

# Hankyu REIT

Financial Results Briefing Materials  
for the **16**th Fiscal period ended  
May 2013



Hankyu REIT, Inc.  
<http://www.hankyu-reit.jp>



Hankyu REIT Asset Management, Inc.  
<http://www.hankyu-rt.jp>



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**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.**

**This material is not intended as a solicitation to acquire investment securities of Hankyu REIT nor is it intended as a solicitation to sign contracts relating to transactions of other financial instruments. When undertaking any investment, please do so based on your own judgment and responsibility as an investor.**

**Before purchasing investment securities of Hankyu REIT, please consult with a securities company that is a “Type I Financial Instruments Business Operator.”**

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

**There are sections that display property names in abbreviated form.**





# 1. Executive Summary



## Growth Strategies and Management Policies

### External Growth

Portfolio growth and improvement by utilizing the strengths of the Hankyu Hanshin Group

### Internal Growth

Deepening operational management

### Financial Strategies

Implementation of stable financial operations and LTV controls

## Results for 16th Fiscal Period

- Improved the portfolio's health through the replacement of assets (improved NOI yields)
- Returned to a growth path by conducting a public offering (acquired 2 community-based retail facilities) (June 2013)
- Implemented large-scale tenant replacement and renewal at HEP Five (total of 26 shops)
- Total portfolio occupancy rate up 0.5 points from previous period end to 99.5% (as of end of 16th fiscal period)
- LTV improved due to a public offering (June 2013)
- Realized a reduction of borrowing costs and diversification of debt repayment dates

## Results for 16th Fiscal Period

Distribution per unit JPY 11,806 (up 2.7% from the initial forecast)

Portfolio NOI yield\* 4.7% (After adjustment for public charges and taxes: 4.6%)

\*NOI yield = (Lease operation income + Depreciation) × 2 ÷ Total acquisition price (period average)

### End of 16th Fiscal Period

Investment unit price (closing price):	JPY 539,000
Net assets per unit:	JPY 659,872
Net assets per unit after reflecting unrealized income/loss:	JPY 591,770

## Forecast for the 17th fiscal period

Distribution per unit forecast JPY 12,700

### [Main factors of increase/decrease from the 16th fiscal period]

- Lease operation income contribution of acquired assets, etc.
- Decrease of lease operation income of transferred properties
- Decrease of lease operation income of existing properties
- Income/loss on sale

+757 (NISHINOMIYA GARDENS +363, Hankyu Head Office Building +179, Kitahanada +187, Honancho +27)  
 -214 (HEP Five -152, NU chayamachi -62)  
 -183 (Tennoz revenue decrease -102, Ueroku -36, and others)  
 -21 (16th fiscal period: Income on sale of HEP Five 3,492, Loss on sale of NU chayamachi 3,470)

(Unit: JPY mn)

Item	Results for 16th Fiscal Period ① (Dec. 1, 2012 to May 31, 2013)	Forecast for 17th Fiscal Period ② (Jun. 1, 2013 to Nov. 30, 2013)	Change ②-①	Results for 15th Fiscal Period ③ (Jun. 1, 2012 to Nov. 30, 2012)	Change ②-③
Operation period (days)	182	183	1	183	—
Operating revenues	8,088	4,529	-3,559	4,736	-206
Operating income	1,466	1,793	326	1,471	321
Ordinary income	1,009	1,337	327	1,045	291
Net income	1,008	1,336	327	1,044	291
Number of outstanding investment units at end of period (units)	85,400	105,200	19,800	85,400	19,800
Distribution per unit (JPY)	11,806	12,700	894	12,228	472
FFO per unit (JPY)	23,444	21,687	-1,756	23,786	-2,099

### [Main preconditions]

- There will be no transfer of portfolio properties from the presently held 18 properties
- There will be no additional issuance of investment units to the present 105,200 units until the end of the period





## 2. Asset Replacements and Public Offering

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

### Distribution Policies

Implement management that emphasizes stability of dividends in medium- to long-term

Collaborate with sponsor group and aim to realize measures to improve portfolio earning power.

### External Growth Strategies

Portfolio growth and improvement by utilizing the strengths of the Hankyu Hanshin Group

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

### Internal Growth Strategies

Deepening operational management

Aiming to bottom out and turn around revenues by supporting each facility in details such as proactively replacing retail tenants with stagnant sales while maintaining high occupancy by establishing good relationships with the 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, and aim to stabilize the financial foundation.

## Strategy Goals

- Distributions will be set at **JPY 12,000 or more on an on-going basis**, and aim for further build up.
- Realize return to growth path through portfolio improvement, and aim for growth and expansion of assets under management.



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

## 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 targeted.

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

Acquired Assets



#### Property overview

- Acquisition price: JPY 18,300 mn
- Appraisal value: JPY 20,300 mn (Note 1)
- NOI yield: 5.9% (Note 2)
- Yield after depreciation: 4.4% (Note 2)

### ■ Hankyu Corporation Head Office Building



#### Property overview

- Acquisition price: JPY 10,200 mn
- Appraisal value: JPY 10,200 mn (Note 1)
- NOI yield: 5.8% (Note 2)
- Yield after depreciation: 3.7% (Note 2)

**Total acquisition price: JPY 28,500 mn**

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

Transferred Assets



#### Property overview

- Transfer price: JPY 16,523 mn
- Book value: JPY 13,002 mn
- NOI yield: 4.4% (Note 3)
- Yield after depreciation: 3.0% (Note 3)

### ■ NU chayamachi



#### Property overview

- Transfer price: JPY 14,100 mn
- Book value: JPY 17,542 mn
- NOI yield: 3.8% (Note 3)
- Yield after depreciation: 1.4% (Note 3)

**Total transfer price: JPY 30,623 mn**

(Note 1) The appraisal value for HANKYU NISHINOMIYA GARDENS is as of March 2013 and the appraisal value for Hankyu Corporation Head Office Building is as of February 2013.

(Note 2) Calculated by dividing the net operating income (NOI) for the first fiscal year in the discounted cash flow (DCF) method recorded in the appraisal report as well as the income after depreciation, calculated based on Hankyu REIT's accounting policies, by the acquisition price.

(Note 3) Calculated by dividing the annualized total of 15th and 16th fiscal period results by the sale price.





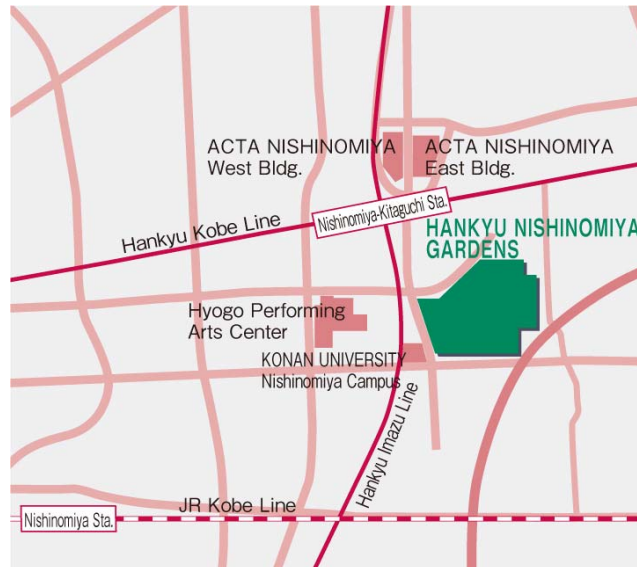
### Property features

- Largest-scale shopping center in western Japan
- Directly connected to Hankyu Nishinomiya-Kitaguchi Station via deck
- Rooftop sky garden with a permanent stage
- Sales increased for 4 consecutive years since opening
- Received the Fifth Japan SC Gold Award (March 2013)
- Stable management in the long term due to fixed type master lease agreement with Hankyu Corporation

### Property Overview

Location	Takamatsu-cho, Nishinomiya-shi, Hyogo
Number of stores	268 stores (as of end of May 2013)
Main tenants	Hankyu Department Store, Izumiya and Toho Cinemas
Overall sales(Note)	JPY 73.6 bn (fiscal 2012 results)
Total floor area	Approx. 247,000m <sup>2</sup>
Opening	November 2008
Parking capacity	Approx. 3,000 vehicles

(Note) The amount including consumption tax, etc.





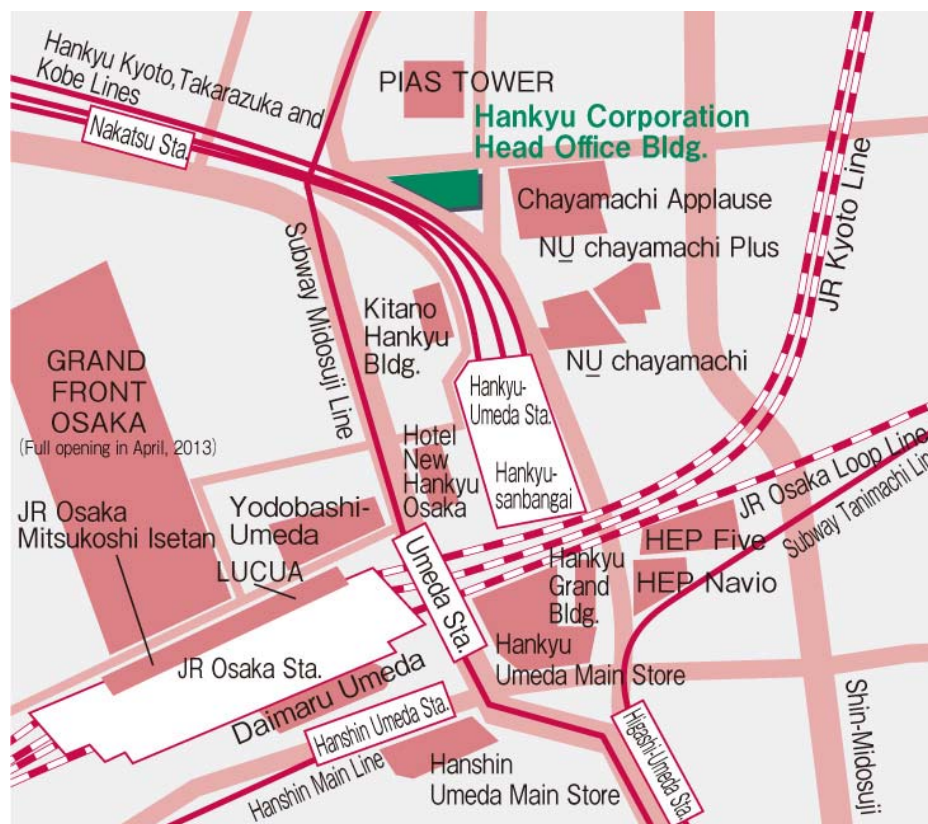
### Property Overview

Location	Shibata, Kita-ku, Osaka-shi
Lot area	3,396.82 m <sup>2</sup> (Note)
Total floor area	27,369.37m <sup>2</sup> (Note)
Number of floors	19 floors, 2 underground (Note)
Completion date	September 1992

