and Hulic REIT Management take various measures at the properties held by Hulic Reit from the perspective of preventing the spread of COVID-19. Measures include not only routine cleaning (including disinfection, etc. of high-touch surfaces) and disinfecting entrances, temporarily suspending use of smoking rooms and installing alcohol-based hand sanitizers throughout the building, but also actively encouraging hand washing, improving indoor air quality through ventilation, etc. and such by tenants as needed.

## Implementation of Initiatives in Consideration for the Safety of Customers

### ■ Implementation of Safety Measures

Hulic Reit and Hulic REIT Management hold evacuation drills by working together with PM companies and BM companies in preparation for the event of a disaster with a view to enhancing customer safety.

### ■ Installation of Emergency Supplies in Elevators and AEDs

We install boxes storing emergency supplies in elevators and AEDs for use by also people in the community at those properties held by Hulic Reit where such installations can be made, contributing to enhancement of the peace of mind and safety of customers and people in the community.



- Installation of boxes storing emergency supplies in elevators in preparation for such events as emergency elevator outages due to extraordinary disasters, power outages or malfunctions

Aiming to strengthen BCP and raise tenant satisfaction

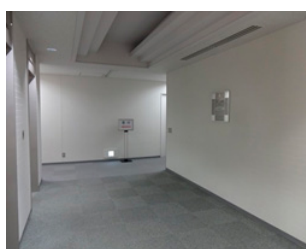
## Implementation of Initiatives in Consideration for the Comfort of Customers

### ■ Implementation of Renovation Work in Consideration for the Comfort of Customers

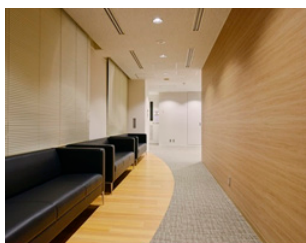
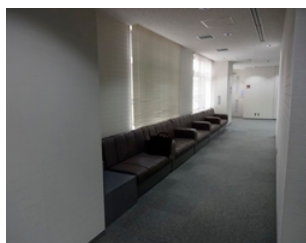
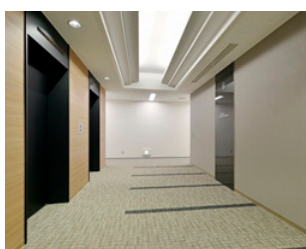
Hulic Reit and Hulic REIT Management carry out renovation work for enhancing the comfort of tenants at several properties held by Hulic Reit.

Hulic Takadanobaba Building:  
Renovation work in common areas

Before renovation

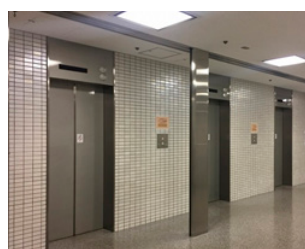


After renovation

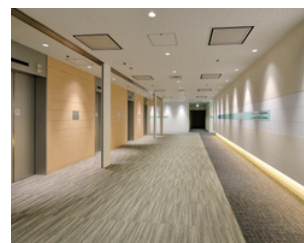


Hulic Kamiyacho Building:  
Renovation work in common areas

Before renovation



After renovation



## Hulic Shibuya 1 Chome Building: Toilet renovation work on each floor

Before renovation



After renovation



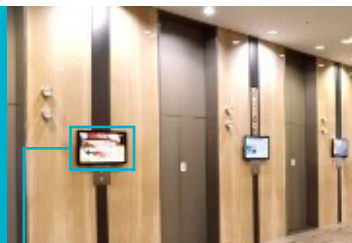
## ■ Inviting Food Trucks

Hulic Reit and Hulic REIT Management invite food trucks to several properties held by Hulic Reit for use by not only customers but also people in the community, contributing to enhancement of convenience for customers and people in the community.

Food trucks  
(gradual introduction  
from 2018)



Installation of TV monitors  
in elevator halls  
(gradual introduction  
from 2019)



Food truck advertisements run on television monitors installed in elevator halls

**Properties:** Hulic Kamiyacho Building, Toranomon First Garden,  
Hulic Toranomon Building, Hulic Shibuya 1 Chome Building

## (2) Disclosure of Information to and Dialogue with Stakeholders

Hulic REIT Management regularly conducts meetings with institutional investors in Japan and institutional investors overseas, such as in Europe, North America and Asia.

Also holding briefing sessions for individual investors and participating in events held for individual investors hosted by securities companies, etc., Hulic REIT Management carries out IR activities facilitating direct communication with individual investors.

### 1. Specific Initiatives

#### IR Activities in Fiscal 2019

| IR activities                         | Frequency                                                              |
|---------------------------------------|------------------------------------------------------------------------|
| Briefing sessions                     | 2                                                                      |
| Meetings with institutional investors | 189 in total (of which, 79 overseas)                                   |
| Events for individual investors       | Total: 10 (Tokyo: 6; Osaka: 1; Hiroshima: 1; Sapporo: 1; Fukushima: 1) |



### (3) Motivating Work Environment (Nurturing of Human Resources, Diversity, Etc.)

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Hulic REIT Management aims to secure human resources who are appropriate for the business environment and operating conditions, among other factors, and supports efforts by employees to improve their expertise with a training support system.

#### 1. Specific Initiatives

##### Human Resources Development

###### ■ Training Programs

Hulic REIT Management supports individual efforts by employees to improve their expertise with the establishment of a training support system, such as full subsidization of the cost of participating in outside training by employees.

