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Hankyu REIT, Inc.

Hankyu REIT Asset
Management, Inc.

Implementation of Asset Replacement

1. Portfolio Improvement in Collaboration with Sponsor Group
2. Effects of Asset Replacement
3. Overview of Acquisition Property (HANKYU NISHINOMIYA GARDENS)
4. Overview of Acquisition Property (Hankyu Corporation Head Office Building)





Future Growth Strategies and Management Policies (reproduction of financial results briefing materials for the 15th fiscal period)

Distribution Policies

Implementation of management that emphasizes on stability of distributions in medium to long term

Collaborate with sponsor group in an aim to realize measures to improve portfolio earning power

External Growth Strategies

Improvement and growth of portfolio by utilizing comprehensive strengths of Hankyu Hanshin Group

Improve existing portfolio by considering measures, such as replacing properties with declining earning power, in an aim to return to a growth path.

Internal Growth Strategies

Deepening of operational management

Aim to bottom out and turn around revenues through detailed response tailored to each facility, such as proactively replacing retail tenants with stagnant sales, while maintaining high occupancy by establishing good relationships with tenants

Financial Strategies

Implementation of stable financial operations and LTV controls

Realize steady refinancing, diversification of debt repayment dates and reduction of debt financing costs by reinforcing cooperation with financial institutions in an aim to stabilize the financial foundation

With clearer signs of income decreasing due to exit of large tenants and increase in repair expenses, the asset replacement will be implemented in an aim to secure distributions of JPY 12,000 or more on an ongoing basis and realize early return to a growth path.

Hankyu REIT, Inc.

In light of such factors as intensifying competition with surrounding facilities, retail facilities in the Umeda area (HEP Five and NU chayamachi) will be sold to the sponsor group.

A community-based retail facility (HANKYU NISHINOMIYA GARDENS) and a sponsor group head office building will be acquired in an aim to enhance the NOI yield while maintaining the quality of the portfolio.



Sponsor Group

HEP Five and NU chayamachi will be acquired to lead the value enhancement of both facilities and thereby promote further revitalization of the Umeda area.

In collaboration with Hankyu REIT, Inc., further growth of the real estate business of the sponsor group on the whole will be aimed.

Acquisition Properties

■ HANKYU NISHINOMIYA GARDENS (28% quasi co-ownership of trust beneficiary interests)



Property Overview

- Acquisition price: JPY 18,300 mn
- Appraised value: JPY 20,300 mn
- NOI yield: 6.0% (Note 1)
- Yield after depreciation: 4.4% (Note 1)

■ Hankyu Corporation Head Office Building



Property Overview

- Acquisition price: JPY 10,200 mn
- Appraised value: JPY 10,200 mn
- NOI yield: 5.9% (Note 1)
- Yield after depreciation: 3.4% (Note 1)

Total acquisition price: JPY 28,500 mn

Transfer Properties

■ HEP Five (partial transfer; 31% quasi co-ownership of trust beneficiary interests)



Property Overview

- Transfer price: JPY 16,523 mn
- Book value: JPY 13,002 mn
- NOI yield: 4.5% (Note 2)
- Yield after depreciation: 3.1% (Note 2)

* Hankyu REIT's interest in quasi co-ownership changes to 14% after the transfer

■ NU chayamachi



Property Overview

- Transfer price: JPY 14,100 mn
- Book value: JPY 17,543 mn
- NOI yield: 3.7% (Note 2)
- Yield after depreciation: 1.3% (Note 2)

Total transfer price: JPY 30,623 mn

Effects of Asset Replacement

	Before Replacement	After Replacement	Effects
NOI yield	4.5% (Note 3)	5.2%	+ 0.6 p
Unrealized gain (loss)	(JPY 8.3 bn) (Note 4)	(JPY 6.5 bn)	Improves JPY 1.8 bn
LTV	55.8% (Note 5)	54.2%	Deteriorates 1.6 bn

Impact on lease operating income: Approx. JPY 230 mn increase (on an ongoing and full-period basis)

Aim to secure distributions of JPY 12,000 or more on an ongoing basis and realize early return to a growth path

(Note 1) Calculated based on the existing lease agreement as the NOI after recording taxes and public dues as expenses or the income after depreciation, divided by the acquisition price.
 (Note 2) Calculated as the sum total figure of 15th fiscal period results and 16th fiscal period forecasts (the figures assumed in the forecasts for the 16th fiscal period announced in the report of financial results for the 15th fiscal period; the same hereafter), divided by the transfer price.
 (Note 3) Calculated as the figure of 15th fiscal period results and 16th fiscal period forecasts, divided by the total acquisition price of portfolio properties.
 (Note 4) The figure at the end of the 15th fiscal period. $LTV = (\text{Interest-bearing debt} + \text{Security deposits} - \text{Matched money to security deposits}) \div (\text{Total assets (appraisal adjustment basis)} - \text{Matched money to security deposits})$. Unrealized gain (loss) is the difference between the appraised value and the book value.
 (Note 5) Calculated as there being no change in revenues/expenses, appraised value, etc. from before the asset replacement for the properties other than the asset replacement properties.