(Note) As specified in the registry

### Property features

- Core base of the Hankyu Hanshin Holdings Group Occupied by Hankyu Corporation, Hankyu Hanshin Holdings, Inc., etc.
- Property was sold in November 2009 when real estate prices were falling post-Lehman Shock in order to lower the LTV (Priority negotiation rights granted to Hankyu REIT upon the transfer)
- Stable management in the long term due to fixed type master lease agreement with Hankyu Corporation





## Overview of Public Offering

Number of total investment units issued	85,400 units
Number of newly issued investment units (Of this, third-party allotment: 1,800 units)	19,800 units
Issue price	JPY 469,462
Total issue price (Public offering portion)	JPY 8,450 mn
Paid-in amount	JPY 453,091
Total paid-in amount (Including third-party allotment)	JPY 8,971 mn
Date of resolution of issuance	May 30, 2013
Price determination date	June 11, 2013
Payment date	June 18, 2013 July 10, 2013

## List of Newly Acquired Assets

Property name	R12 (K)	R13 (K)
	AEON MALL SAKAI KITAHANADA (Site)	(tentative name) MANDAI Toyonaka Honancho (Site)
Property type	Community-based retail facility	Community-based retail facility
Location	Kita-ku, Sakai-shi	Honan-cho Higashi, Toyonaka-shi, Osaka
Acquisition price (JPY mn)	8,100	1,870
Appraisal value (JPY mn)	8,490	2,060
NOI yield (%) (Note 2)	5.2	5.7 (Note 1)
Yield after depreciation (%) (Note 2)	5.2	5.7 (Note 1)
Acquisition method	SPC bridge	On-balance bridge
Acquisition date	June 27, 2013	June 27, 2013

Total acquisition assets	Acquisition price (JPY mn)	Appraisal value (JPY mn)	Average NOI yield (%) (Note 2)	Average yield after depreciation (%) (Note 2)
	9,970	10,550	5.3 (Note 1)	5.3 (Note 1)

(Note 1) Assumes the rent from the day after the building completion date (scheduled to be completed in fall 2013) of (tentative name) MANDAI Toyonaka Honancho (Site) and therefore differs from the figure that assumes the rent up to the building completion date (30% of rent after completion).

(Note 2) Calculated by dividing the net operating income (NOI) for the first fiscal year in the discounted cash flow (DCF) method recorded in the appraisal report at the time of acquisition by the acquisition price.





## Property features

- The property is a site of a retail facility adjacent to the Osaka Municipal Subway Kitahanada Station. Highly convenient transport strengthens customer attraction as major roads run on the east and south sides of the site and multiple methods of access such as buses are available.
- There is a population of approx. 325,000 within a 3km radius, approx. 857,000 within a 5km radius and approx. 2,618,000 within a 10km distance and the plentiful trade area population speaks for the fortunate market potential.
- AEON MALL SAKAIKITAHANADA, which stands atop the property, is a regional shopping center. With AEON and Hankyu Department Store as the core tenants, the shopping center is formed as a specialty shop of about 160 shops.

### Property Overview

Location	Kita-ku, Sakai-shi
Site area	64,232.77 m <sup>2</sup> ,
Leased area	64,104.27 m <sup>2</sup> ,
Completion date	October 2004
Number of stores	Approx. 160 stores





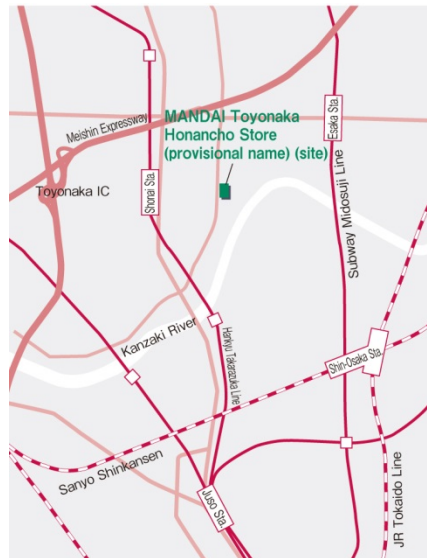
(Note) Rendering of the building scheduled to be completed.

## Property features

- Toyonaka City, where the property is located, sits in the northwest part of Osaka Prefecture. The land is blessed with a vicinity population with a trade area population of about 38,000 within 1km and possesses a volume in which there are 3 grocery supermarkets within just 1km.
- In addition to MANDAI, a grocery supermarket with 146 shops (as of February 2012) primarily in the Osaka area and which excels at targeting local populations, a neighborhood shopping center comprising of several shops is scheduled to open and the construction of a facility that is appropriate to the environment is underway.
- MANDAI, the main tenant, possesses the developmental power and price of fresh foods and many of its stores have high space efficiency. It is highly popular with customers.

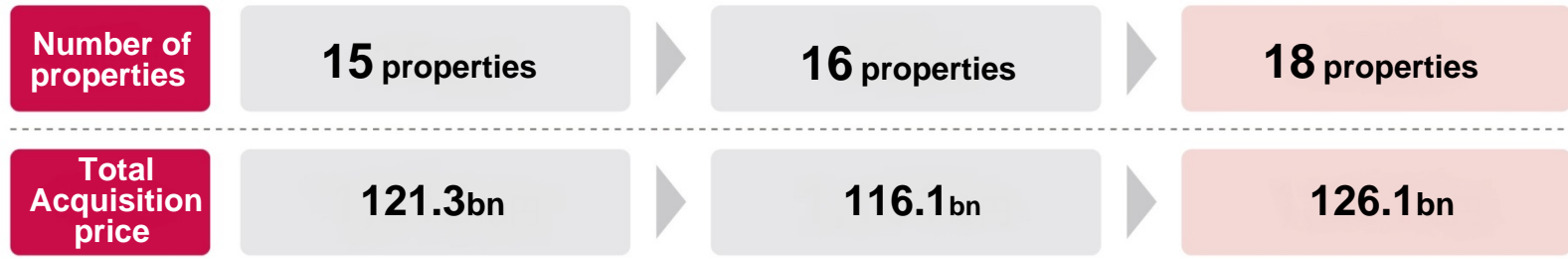
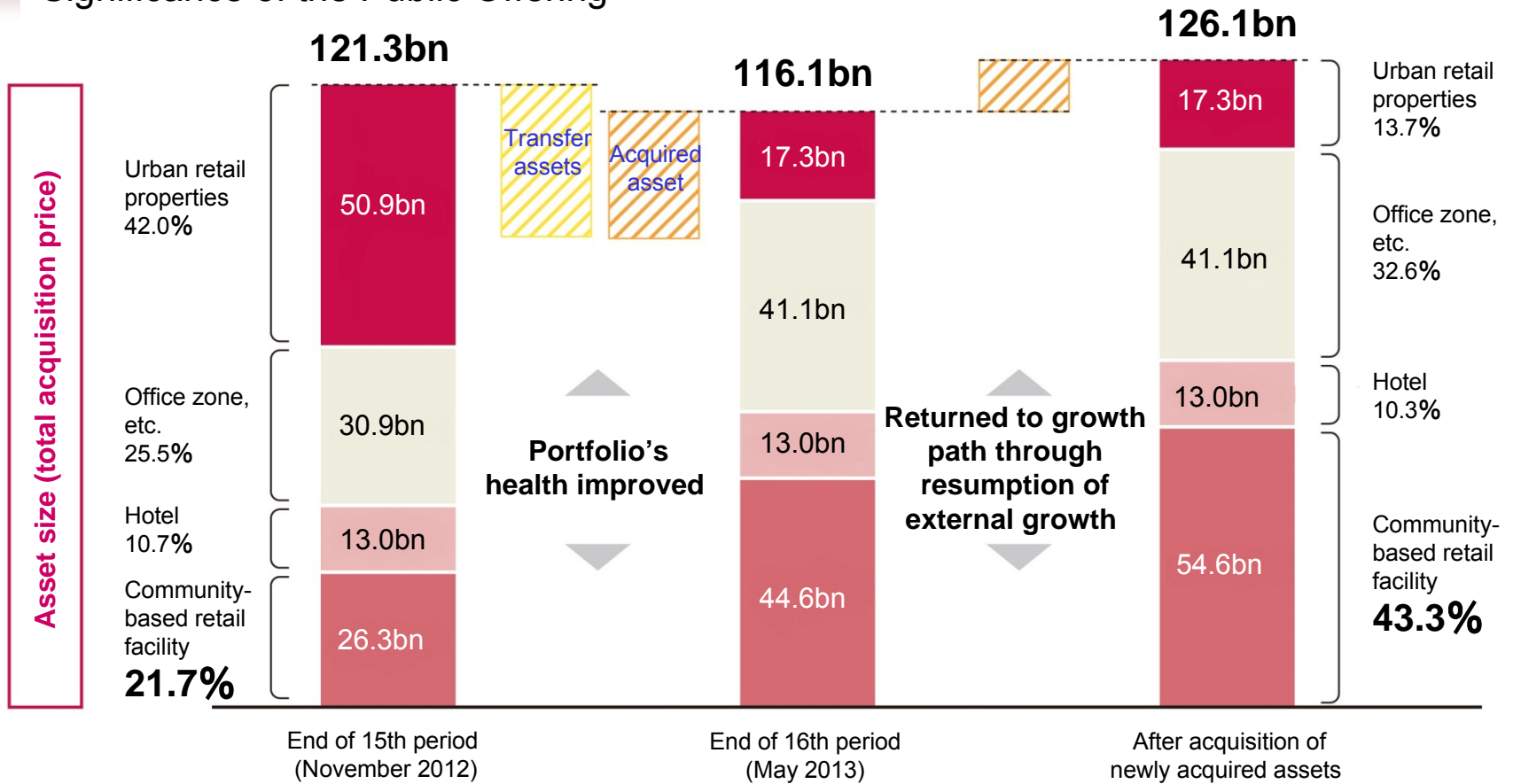
### Property Overview