- **Theme-specific training:** Hulic REIT Management conducts sustainability training and compliance training for all employees (not limited to permanent employees, but including also contract employees, etc. <sup>(Note)</sup>) several times throughout the year.
- **Training for managers:** The Hulic Group conducts managerial training for not only current managers but also potential manager candidates to support them in gaining the management skills required in the future.

(Note) Theme-specific training is for all employees, including also contract employees, etc., but no contract employees, etc. were in employment in fiscal 2019.

###### ■ Support for Obtaining Qualifications

Hulic REIT Management supports employees in obtaining professional qualifications, such as the Association for Real Estate Securitization (ARES) Certified Master (an educational program for systematic learning of practical specialized knowledge in the real estate and finance fields). A system in which the company bears the costs associated with taking training and examinations for obtaining various qualifications, retaining the qualifications, taking various seminars and other efforts to maintain and improve skill-sets is made available to all employees. The system is being utilized as an opportunity to advance careers, and keep gaining and improving specialized knowledge. The following is the number of persons who have obtained professional qualifications or have passed the examinations (including employees seconded by the sponsor).

- ARES Certified Master: 11
- Real Estate Notary: 20
- First-Class Architect: 1
- Real Estate Appraiser: 2
- Certificate-holder Member of SAAJ: 2
- Certified Building Administrator: 8

\*As at July 31, 2020

## ■ Periodic Career Interviewing

Hulic REIT Management has a structure in place for well-communicated and transparent goal setting and evaluation feedback by conducting interviews (feedback on evaluation results) at the end of the period between employees and their managers, and creating other opportunities to talk for employees to receive consultation on their career development, receive feedback on their performance, voice requests of the company and other matters.

| Fiscal year         | Percentage interviewed |
|---------------------|------------------------|
| Fiscal 2018 results | 100.0%                 |
| Fiscal 2019 results | 100.0%                 |

## Work-Life Balance

### ■ Employee Satisfaction Survey (President Questionnaire)

As part of initiatives to build mutually good relationships between employees and the company, Hulic REIT Management conducts the President Questionnaire as a form of employee satisfaction survey of all employees (not limited to permanent employees, but including also contract employees, etc. <sup>(Note)</sup>) every year (fiscal 2019: response rate of 100%). Along with pursuing realization of an employee-friendly environment, dialogue between each and every employee and top management is pursued on a regular basis.

(Note) The President Questionnaire is for all employees, including also contract employees, etc., but no contract employees, etc. were in employment in fiscal 2019.

### ■ Employee Benefits

Hulic REIT Management and the Hulic Group have set up the following range of employee benefit programs as part of initiatives for creating a work environment in which employees can continue to work healthily and with peace of mind.

#### [\[Examples of employee benefits\]](#)

- Leave, absence and flexible work hour arrangements for childcare
- Leave, absence and flexible work hour arrangements for nursing care
- Collaboration with welfare service providers
- Providing medical checkups that exceed legal requirements
- Investment unit ownership program for officers and employees
- Holding Hulic Group social gathering (stand-up party) (once a year)
- Staggered shifts

### ■ Office Environment Improvements

Hulic REIT Management have installed coffeemakers (for complimentary use) and set up cafeteria space to create office space that considers for the comfort of employees.



## ■ Enhancement of Productivity

Hulic REIT Management promotes reduction of overtime work with focus on enhancing productivity per hour while keeping corrective measures to change long working hour culture in mind. Hulic REIT Management is also simultaneously pursuing corporate infrastructure and IT-related developments, office environment improvements, etc.

## ■ Initiatives for Prevention of the Spread of COVID-19

Hulic REIT Management implements the following various initiatives for employees as part of measures to prevent the spread of COVID-19.

[\[Examples of measures to prevent the spread of COVID-19\]](#)

- Introduction of teleworking program
- Utilization of staggered shifts
- Installation of panels for preventing respiratory droplet transmission inside the office
- Thorough hand hygiene and wearing of face masks inside and outside the office

## Diversity

### ■ Breakdown of Officers and Employees of Hulic REIT Management

Hulic REIT Management seeks diversity in the workforce by enriching the lineup of personnel programs to match each and every employee's life stages and careers. The lineup of personnel programs for female employees to work with peace of mind (childcare leave, etc.) has also been enriched from early on.

[\[As at end of August 2020\]](#)

Breakdown of officers and employees    Male: 73.3%; Female: 26.7%

Breakdown of managers                      Male: 85.0%; Female: 15.0%

Please refer to the following for Hulic's initiatives for employees.

<https://www.hulic.co.jp/en/sustainability/social/employee/>

## (4) Contribution to Local Communities

Hulic Reit and Hulic REIT Management implement initiatives that contribute to revitalization of the region and community at the properties held by Hulic Reit as a member of the local community. <sup>(Note)</sup>

(Note) In fiscal 2020, the implementation of some initiatives has been suspended from the perspective of preventing the spread of COVID-19.

### 1. Specific Initiatives

#### Facilities that Link Community Information and People (Ochanomizu Sola City)

The Ocha Navigate facility inside Ochanomizu Sola City functions as a hub for cultural information on Ochanomizu and the surrounding area, and also holds walking tours and events on cultural and social themes.