Overview of HANKYU NISHINOMIYA GARDENS

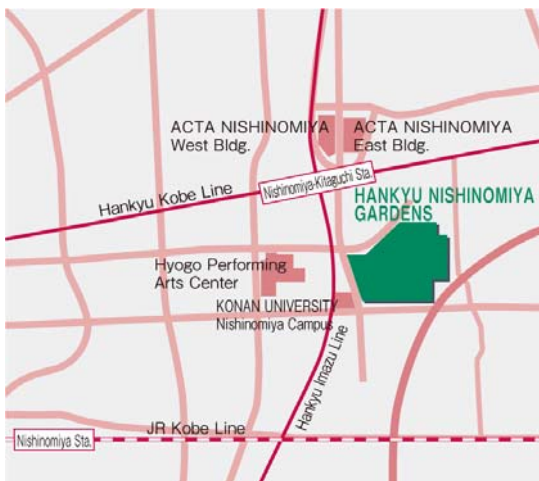
- The property, which opened in 2008 as a redevelopment of the former site of Hankyu Nishinomiya Stadium, is one of the largest shopping centers in western Japan.
- Directly connected by a deck to Nishinomiya-kitaguchi Station, which ranks third behind Umeda Station and Sannomiya Station in the number of passengers out of all Hankyu Railway lines.



HANKYU NISHINOMIYA GARDENS won the Fifth Japan SC Award and Gold Award (awarded March 19, 2013).

Location	Takamatsu-dho, Nishinomiya-shi, Hyogo
Number of stores	268 stores (as of end of February 2013)
Anchor stores	Hankyu Department Store, Izumiya and Toho Cinemas
Overall sales (Note)	JPY 71.3 bn (fiscal 2011 results)
Total floor area	Approx. 247,000m ²
Opening date	November 2008
Parking capacity	Approx. 3,000 vehicles

(Note) The amount including consumption tax, etc.

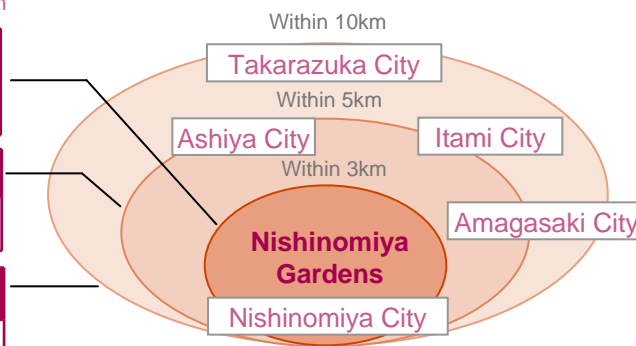


Favorable trade area with active purchasing power, centering on Nishinomiya/Ashiya area

- The area where the property is located is midway between Osaka and Kobe, and is an area that enjoys an abundant and favorable trade area able to secure many customers in the high-income bracket.

Trade area population

Within 3km	340,000
Within 5km	780,000
Within 10km	1,750,000



Per capita income taxable for municipal taxes

Kansai region ranking
(Japan ranking) (Note)

Ashiya City	1st (4th)
Nishinomiya City	2nd (23rd)
Takarazuka City	5th (33rd)

Per capita income taxable for municipal taxes

Top 5 in Japan ranking (Note)

1st	Minato Ward, Tokyo
2nd	Chiyoda Ward, Tokyo
3rd	Shibuya Ward, Tokyo
4th	Ashiya City, Hyogo
5th	Chuo Ward, Tokyo

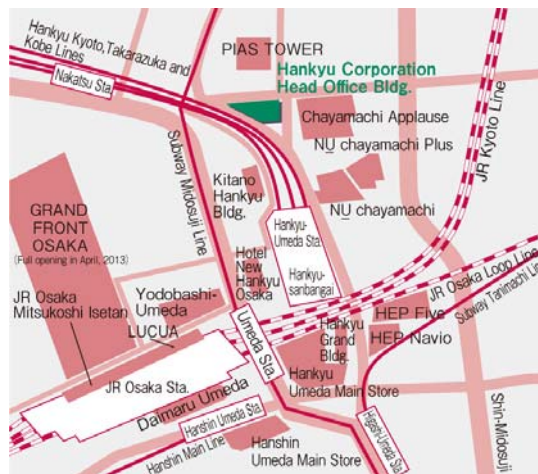
(Note) Ranking of the income taxable for municipal taxes, divided by the number of taxpayers of the per income levy, based on the data of Ministry of Internal Affairs and Communications' "Fiscal 2011 Municipal Taxation Status, etc. Survey." Kansai region herein refers to Shiga Prefecture, Kyoto Prefecture, Osaka Prefecture, Hyogo Prefecture, Nara Prefecture and Wakayama Prefecture.

Overview of Hankyu Corporation Head Office Building

- The property is occupied by Hankyu Corporation, Hankyu Hanshin Holdings, Inc., etc., making it a core base of the Hankyu Hanshin Holdings Group.
- The property was sold in November 2009 in the post-Lehman-Shock real estate prices falling phase in order to lower the LTV. (Priority negotiation rights granted to Hankyu REIT upon the transfer.)
- A fixed type master lease agreement is concluded with Hankyu Corporation, making it a property with high rent stability.

Location	Shibata, Kita-ku, Osaka-shi
Lot area	3,396.82 m ² (Note)
Total floor area	27,369.37 m ² (Note)
Floors	2 underground levels, 19 floors(Note)
Month/Year built	September 1992

(Note) As specified in the registry



This material includes forward-looking statements based on present assumptions and future outlook.

Actual results may differ from the forward-looking statement values due to various factors.

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This material is an English translation of the original, which was issued in the Japanese language.