Location	Honan-cho Higashi, Toyonaka-shi, Osaka
Site area	8,159.41 m <sup>2</sup>
Leased area	8,159.41 m <sup>2</sup>
Completion date	Fall 2013





## Significance of the Public Offering





	End of 15th period (November 2012)	End of 16th period (May 2013)	Newly acquired assets	After acquisition of newly acquired assets
<b>Average NOI yield (Note 1)</b>	4.6%	5.0%	+	5.1%
<b>Average NOI yield after depreciation (Note 1)</b>	3.0%	3.4%	+	3.6%
<b>Unrealized income/ Loss (Note 1)</b>	-8.3bn	-5.8bn	+	-5.3bn
	End of 11th period (November 2010)	End of 15th period (November 2012)	End of 16th period (May 2013)	After acquisition of newly acquired assets
<b>LTV (Note 2)</b>	56.1%	55.8%	53.5%	49.5%
<b>Interest-bearing debt ratio (Note 3)</b>	45.4%	45.5%	46.7%	43.3%
	End of 11th period (November 2010)	End of 15th period (November 2012)	End of 16th period (May 2013)	End of 16th period (May 2013)
<b>Average borrowing cost</b>	1.57%	1.36%	1.33%	1.33%
<b>Average remaining period of long-term funds</b>	1.5 years	2.4 years	2.0 years	2.0 years
	11th period (November 2010)	15th period (November 2012)	16th period (May 2013)	17th period forecast (November 2013)
<b>Distribution per unit</b>	JPY 12,415	JPY 12,228	JPY 11,806	JPY 12,700

(Note 1) Concerning owned real estate or newly acquired assets as of each period: Average NOI yield = [Total real estate lease operation income\* – Real estate lease operation expenses\* + Total depreciation\*] ÷ Total acquisition price

Concerning owned real estate or newly acquired assets as of each period: Average yield after depreciation = [Total real estate lease operation income\* – Real estate lease operation expenses\*] ÷ Total acquisition price

Unrealized income/loss = Total appraisal value\*\* of owned real estate or newly acquired assets as of each period – Total book value\*\*

\*Figures based on 15th and 16th fiscal period results. Figures for properties acquired or transferred during the periods are annualized. However, the net operating income and operating expenses for the first fiscal year (for MANDAI Toyonaka Honancho Store, second year of rent after the building completion) in the discounted cash flow (DCF) method recorded in the appraisal report is used for figures other than depreciation of properties acquired in the 16th fiscal period as well as for newly acquired assets.

\*\*Following the acquisition of newly acquired assets, book values and appraisal values of assets owned as of the end of the 16th fiscal period are figures as of the end of the 16th fiscal period. Book values of newly acquired assets are expected amounts where acquisition expenses that according to the Hankyu REIT's.

(Note 2) LTV = 
$$\frac{\text{Amount of outstanding debts} + \text{Security deposits or guarantees} - \text{Matched money}}{\text{Total amount of assets} - \text{Matched money}}$$

When corporate bonds have been issued, the amount of outstanding debts shall include the amount of outstanding bonds. Matched money refers to cash or deposits reserved in the trust account to guarantee the deposit or security money for the assets owned by Hankyu REIT as the object of the trust beneficiary interests. The total amount of assets refers to the amount in the assets section of the most recent balance sheet for each period. However, with respect to tangible fixed assets, the difference between appraisal value and book value at the end of the fiscal period shall be added to or subtracted from the book value of the tangible fixed assets at the end of the fiscal period.

LTV after the acquisition of newly acquired assets are calculated under the following assumptions:

- Assumes that there will be no change in the amount of outstanding debts from the 16th fiscal period figure.
- Security deposits and guarantees of newly acquired assets are added to the 16th fiscal period figure of security deposits and guarantees.
- Assumes that there will be no change in the matched money from the 16th fiscal period figure.
- The proceeds from the public offering and third-party allotment, security deposits or guarantees of newly acquired assets and the amount of difference between the appraisal values of newly acquired assets and the expected amount of assets to be recorded are added to the 16th fiscal period figure of total amount of assets.

(Note 3) The interest-bearing debt ratio after the acquisition of newly acquired assets is calculated under the following assumptions: It is assumed that there will be no change in the amount of interest-bearing debt from the 16th fiscal period figure.

Proceeds from the public offering and third-party allotment and security deposits and guarantees of newly acquired assets are added to the 16th fiscal period figure of total amount of assets



# 2-8. Portfolio Status

(Comparison of End of 15th Fiscal Period with After the Public Offering)

### End of 15th fiscal period

Total acquisition price : 121.3bn  
 Total number of properties: 15 properties  
 PML : 3.3%

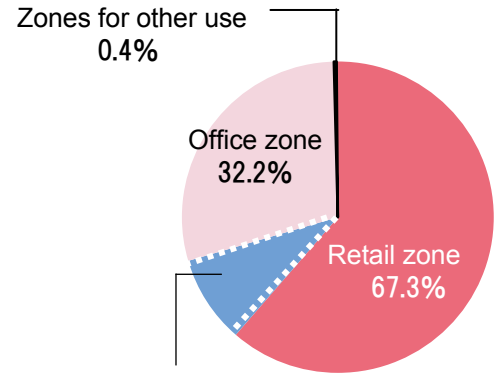
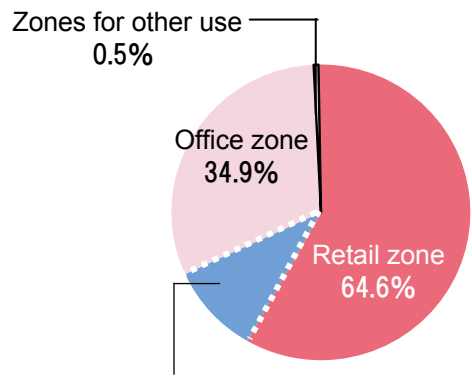
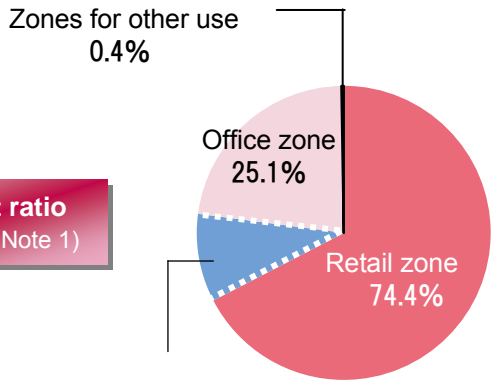
### End of 16th fiscal period

Total acquisition price : 116.18bn  
 Total number of properties: 16 properties  
 PML : 3.5%

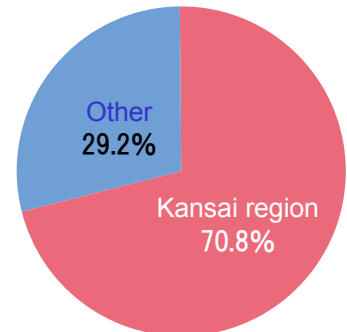
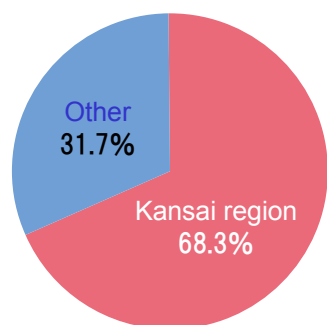
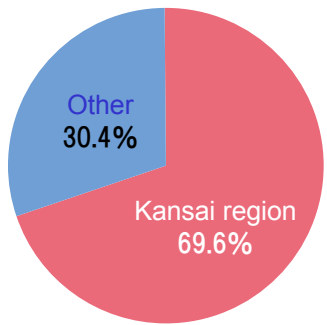
### After the public offering

Total acquisition price : 126.15bn  
 Total number of properties: 18 properties  
 PML : 3.5%

Investment ratio by zoning (Note 1)



Investment ratio by area (Note 2)



(Note 1) Ratios are calculated based on the acquisition price. (For mixed-use zone properties, the amount is proportionate to the rent income and common service fees for each zone)

(Note 2) Ratios are calculated based on the acquisition price.