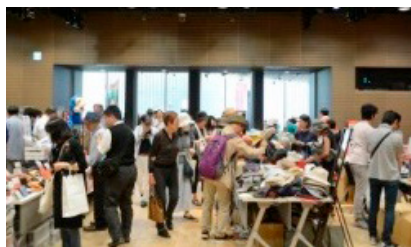
History gallery



Ocha Navi walking tour

#### Contributions to Revitalizing Region and Improving Convenience (Hulic Asakusabashi Building)

We strive to proactively build relationships with the local community by providing large-scale multi-purpose halls to hold regional events and holding the Asakusabashi Red and White Maronie Festival, among others.



Open market



Child open space

#### Participation in Community Cleanup Activities

Hulic REIT Management participates in the "Machikado Clean Day" sponsored by Chuo-ku, Tokyo and conducts clean-up activities. These activities facilitate communication with the local community and other employees while advancing the beautification of the town.



## (5) Hulic Group's Social Contribution Activities

### 1. Social Contribution as a Company <sup>(Note)</sup>

#### Hulic Student Idea Competition

Hulic plans this competition every year with the aim of providing students with opportunities to propose urban development and construction ideas. The 7th Hulic Student Idea Competition held in fiscal 2019 received 196 student entries. At the second open screening, students enthusiastically presented their ideas, which was followed by a question and answer session with judges. After consultations among the judges, one winner of the grand prize, three winners of excellence awards, and six winners of honorable mention awards were selected.



#### Hosting Summer Festivals and Donating of a Portable Shrine

Hulic holds a summer festival at the Hulic head office building with the aim of facilitating interaction with people in the community. On the day, employees of Hulic Group companies run the summer festival as staff.



#### Making the Company's Nursery Facilities Available to Local Community

Hulic has a range of work-life balance support programs in place to promote a more employee-friendly work environment in which employees can work while raising children. Such include establishing an onsite nursery facility inside the head office and making it available to local residents.



#### Hulic Scholarship Program for Training of Welfare Caretakers

Hulic has established the Hulic Scholarship Program for Training of Welfare Caretakers to support students aiming to be welfare caretakers, develop human resources engaging in nursing care and contribute to the resolution of social issues related to the advancement of an aging society.

### 2. Supporting Employees to Participate in Social Contribution Activities <sup>(Note)</sup>

#### Matching Gift Program

Launching the matching gift program in 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 executive officers). The money collected is then donated to organizations selected by majority vote of all employees. Six Hulic Group companies have worked together on this activity. The companies will continue the donation activities, providing opportunities of social contribution to employees who cannot make the first step despite being interested in it.

#### Satoyama Conservation Activities

The Hulic Group has established paid leave for employees involved in volunteer activities in fiscal 2019, in order to support and nurture their efforts to give back to the community and help to foster an attitude of wanting to address issues facing society. The Hulic Group continued satoyama conservation activities, which have been conducted annually since 2009 as a participatory volunteer activity involving employees, and a total of 33 employees and their families from the Hulic Group have participated in this activity.



(Note) In fiscal 2020, part of the activities was suspended in view of preventing the spread of COVID-19.

# G

Governance

# (1) Corporate Governance

## 1. Hulic Reit's Corporate Governance

### Hulic Reit's Governance

The bodies involved in the operation of Hulic Reit consist of one executive officer, two supervisory officers, a board of directors with the executive officer and supervisory officers as members, and an accounting auditor, as well as a general meeting of unitholders made up of unitholders. (Note 1) (Note 2)

Hulic Reit's accounting auditor is Ernst & Young ShinNihon LLC.

(Note 1) Pursuant to the Act on Investment Trusts and Investment Corporations (hereinafter, the "Investment Trusts Act") and Hulic Reit's Articles of Incorporation, the number of supervisory officers must be at least one more than the number of executive officers.

(Note 2) Hulic Reit is legally prohibited from employing employees and legally required to outsource business operations. For details on the bodies above, please refer to "Chapter 1. Fund Information; Part 1. Fund Status; 1. Overview of the Investment Corporation; (4) Structure of the Investment Corporation" of the most recent securities report.

### Executive Officers and Supervisory Officers

#### ■ Executive Officers and Supervisory Officers in Office and Their Terms of Office

Please refer to Hulic Reit's website for the executive officers and supervisory officers in office.

<https://www.hulic-reit.co.jp/en/about/profile.html>

Hulic Reit's Articles of Incorporation provides that the term of office of executive officers and supervisory officers shall be two years.

#### ■ Criteria for Selecting Executive Officers and Supervisory Officers

Officers are appointed by resolution of the General Meeting of Unitholders from candidates selected for the reasons given below on the condition that they do not fall under any grounds for disqualification or prohibition of entrustment provided in the Investment Trusts Act or other laws and regulations (disqualification under Article 98 and Article 100 of the Investment Trusts Act, and Article 164 of the Regulation for Enforcement of the Investment Trusts Act) or (prohibition of entrustment under Article 200 of the Investment Trusts Act and Article 244 of the Regulation for Enforcement of the Investment Trusts Act).