### 3. External Growth Strategies





## Acquisition Strategy

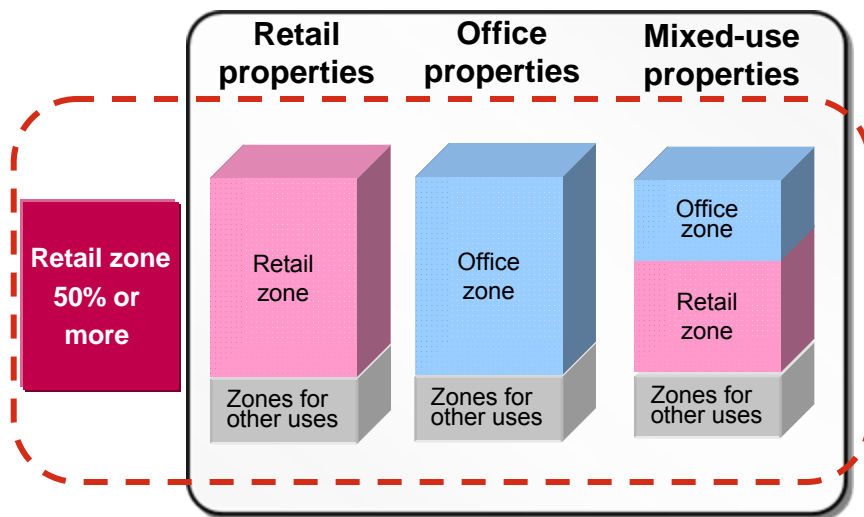
- Securing opportunities for asset acquisitions and acquisition of assets at appropriate prices
- Investment decisions that even considers operational management after acquisitions
- Establishment of a balanced portfolio

## Investment Targets

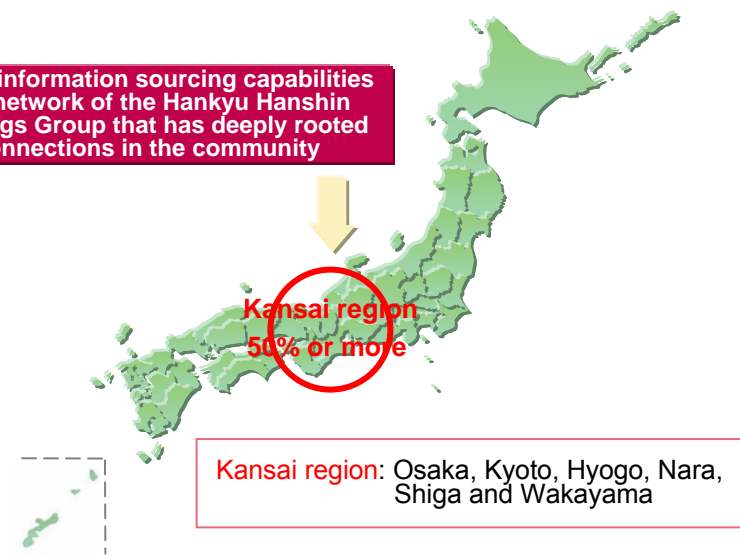
Target real estate with retail and office zoning  
Especially focus investment on retail zoning

## Investment Target Areas

Target real estate across Japan  
Investment target areas are the Tokyo metropolitan area, government-ordinance-designated cities nationwide and other comparable major cities  
Of these, investment is focused on the Kansai region

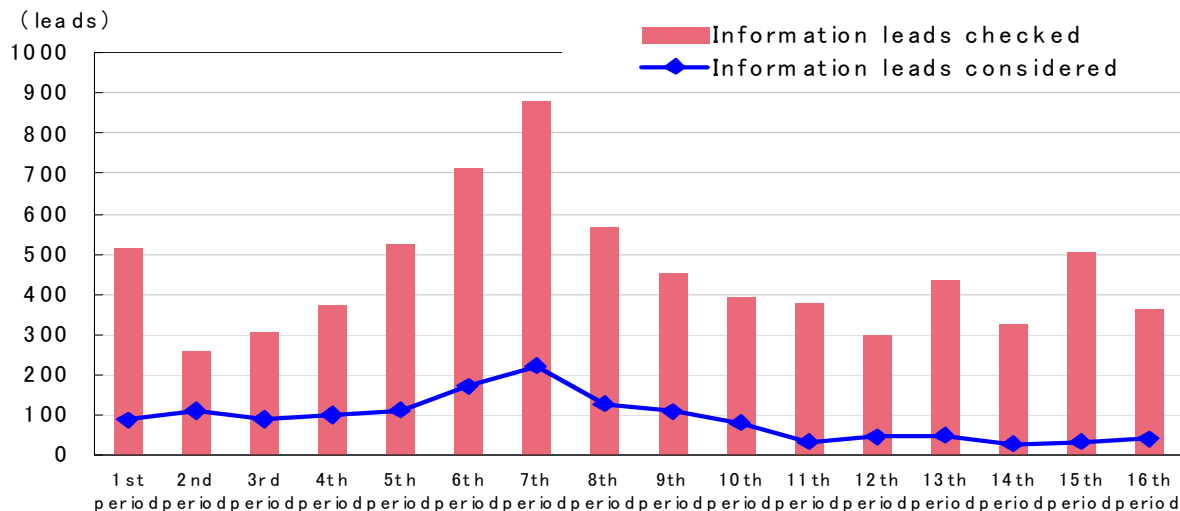


Utilize information sourcing capabilities and network of the Hankyu Hanshin Holdings Group that has deeply rooted connections in the community



\* In principle, the maximum investment ratio for hotel portion (part of retail zone) is 10% of all assets under management.

## Trend of Information Leads







## Diverse Property Acquisition Methods

		Acquisition method				
		Sponsor group's property	Property developed by sponsor group	On-balance bridge	SPC bridge	Direct acquisition from outside
Route of obtaining information	From the sponsor group	HEP Five Kitano Hankyu Building Dew Hankyu Yamada Nitori Ibaraki-Kita Store (site) Lalaport KOSHIEN (site) LAXA Osaka Namba-Hanshin Building <b>HANKYU NISHINOMIYA GARDENS</b>	Shiodome East Side Building Hotel Gracery Tamachi	—	<b>Hankyu Corporation Head Office Building</b>	—
	From Hankyu REIT Asset Management, Inc.'s own route	—	—	(tentative name) MANDAI Toyonaka Honancho (site)	Ueroku F building Richmond Hotel Hamamatsu <b>AEON MALL SAKAI KITAHANADA (site)</b>	Takatsuki-Josai Shopping Center Kohnan Hiroshima Nakano-Higashi Store (site) Sphere Tower Tennoz

Acquired assets in the 16th fiscal period and newly acquired assets



Use	Area								
	City center			Urban vicinity			Suburban		
Office	1 6	3 45	1	2	13	1	0	0	1
Multi-used	3	4 23	7	2	4	4	0	0	0
Retail	1 4	1 17	4	4 17	8 23	1 8	3	0	5
Hotel	2	3	1	1	0	0	0	0	0
Others	2 7	1 25	2	12 44	1 60	1 8	2	3	9

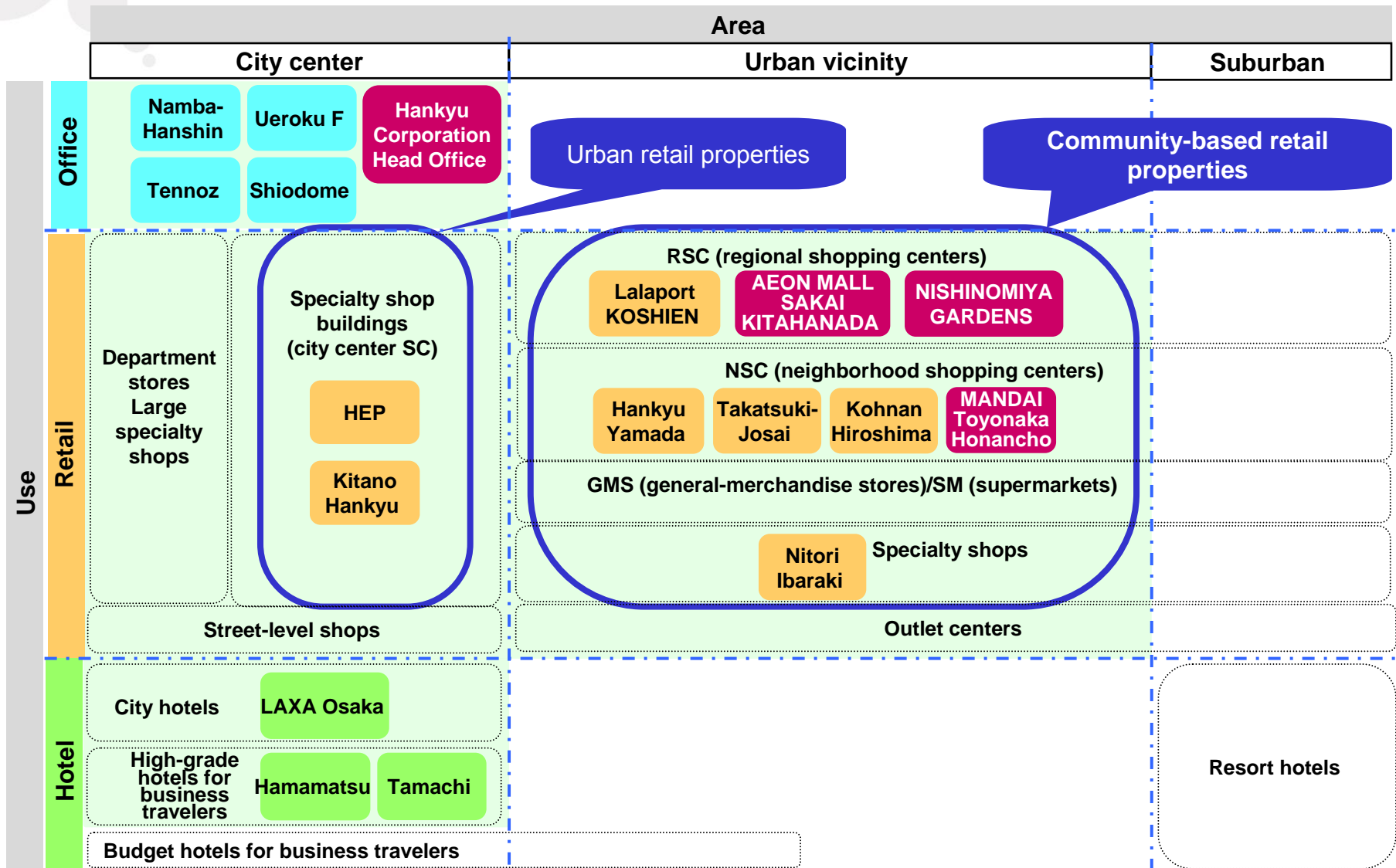
 Kansai region (Osaka, Kyoto, Hyogo, Nara, Shiga, Wakayama)
  Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, Chiba)
  Other areas
  Community-based retail facility

\*Outer circle: Information leads    Inner circle: Leads actually considered

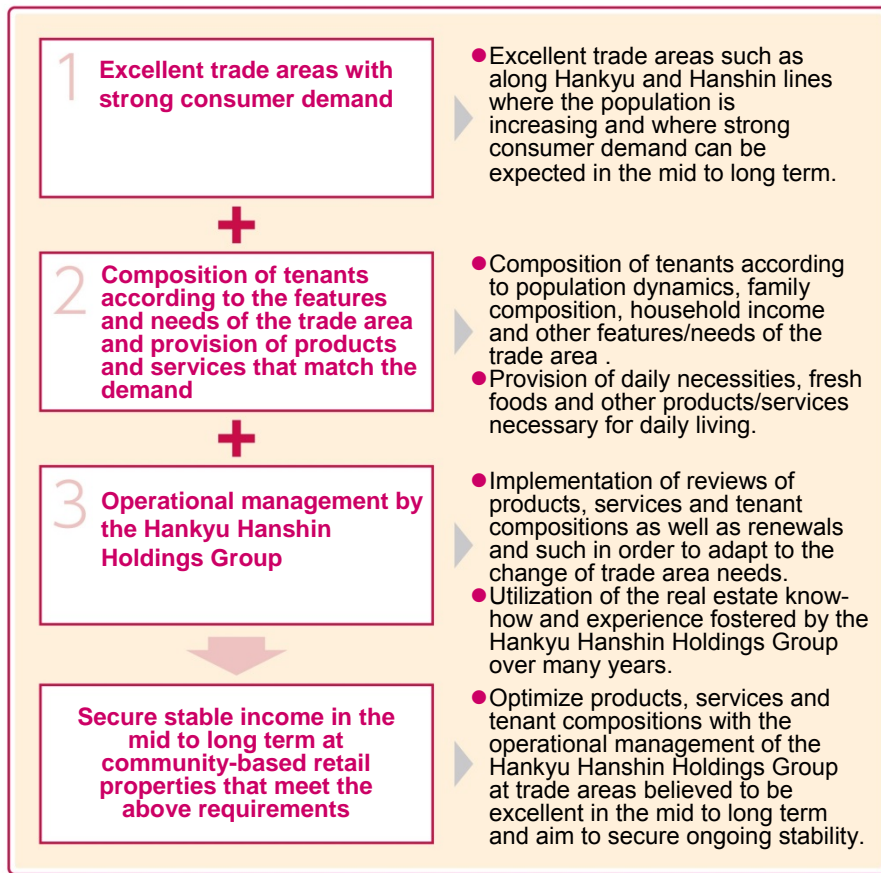
Leads considered were primarily community-based retail facilities in the Kansai region and Tokyo metropolitan area



## Focus on community-based retail properties



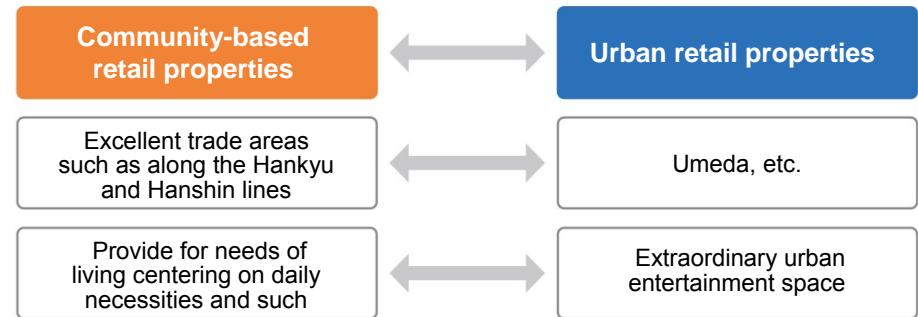
## Features and Superiority of Community-Based Retail Properties



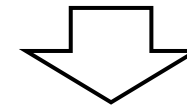
**Investment decision** Search for excellent community-based retail properties and make investment decisions using the discernment of the Hankyu Hanshin Holdings Group

**Management** Carry out stable management in the mid to long term using the operational management know-how and experience of the Hankyu Hanshin Holdings Group

## Comparison of Community-Based Retail Properties and Urban Retail Properties



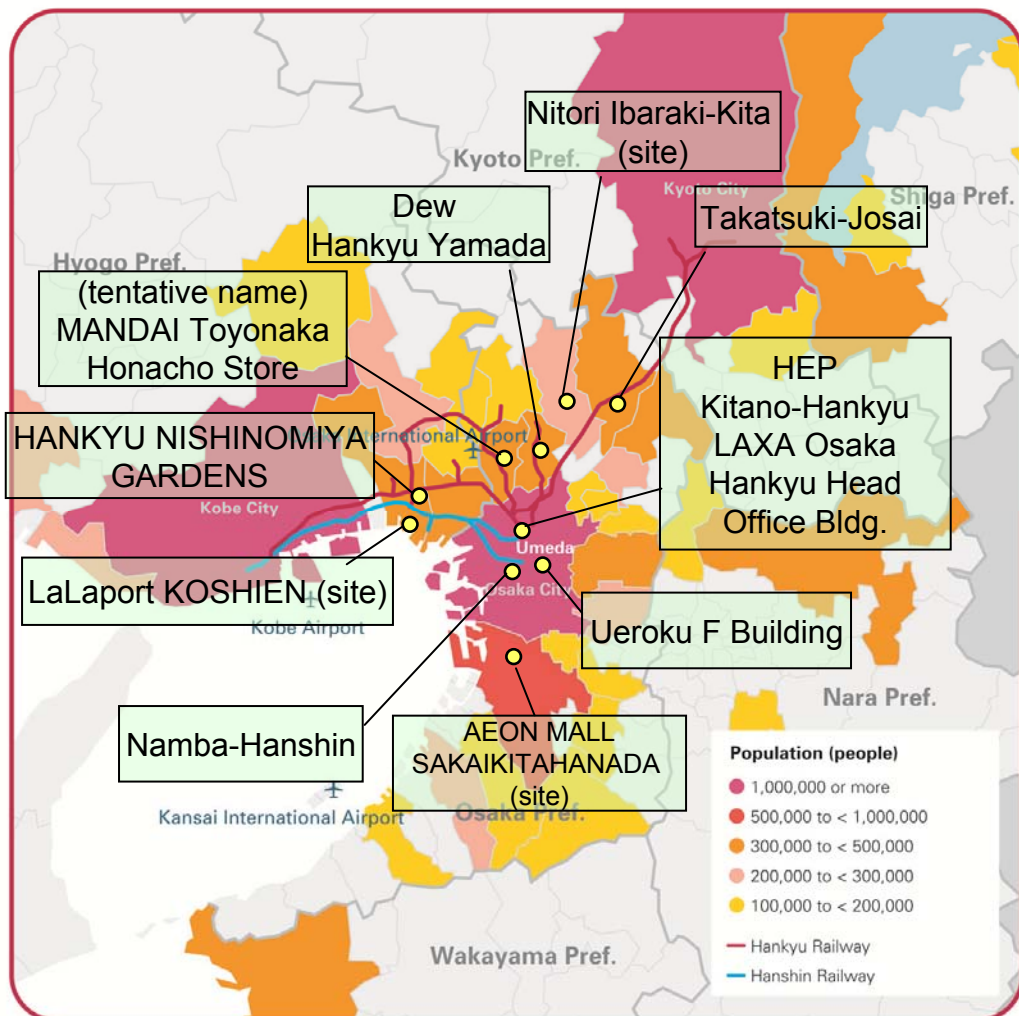
As community-based retail properties serve to provide for needs of living centering on daily necessities such as foods and convenience goods, sales of tenants are strong and profits are not easily susceptible to economic circumstances



**Stable profits are expected for the long term**



- Concentration of population will heighten due to return of population to central city and urban vicinity
- Retail properties of Hankyu REIT are located in most populous municipal regions



**Population of Kansai is 20.61 million**

**Osaka Prefecture: approx. 8.68 million**  
Of which, **62% reside in the top 7 municipal regions** (population of 300,000 or more) including Osaka City

**Hyogo Prefecture: approx. 5.57 million**  
Of which, **68% reside in the top 7 municipal regions** (population of 200,000 or more) including Kobe City