| Title               | Name             | Reason for appointment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Attendance at Board of Directors meetings in most recent period (12th fiscal period) | Number of Hulic Reit units owned |
|---------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------|
| Executive Officer   | Eiji Tokita      | Mr. Tokita has practical experience and insight in real estate operation, marketing and finance, and other key operations of real estate investment and management in general, as well as experience as an officer at other corporations. He is thus considered qualified to be the person to carry out the management of Hulic Reit.                                                                                                                                                                                                                                                                                                        | 100%<br>(9 of 9)                                                                     | 16 units<br>(Note)               |
| Supervisory Officer | Kunio Shimada    | Mr. Shimada has practical experience and insight as an attorney, as well as experience as an officer and in other positions at several corporations. He is thus considered qualified to be the person to supervise the execution of business of the executive officer from a legal expert's perspective. He has ties with the Mizuho Financial Group to a certain degree, such as being in the position of Managing Director at Mizuho Servicing Co., Ltd., but he has no relationship other than duties as a supervisory officer in terms of his relationship with Hulic Reit and Hulic REIT Management and is thus considered independent. | 100%<br>(9 of 9)                                                                     | —                                |
| Supervisory Officer | Shigeru Sugimoto | Mr. Sugimoto has practical experience and insight as a certified public accountant and a certified public tax accountant. He is thus considered qualified to be the person to supervise the execution of business of the executive officer from an accounting and tax expert's perspective.                                                                                                                                                                                                                                                                                                                                                  | 100%<br>(9 of 9)                                                                     | —                                |

(Note) As of the date of submission of the most recent securities report (May 22, 2020), Mr. Tokita holds 16 units of Hulic Reit investment units under the investment unit ownership program for officers of Hulic REIT Management and Hulic.

## Management Fees, Etc.

The following are the management fees, etc. payable by Hulic Reit.

### ■ Remuneration for Officers and the Accounting Auditor

Provisions have been made in Hulic Reit's Articles of Incorporation that the amount of remuneration shall be an amount determined by the Board of Directors not to exceed a monthly amount of 1 million yen per person in the case of executive officers and not to exceed a monthly amount of 0.7 million yen per person in the case of supervisory officers.

| Title               | Name             | Total amount of remuneration for each position in most recent period (12th fiscal period) |
|---------------------|------------------|-------------------------------------------------------------------------------------------|
| Executive Officer   | Eiji Tokita      | — (Note)                                                                                  |
| Supervisory Officer | Kunio Shimada    | ¥3,000 thousand                                                                           |
|                     | Shigeru Sugimoto | ¥3,000 thousand                                                                           |

(Note) He concurrently serves as President and CEO of Hulic REIT Management and is not paid remuneration as Executive Officer of Hulic Reit.

Provisions have been made in Hulic Reit's Articles of Incorporation that the amount of remuneration for the accounting auditor shall be an amount determined by the Board of Directors not to exceed 30 million yen in each fiscal period subject to audit.

| Title              | Name                        | Total amount of remuneration for each position in most recent period (12th fiscal period) |
|--------------------|-----------------------------|-------------------------------------------------------------------------------------------|
| Accounting Auditor | Ernst & Young ShinNihon LLC | ¥18,450 thousand (Note)                                                                   |

(Note) Includes compensation for auditing English financial statements and compensation for work to prepare comfort letters regarding issuance of new investment units and investment corporation bonds.

For the actual amount of remuneration paid to officers and the accounting auditor for the fiscal period, please refer to "2. Overview of the Investment Corporation; (3) Matters relating to officers, etc." of the most recent asset management report.



## ■ Asset Management Fee

In addition to management fees linked to the total value of assets of Hulic Reit, a system of management fees linked to the value of cash distributions per investment unit has been introduced.

For the actual amount of remuneration for the fiscal period, please refer to “5. Status of Expenses and Liabilities; (1) Details of expenses relating to asset management, etc.” of the most recent asset management report.

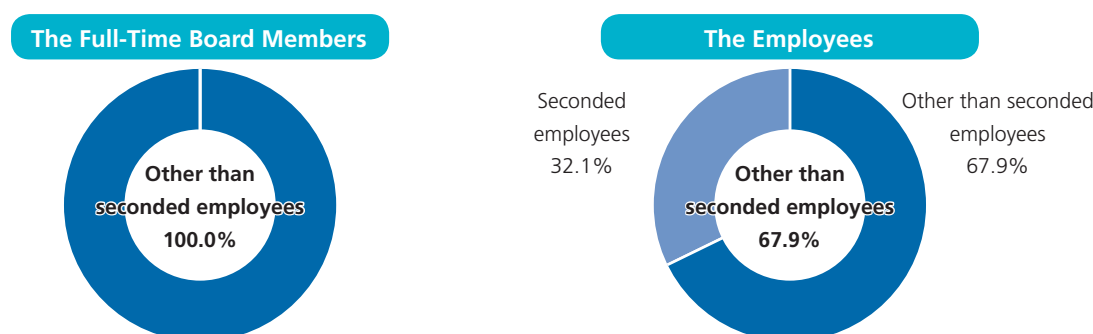
| Management fee    | Method of calculation                                                                                                                                                                                                                                                                                                                                  |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management fee I  | Total value of assets at end of the immediately previous fiscal period × 0.50% (maximum %)                                                                                                                                                                                                                                                             |
| Management fee II | Cash distributions per investment unit (DPU) before deduction of management fee II × Operating income before deduction of management fee II × 0.004% (maximum %)                                                                                                                                                                                       |
| Acquisition fee   | Acquisition price of real estate-related assets × 1.0% (maximum %)<br>*0.5% (maximum %) in the case of acquisition from an interested party                                                                                                                                                                                                            |
| Transfer fee      | Transfer price of real estate-related assets × 1.0% (maximum %)<br>*0.5% (maximum %) in the case of transfer to an interested party<br>*No fee is paid in cases where no gain on transfer is generated on the transfer<br>*In the case the transfer fee before adjustment exceeds the gain on transfer, the gain on transfer shall be the transfer fee |
| Merger fee        | Total valuation amount of the real estate-related assets held by the other party to the merger × 1.0% (maximum %)<br>*Only applicable when Hulic REIT Management conducts a survey or assessment on the assets, etc. held by the other party or other work related to the merger for the interests of Hulic Reit and the merger takes effect           |

For details on the management fees above and other management fees, etc. for the asset custodian, administrative agents, transfer agent, etc., please refer to “Chapter 1. Fund Information; Part 1. Fund Status; 4. Fees, Etc. and Taxes” of the most recent securities report.

## 2. Hulic REIT Management’s Corporate Governance

### Breakdown of Full-Time Board Members and Employees at Hulic REIT Management

As at the end of August 2020, the three full-time board members at Hulic REIT Management are not employees of the sponsor who have been seconded to Hulic REIT Management; only nine employees (32.1% of the total number of employees<sup>(Note)</sup>) are employees seconded by the sponsor.



(Note) The total number of employees includes one officer who has concurrent duties as an employee.

## **Remuneration System for Employees and Officers of Hulic REIT Management**

In its remuneration system for employees and officers, Hulic REIT Management has introduced a system of incentive bonuses partially linked to cash distributions per investment unit.

### **Remuneration for Officers of Hulic REIT Management: Introduction of Performance-Linked Compensation**

A compensation system linked with the performance of Hulic Reit's investment unit price relative to the TSE REIT Index has been introduced for the main officers of Hulic REIT Management for the purpose of unifying their interests with unitholders and further strengthening governance, etc. The portion equivalent to approximately 50% of the total amount of remuneration for the main officers is linked with the relative performance of Hulic Reit's investment unit price.

### **Introduction of Investment Unit Ownership Program for Officers and Employees**

For the purposes of raising awareness of earnings improvements and continuous growth, raising unitholder value for the medium and long term, etc. of Hulic Reit, an investment unit ownership program has been adopted for the officers and employees of Hulic REIT Management and Hulic, and a tender offer has been practiced for this program.

## **3. Initiatives for Aligning Unitholder Return with the Interests of the Hulic Group**

### **Investment Support from the Hulic Group ("Same-Boat Investment")**

Under its sponsor support agreement, Hulic makes the undertakings listed below to Hulic REIT Management in respect of investment units issued by Hulic Reit.

- When Hulic Reit issues new investment units, Hulic will give good faith consideration to acquiring a portion of the new investment units.
- When Hulic has a holding of Hulic Reit investment units, it will seek to retain the investment units held except in special circumstances.

As of the date of this Report, Hulic holds 143,770 units (unitholding: 10.95%) of Hulic Reit investment units.

### **Co-Ownership of Properties with the Sponsor**

It is Hulic Reit's policy to consider co-ownership with Hulic as needed in view of the size and individual characteristics of the property.

## (2) Compliance

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### 1. Fundamental Approach to Compliance

Based on the fundamental recognition that the management of Hulic Reit's assets by Hulic REIT Management is an act involving the management of the funds of Hulic Reit's unitholders, Hulic Reit and Hulic REIT Management strive to protect the interests of unitholders and secure the trust of unitholders through compliance with laws, etc. and exclusion of conflicts of interest, such as in transactions with interested parties, etc. or transactions in which the counterparty has its assets managed by or receives investment or management advisory from interested parties, etc., among other measures.

### 2. Compliance Structure

#### Compliance Committee

Hulic REIT Management established the Compliance Committee as the body to check the status of compliance with laws, regulations and other various rules, and to deliberate on such matters as transactions with interested parties, etc. Outside experts with no vested interest in Hulic REIT Management are appointed as members of the Compliance Committee by the Board of Directors.

A resolution of the Compliance Committee requires the attendance of a majority of the committee members having voting rights to the subject proposal (the attendance of the Compliance Officer and outside committee members is required; if an outside committee member acts as committee chairperson, the attendance of the Compliance Officer is not required, but the attendance of the outside committee member acting as committee chairperson and substitute outside committee member is required), and is effected by the agreement of a majority of the committee members having voting rights to the subject proposal in attendance (the agreement of the Compliance Officer and all outside committee members is required; if an outside committee member acts as committee chairperson, the agreement of the outside committee member acting as committee chairperson and substitute outside committee member is required). In this manner, the Compliance Officer and outside committee members each have authority to individually vote for or against a proposal.

#### Compliance Department and Compliance Officer

Understanding the significance underlying the management of Hulic Reit's assets being an act of managing the funds of Hulic Reit's unitholders, Hulic REIT Management sought to build an appropriate management structure by establishing the Compliance Department as the department to be in charge of the compliance matters of Hulic REIT Management and appointing the Compliance Officer as the person to be responsible for overseeing compliance matters, thereby securing the effectiveness of the internal controls on other departments. The appointment and dismissal of the Compliance Officer shall be by resolution of the Board of Directors.

As the person responsible for compliance at Hulic REIT Management, the Compliance Officer shall strive to entrench the compliance structure throughout the company and foster a company-wide normative consciousness to comply with laws, regulations and other various rules. To that end, the Compliance Officer consistently monitors that the execution of business in the asset management for Hulic Reit performed by Hulic REIT Management complies with laws and regulations, Hulic Reit's Articles of Incorporation and other various rules, etc., and monitors and supervises the status of compliance in everyday execution of business, too.