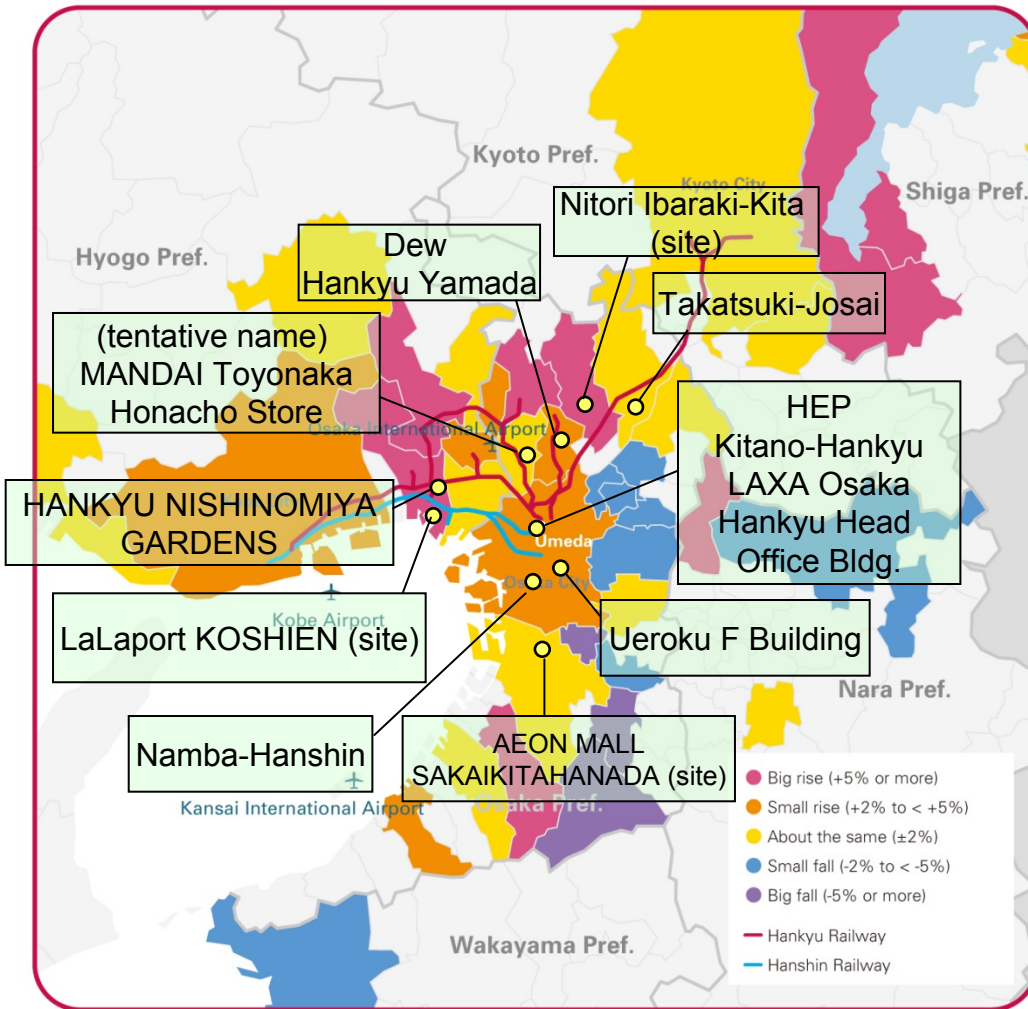
Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2012)

<Populations as of March 31, 2012 of municipal regions with populations of 100,000 or more>





- Population is clearly resurging in central city and urban vicinity
- Populations of Umeda and municipal regions along Hankyu/Hanshin Lines are rising



Though Kansai population fell slightly -0.1% (10-year period), the population of city centers such as in Osaka City is +2.4%

Areas along Hankyu and Hanshin lines increased (+4.2%)

Reason for differentiation:

High transportation convenience and high concentration of city facilities

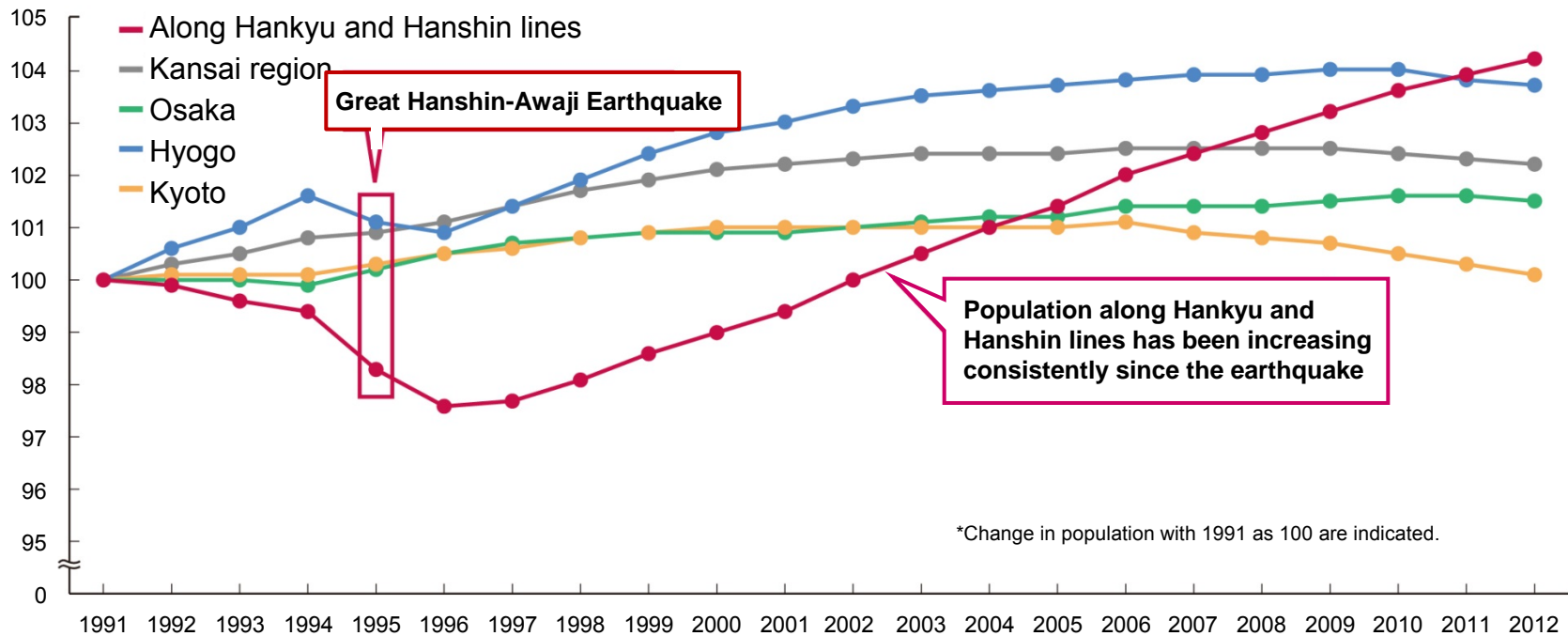
Positive factors to profitability and stability of Hankyu REIT

<10-year population rise/fall in municipal regions with populations of 100,000 or more>

Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2002, 2012)

# 3-7. Change in Population in Areas along Hankyu and Hanshin Lines Hankyu REIT

The population in the Kansai region is either remaining flat or is trending downwards due to the decreasing birthrate and aging population but areas along Hankyu and Hanshin lines are relatively popular and the population in these areas have been increasing consistently since 1996



\*Change in population with 1991 as 100 are indicated.