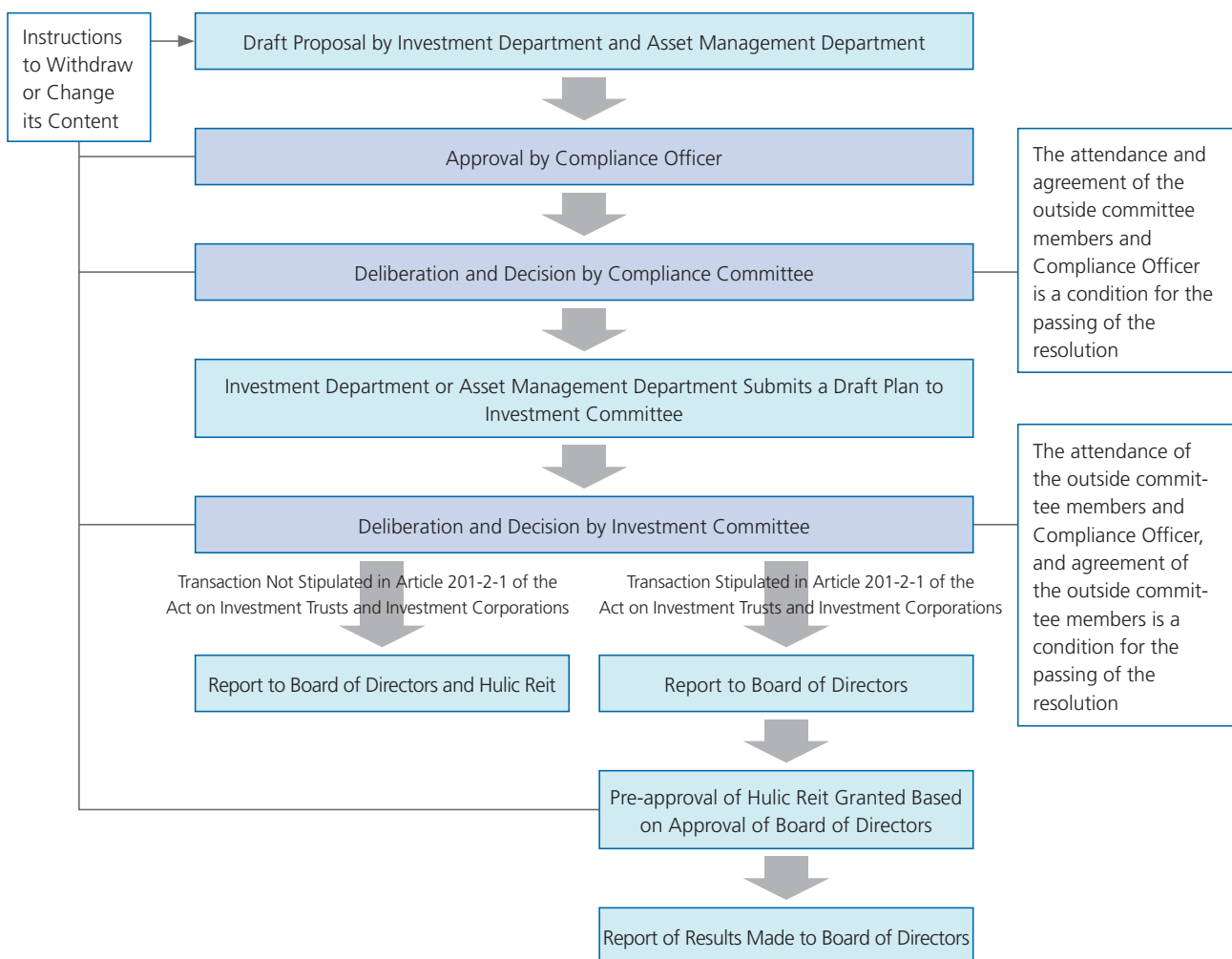
Considering the magnitude of the duties and responsibilities of the Compliance Officer as described above, a person deemed to be fully competent to screen and supervise for ensuring compliance with laws, regulations and norms is appointed as the Compliance Officer.

As of the date of this Report, the Compliance Officer is a full-time director who has not had employment with Hulic.

## Investment and Management Decision-Making Process and Prevention of Transactions Involving Conflict of Interest

Hulic REIT Management appoints outside experts to both its Investment Committee and Compliance Committee. Upon resolution on asset acquisition, etc. from interested parties, the Investment Committee requires a majority of the committee members including outside committee members to agree, and the Compliance Committee requires a majority of the committee members in attendance, including outside committee members and the Compliance Officer, to agree.