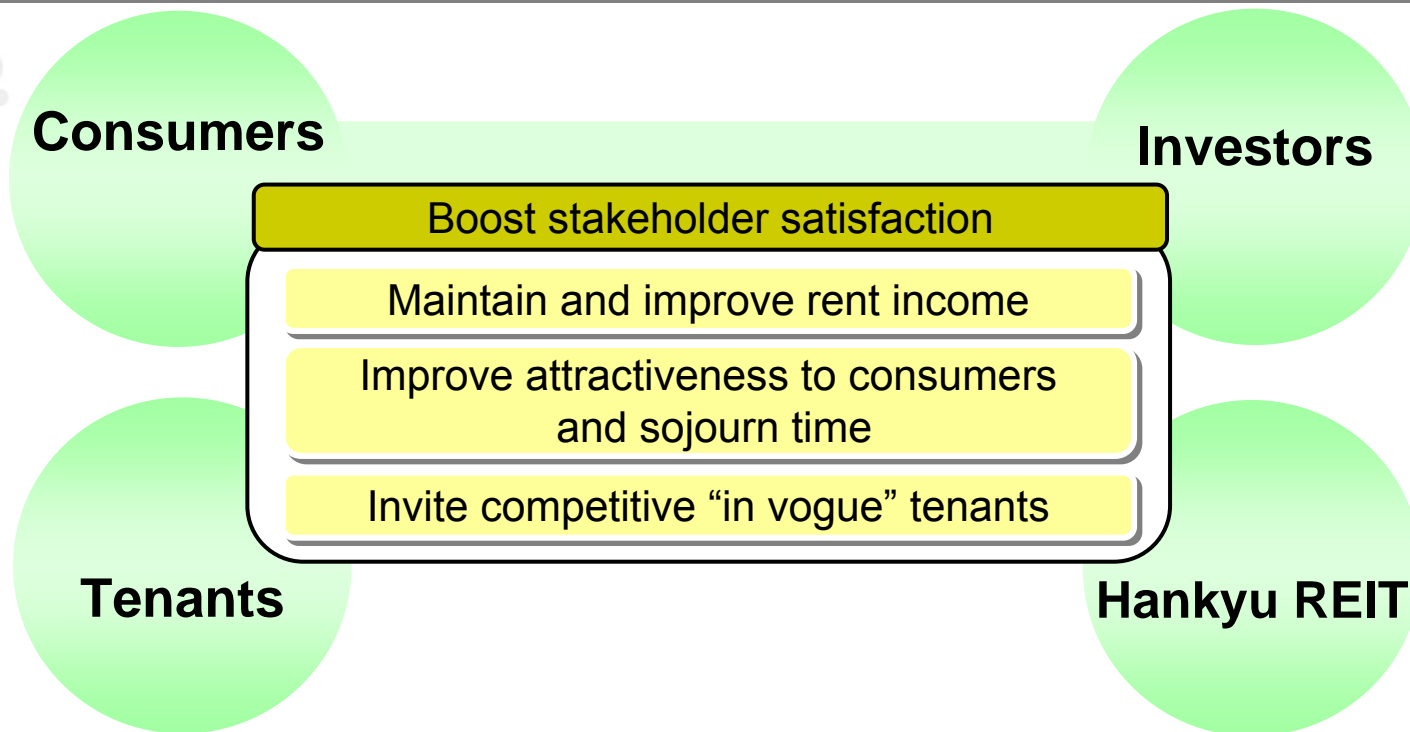


## 4. Internal Growth Strategies





## Achieving a WIN-WIN-WIN-WIN relationship in operations

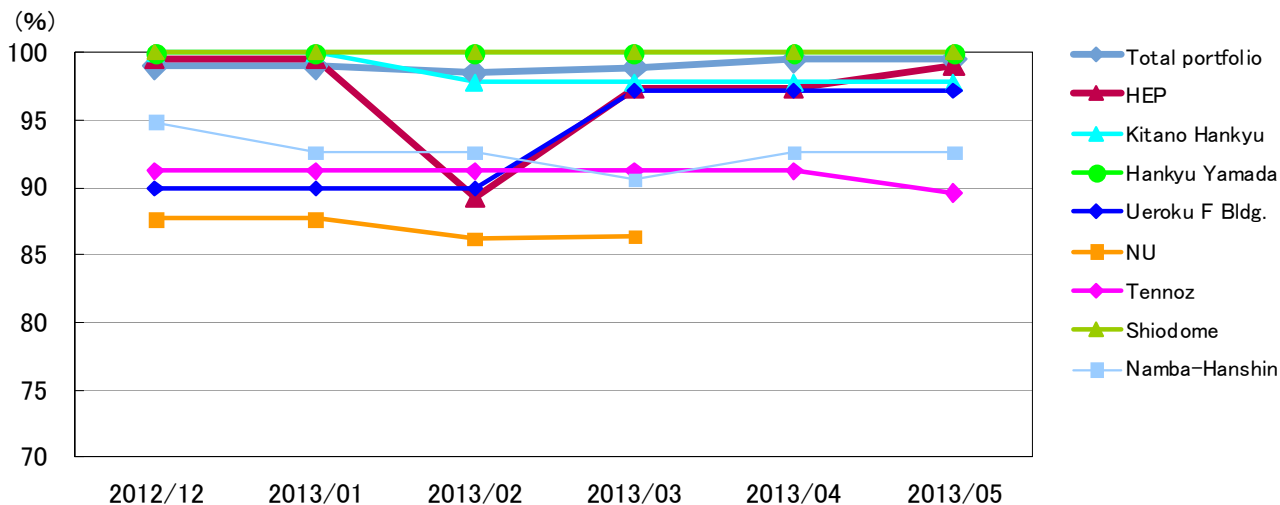


## &lt;&lt;Results for the 16th Fiscal Period&gt;&gt;

- HEP Five: 20 shops were newly brought in through tenant replacement, the largest number since the property’s opening. In addition, with renewal of 6 existing shops and such, the property is being refurbished in preparation for its 15th anniversary.
- Dew Hankyu Yamada: Maintained full occupancy throughout the period. Implemented efforts to draw visitors and increase sales such as participatory events together with tenants.
- Shiodome East Side Building: Concluded contract renewals with existing tenants under same conditions and maintained full occupancy.
- Ueroku F Building: Brought in a new tenant to fill up a single floor and the period-end occupancy rate was 97.2% (up 7.3 points compared to the previous period).

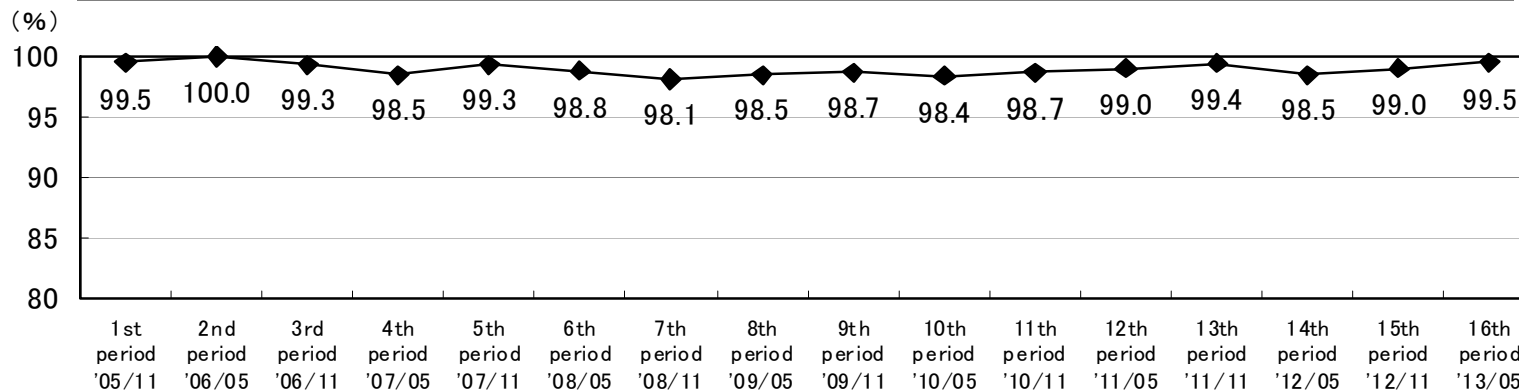
Total portfolio occupancy rate of **99.5%** (end of 16th fiscal period)

The graph excludes the nine properties (Takatsuki-Josai, Nitori Ibaraki, Kohnan Hiroshima, Tamachi, LaLaport KOSHIEN, LAXA Osaka, Hamamatsu, NISHINOMIYA GARDENS and Head Office) leased to single tenants (occupancy rates of 100%).



(Note) Figures express the value at the end of each month.

Stable occupancy rates maintained since 1st fiscal period



(Note) Figures indicate the values at the end of each fiscal period.

## <HEP Five>

### Largest tenant replacement since opening

The appeal of the Umeda area has increased due to the opening of Hankyu Umeda Flagship Store and Grand Front Osaka, and visitors are increasing, but the competition between the retail properties is intensifying. With 20 new shops of the total of 170 shops and the renewal of 6 shops, casual brands whose core targets are women in their teens and 20s were enhanced.



■Event at HEP Five

## <Dew Hankyu Yamada >

### Maintained full occupancy

Periodically holding participatory events as a community-based retail property such as picture book making and flower arrangements together with tenants has contributed to increasing the number of visitors and sales.



■HEP Five new shop

## <Kitano Hankyu Building >

### Entertainment-centered retail building

Change of business types and renewals were carried out at some shops and events with the local community such as candle nights are held on an ongoing basis in an attempt to draw more visitors.



■Event at Dew Hankyu Yamada

### <Shiodome East Side Building>

#### Maintained full occupancy

Utilize the benefits of the PM company occupying the property and periodically work on tenant relations to increase tenant satisfaction.

### <Ueroku F Building>

#### Occupancy rate increased with new contracts

The occupancy rate increased to 97.2% as a new tenant moved in from March.

### <Sphere Tower Tennoz >

#### Challenge: Leasing after Cancellation of Major Tenant

Occupancy rate at end of 16th fiscal period: 89.6% (fell to 42.8% after departure of main tenant)  
As a notice of cancellation has been received from major tenant Net One Systems for the end of August 2013 (12 floors) and the end of September 2013 (1 floor), leasing activities will commence such as viewings especially for large-scale leasing, while enhancing the PM structure.

#### Features of Sphere Tower Tennoz

- At most, five floors in a row can be secured (about 1,400 tsubos)
- Has maisonette offices where 2 floors can be used integrally due to internal stairs
- Access to Haneda Airport is good and transportation is convenient due to direct connection to train station

#### Leasing policy

- Make use of the above features, reach out primarily to companies considering consolidation of office space or expanded office space and negotiate preferentially with companies that are able to contract multiple floors based on the market rent of the area





## < Properties mainly using the sales-based overage rent system >

Name	Main rent system	Present conditions
<b>HEP Five</b> Specialty shop buildings (City center SC)	Overage (fixed + variable)	The occupancy at the end of the period was 99.1% (tenant replacement underway in one section) and full occupancy is expected to be reached during the 17th fiscal period. The largest tenant replacement, change of brand and shop renewals (26 of the 170 shops) since the property's opening was implemented this spring and shops reopened starting in March. Vitalization events in collaboration with tenants and the PM company such as FIVE ACADEMY are effectively being incorporated and implemented in an aim to attract visitors and improve sales.

## < Properties that mainly use the fixed rent systems >

Name	Main rent system	Present conditions
<b>Kitano Hankyu Building</b> Specialty shop buildings (City center SC)	Long-term, fixed (partly overage)	The occupancy rate at the end of the fiscal period was 97.8%, down by 2.2 points from the end of the previous period (15th fiscal period). Leasing activities for empty spaces are being conducted for tenants that will have a synergetic effect with existing tenants as well as tenants that will vitalize the facility. Facilities are being activated such as with renewals of some shops, change of business, etc. and events in conjunction with local events and such are being held to increase visitors.
<b>Dew Hankyu Yamada</b> NSC (Neighborhood shopping centers)	Long-term, fixed (partly overage)	Occupancy rate was stable at 100% throughout the fiscal period. In addition to visitor-attractive events such as Anniversary Fair, participatory events such as making of 3D picture books and flower arrangements are periodically held together with tenants. Overall sales and rent income are stable as the trade area population is large and the property attracts many visitors. In the rent revisions in the 17th fiscal period, negotiations are scheduled to have increased rent in view. Also, some restaurants are scheduled to be replaced in an effort to further increase sales.