## Overview of Decision-Making Procedure for Acquisition, Sale, Leasing and Management of Managed Assets in Interested Party Transactions



| Compliance Committee                                                                                                                                                                                                                                                                                                         | Investment Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Hulic Reit's Board of Directors                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ <b>Members:</b> Compliance Officer, President and CEO, Directors (excluding part-time directors), and outside committee members (attorneys) with no vested interest</li> <li>■ Requires attendance and agreement of the Compliance Officer and outside committee members</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Members:</b> President and CEO, Directors (all), Head of Planning and Administration Division, Head of Investment and Management Division, General Manager of Investment Department, General Manager of Asset Management Department, General Manager of Corporate Administration Department, General Manager of Accounting Department, General Manager of Finance and Planning Department, Compliance Officer (obliged to attend, but has no voting rights), and outside committee members (real estate appraisers) with no vested interest</li> <li>■ Requires attendance and agreement of the outside committee members</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Members:</b> 1 Executive Officer, and 2 Supervisory Officers (attorney, and certified public accountant)</li> </ul> |

## Adoption of Voluntary Rules to Prevent Transactions Involving Conflict of Interest

Regarding transactions with interested parties, Hulic REIT Management applies the general rules outlined below and works to prevent transactions where a conflict of interest might arise.

|                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Property acquisition</b>                                           | No acquisition is made at above the appraisal value (excluding acquisition costs) <sup>(Note 1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Property transfer</b>                                              | No transfer is made at below the appraisal value (excluding transfer costs)                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Property leasing</b>                                               | Properties are leased on terms considered appropriate based on an overall decision made after researching the market price, rates in the surrounding area, standard leasing terms for the property type, and other relevant factors                                                                                                                                                                                                                                                                             |
| <b>Outsourcing of property management operations</b>                  | Outsourcing is undertaken on terms considered appropriate in accordance with the conditions stipulated in the operational guidelines, following due consideration of management performance and efficiency, and after taking account of the content of the services provided, the total volume of the operations, and other relevant factors. The outsourcing fees are determined based on market levels, the content of the services provided, the total volume of the operations, and other relevant factors. |
| <b>Outsourcing of property purchase, sale and leasing to agencies</b> | Outsourcing is undertaken on terms considered appropriate and at fees within the range stipulated in the Real Estate Brokerage Act, after taking account of the content of the services provided and other relevant factors                                                                                                                                                                                                                                                                                     |
| <b>Commissioning of construction work, etc.</b> <sup>(Note 2)</sup>   | Construction work, etc. is commissioned on terms considered appropriate based on an overall consideration of the price, content, and other aspects of third-party estimates.                                                                                                                                                                                                                                                                                                                                    |

(Note 1) In cases where the interested party has incurred costs, for instance by temporarily creating a special-purpose company on the understanding that the interested party is to transfer the property to the investment corporation, the costs may be added to the appraisal value at the time of acquisition.

(Note 2) However, this does not apply where the estimate price is 10 million yen or below or in cases where urgent action is required.

## Establishment of Compliance Rules and Compliance Manual, and Putting Such into Practice

In order to ensure thorough compliance with laws, regulations, etc., Hulic REIT Management has established the Compliance Rules and the Compliance Manual and has also formulated the Compliance Program, a concrete implementation plan for ensuring that compliance with laws, regulations, etc. are realized, and strives to have compliance with laws, regulations, etc. put into practice in accordance with these.

## **Compliance Training and Raising Awareness of Compliance**

In order to ensure compliance and raise awareness of compliance, Hulic REIT Management holds periodic compliance training for all employees and officers, which mainly covers thoroughly communicating the basic policy on compliance and compliance standards and learning the laws, regulations and other various rules that are to be observed, among other matters (held monthly; 12 sessions held in fiscal 2019). Hulic REIT Management also holds separate training for those joining or transferred to the company and according to each department's features, etc.

## **Counteracting Anti-Social Forces**

Hulic REIT Management has established the Standards for Counteracting Anti-Social Forces and the Manual for Checking for Anti-Social Forces, and takes a resolute stance against anti-social forces for severing any ties with anti-social forces.

Also working together with the Hulic Group, specific initiatives for severing ties with anti-social forces are underway through such measures as establishing a structure for screening for anti-social forces at the time of transaction and putting such into practice, including clauses on the exclusion of organized crime groups in written contracts with business partners and ensuring due diligence is performed at the time of transaction pursuant to the Act on Prevention of Transfer of Criminal Proceeds.

## **Measures to Prevent Bribery and Corruption**

Hulic REIT Management provides in the Rules of Employment, Compliance Manual, etc. that bribery, embezzlement, money laundering and other misconduct are prohibited and any person who has committed misconduct shall be subject to strict disciplinary action.

## **Compliance Hotline**

Hulic REIT Management established the Compliance Hotline open to employees and officers, with points of contact for consultation should there be any act suspected to be in violation of laws, regulations or corporate ethics and points of contact for consultation on harassment and human rights, establishing a structure for preventing risks and minimizing impact should such arise.



### 3. Customer-Oriented Business Conduct

Hulic REIT Management Co., Ltd. (hereinafter the "Company"), has worked to maximize unitholder value by maintaining and increasing income in the medium to long term and achieving growth in the size and value of its assets under management, as outlined in its corporate philosophy. Now, in order to instill more customer-oriented business conduct, the Company has adopted the "Basic Policy for Customer-Oriented Business Conduct" published by the Japanese Financial Services Agency on March 30, 2017, and established the following policies to address them.

#### Policy for Customer-Oriented Business Conduct

##### 1. Customer-Oriented Business Conduct

The Company has established a corporate philosophy and basic approach to achieving customer-oriented business conduct, and publishes these on its website.

Furthermore, the Company shall regularly announce the status of addressing such business conduct, and conduct reviews to improve them.

##### 2. Pursuit of the Customer's Best Interest

The Company shall maintain strict compliance with its corporate philosophy and with relevant laws and regulations, and strive toward honest and fair business conduct that give priority to the best interest of Hulic Reit through an operating structure that prevents conflicts of interest and ensures objectivity, as well as highly transparent disclosure of information. The Company shall work to instill such business conduct as part of its corporate culture.

##### 3. Appropriate Management of Conflicts of Interest

The Company shall appropriately assess the scope of stakeholders and, before implementing any transactions between the stakeholders and Hulic Reit, work to ensure that transactions with the stakeholders concerned do not create any disadvantage for Hulic Reit by rigorously screening those transactions through the review procedure prescribed by internal rules, such as advance deliberation and resolution by a Compliance Committee whose objectivity is ensured, based on relevant laws and regulations as well as the internal rules.

##### 4. Clarification of Fees, etc.

The Company shall provide information to unitholders in an easily understandable manner with regard to the fact that business operations, clerical work, etc. at Hulic Reit are outsourced, as well as the remuneration and various fees borne by Hulic Reit due to the outsourcing.

##### 5. Clear Provision of Important Information

In addition to the disclosure of information specified by relevant laws and regulations, the Company shall work to disclose important information such as the financial highlights and future growth strategies of Hulic Reit in a clear manner easily understandable to unitholders, including through the use of graphs, in asset management reports and financial results briefing materials, on the Hulic Reit website, etc.

## 6. Provision of Services Suitable for the Customer

The Company shall maintain strict compliance with the bylaws of Hulic Reit in its asset management services and implement business conduct in line with the various policies defined in its operational guidelines.

Furthermore, the Company shall aim to maximize unitholder value by flexibly revising the operational guidelines in response to changes in the conditions of the real-estate market in cases where doing so is expected to lead to greater unitholder value in the medium to long term.

## 7. Appropriate Incentivization Framework for Employees, etc.

All directors and employees shall work to offer high-quality value as professionals. Furthermore, the Company shall continually conduct compliance-related training, etc. for all directors and employees in order to ensure the thorough implementation of honest and fair business conduct as well as appropriate management of conflicts of interest. In addition, the Company has instituted an incentive bonus system partially tied to the per-share dividend of Hulic Reit in the aim of integration with unitholder return.

As part of efforts to strengthen human resources for providing asset management services of high quality, we promote employees in obtaining qualifications. We have set the pursuit of such measures as one with key performance indicators (KPI), thereby promoting instilling customer-oriented business conduct.

The number of persons who have obtained qualifications or have passed the examinations for key qualifications (Real Estate Notary and ARES Certified Master) has been set as key performance indicators (KPI).

### [Reference]

- Real Estate Notary: 20
- ARES Certified Master: 11

\*As at July 31, 2020

## **(3) Risk Management**

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### **1. Fundamental Approach to Risk Management**

At Hulic Reit, we ourselves comply with the rules provided in the Investment Trusts Act and related laws and regulations for the various risks in investment and management. Hulic REIT Management, too, takes measures, such as establishing appropriate internal rules along with the necessary organizational structure and educating to raise the spirit of compliance among employees and officers.

### **2. Risk Management Structure**

#### **Establishment of Risk Management Rules and Risk Management Manual, and Putting Such into Practice**

In order to appropriately manage various risks, Hulic REIT Management has established the Risk Management Rules and the Risk Management Manual containing provisions that serious risks shall be reported to the Board of Directors without delay should they arise.

#### **BCP Measures**

Hulic REIT Management established the Crisis Management Manual under the objective of specifically providing a basic policy on measures should there be a natural disaster, human-caused disaster or other state of emergency (hereinafter, "emergency"), code of conduct for employees and officers in the event of an emergency, etc. to minimize damages and maintain organizational functions through early restoration, thereby avoiding disruption, etc. at Hulic REIT Management and related parties as much as possible.

The Manual provides a series of actions from when an emergency arises to deciding on the policy on measures, etc. and completion of measures, and clarifies the decision-making body and the chain of command until the measures are decided according to the type of emergency, size of damage, scope of impact, etc. Crisis management drills are also held once a year as a check, such as of the validity of the Manual and for any points that can be improved, in efforts to continually enhance the effectiveness of the Manual.

#### **Confirmation of the Safety of Employees and Officers**

The Hulic Group has introduced a system for confirming safety via the internet, email, etc. to swiftly grasp the extent of damage and safety of employees and officers in the event of an emergency. Safety confirmation drills are also held once a year for all employees and officers of the Hulic Group.

#### **Information Security**

Recognizing that information assets are important corporate assets, Hulic Reit and Hulic REIT Management ensures that information assets are being appropriately managed and stored in accordance with internal rules, etc. We also have internal rules, etc. in place to appropriately act for proper utilization of information systems and prevention of system failure or cybersecurity threats.

The information provided in this document does not constitute disclosure documents or investment reports required by or pursuant to the Financial Instruments and Exchange Act or the Act on Investment Trusts and Investment Corporations, or cabinet orders, cabinet office orders or rules incidental to these, or the Securities Listing Regulations of the Tokyo Stock Exchange or other relevant rules.

Careful attention was paid in the preparation of this document, but Hulic Reit and Hulic REIT Management have not performed a detailed verification of the information appearing within this document, including quotes from public disclosures, and as such, Hulic Reit and Hulic REIT Management cannot guarantee the accuracy, completeness, appropriateness or validity of the information in this document, regardless of whether it is information prepared by Hulic Reit or Hulic REIT Management or information from a third party. In addition, the information appearing in this document has not necessarily been updated to the latest available information, and Hulic Reit and Hulic REIT Management carry no obligation to do such. The information in this document is subject to change without notice.

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