## < Properties using the fixed rent system >

Name	Main rent system	Present conditions
<b>Shiodome East Side Building</b> Office	Fixed	Maintained occupancy rate of 100% throughout the fiscal period. Continue to utilize the benefits of the PM company occupying the property, implement preventive maintenance for the building and reduce costs while strengthening tenant relations and minimizing risks of relocation and decrease of rent.
<b>Sphere Tower Tennoz</b> Office	Fixed	The occupancy rate at the end of the fiscal period was 89.6%, down by 0.6 points from the end of the previous period (15th fiscal period). Anticipating the departure of a major tenant in the 17th fiscal period, leasing activities will be implemented especially for large leasing such as office consolidation, space expansion, etc. in an aim to secure tenant leasing as early as possible.
<b>Namba-Hanshin Building</b> Office	Fixed	The occupancy rate at the end of the fiscal period was 92.6%, down by 2.3 points from the end of the previous period (15th fiscal period). Although a new tenant moved in in July, a total of 3 notices of cancellation have been received for the 17th and 18th fiscal periods and the occupancy rate is expected to fall to the 70% level. Therefore, resilient management in close collaboration with the PM company will be carried out in terms of business type (shops where customers visit such as sales offices, schools and clinics) and such in an aim to secure tenant leasing as early as possible.
<b>Ueroku F Building</b> Office	Fixed	The occupancy rate at the end of the fiscal period was 97.2%, up by 7.3 points from the end of the previous period (15th fiscal period). Going forward, leasing activities centering on needs for increased floor space will be conducted. Tenant relations will be continued to be strengthened and risks of relocation and decrease of rent will be minimized.

## < Properties that mainly use the long-term, fixed rent systems >

Name	Main rent system	Present conditions
HANKYU NISHINOMIYA GARDENS RSC (Regional shopping centers)	Long-term, fixed	Stable rent income based on the fixed-type master lease method (note) with Hankyu Corporation. Tenants are performing well as sales in fiscal 2012 was JPY 73.6 bn and as sales have increased for four consecutive years since the property's opening in 2008.
Hankyu Corporation Head Office Building Office	Long-term, fixed	Stable rent income based on the fixed-type master lease method (note) with Hankyu Corporation. Main base of Hankyu Hanshin Holdings Group and Hankyu Corporation uses it as its head office building.
Takatsuki-Josai Shopping Center NSC (Neighborhood shopping centers)	Long-term, fixed	Stable rent income based on the fixed-type master lease method (Note) with Kohnan Shoji Co., Ltd. As a community-based shop, the tenant composition of home center, grocery supermarket, home electronics retailer, sporting goods store, etc. fulfills needs of residents in the surrounding area.
LaLaport KOSHIEN (site) RSC (Regional shopping centers)	Long-term, fixed	Stable rent income based on a contract for fixed-term land lease for business use with Mitsui Fudosan Co., Ltd. Property's competitiveness further enhanced by conducting a major renewal in spring 2011 (bringing in new stores of fast-fashion chains such as H&M, ZARA, UNIQLO and newly adding "LaLaKid's Park").
LAXA Osaka City hotels	Long-term, fixed	Stable rent income based on the fixed-type master lease method (Note) with Hanshin Electric Railway Co., Ltd. The occupancy rate of Hotel Hanshin that is under a sub-leasing contract remained at a high level.
Hotel Gracery Tamachi High-grade hotels for business travelers	Long-term, fixed	Stable rent income based on long-term lease with Fujita Kanko Inc. Hotel occupancy rate has been a high level and the 16th fiscal period's average was high at 98.3%. Listed in the hotel section of "MICHELIN Guide 2013" and this was utilized in sales promotion development and commemoration plans.
Kohnan Hiroshima Nakano-Higashi Store (site) NSC (Neighborhood shopping centers)	Long-term, fixed	Although this retail property offers high transportation convenience with a home center and a grocery store, the tenant's management balance is in a tough situation and negotiations with Kohnan are underway concerning measures for improvement including easing of economic conditions.
Richmond Hotel Hamamatsu High-grade hotels for business travelers	Long-term, fixed	Stable rent income based on the fixed-type master lease method (Note) with RNT HOTELS Co., Ltd. (consolidated subsidiary of ROYAL HOLDINGS Co., Ltd.). By providing a wide range of accommodation plans among other incentives, the hotel continues to maintain a high-level occupancy rate in the Hamamatsu City area.
Nitori Ibaraki-Kita Store (site) Specialty shops	Long-term, fixed	Stable rent income based on a contract for fixed-term land lease for business use with Nitori Holdings Co., Ltd. The trade area population is increasing mainly due to local residential property development and tenants' businesses are performing well.

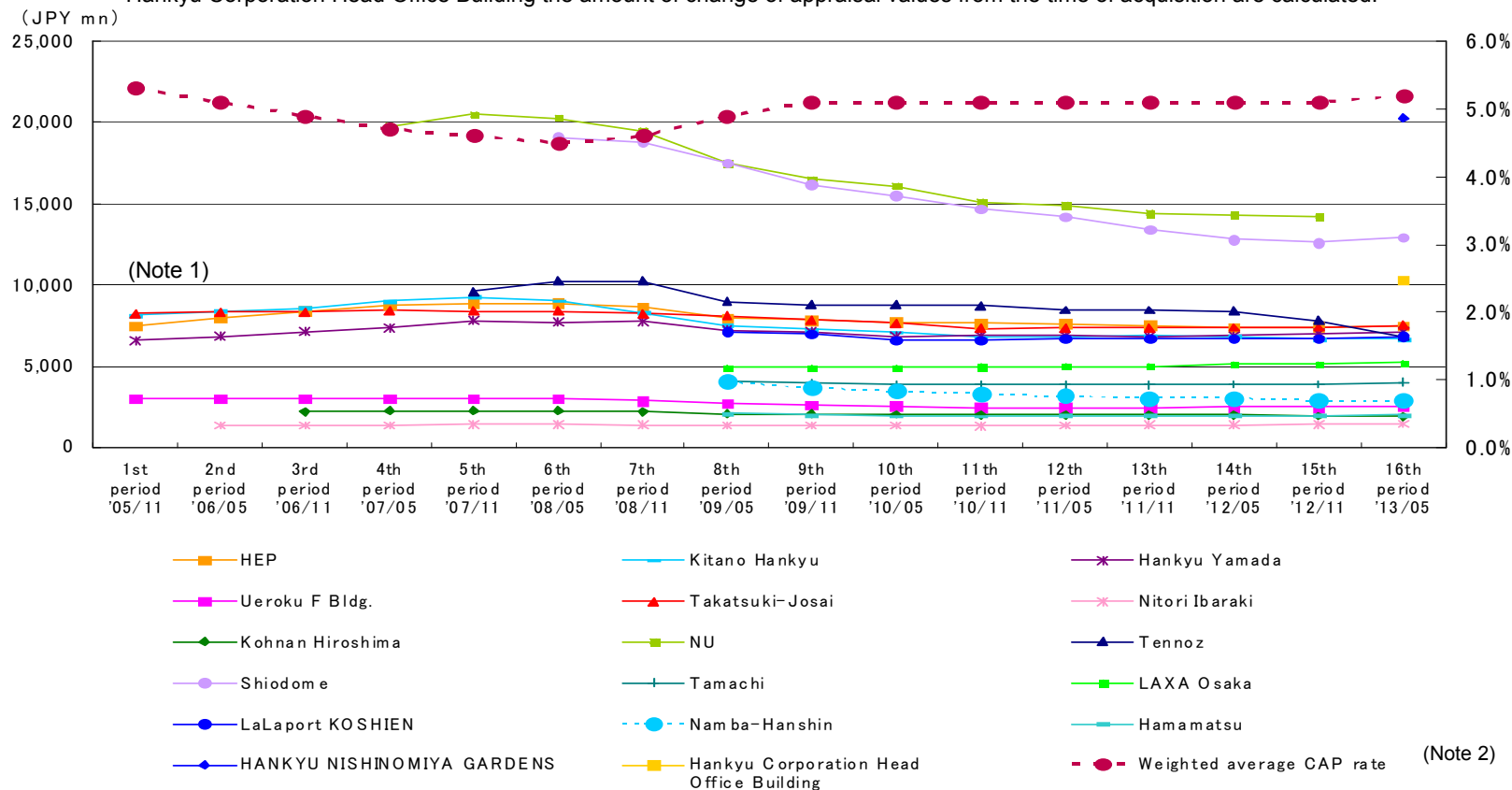
(Note) Fixed-type master lease method: Hankyu REIT receives rent income from the master lessee (sublessor). The amount received is fixed irrespective of the rent received by sublessor from end-tenants.



## Improvement of appraisal value by 0.1% (compared to after asset replacement)

While the appraisal value of Tennoz dropped by JPY 950 mn (-12.3%), because the overall appraisal value of other properties increased due to the decrease of cap rates and such, the overall appraisal value increased by JPY 100 mn (+0.1%) (Note). While a decrease of the overall cap rate (about -0.1%) can be seen, as properties with low cap rates were sold and properties with high cap rates acquired in asset replacements, the weighted average cap rate increased.

(Note) Values for HEP Five are calculated with the appraisal values at the equity ratio of 14% while for HANKYU NISHINOMIYA GARDENS and Hankyu Corporation Head Office Building the amount of change of appraisal values from the time of acquisition are calculated.



(Note 1) Concerning HEP Five, because 31% quasi co-ownership of the trust beneficiary interest was transferred in the 16th fiscal period (April 9, 2013) and differs from the 14% equity ratio ownership, values calculated with the equity ratio of 14% are shown from the 1st to 15th fiscal periods.

(Note 2) Cap rates are the weighted average based on appraisal values.

# 4-6. List of Appraisal Values

(Unit : JPY mn)

	Acquisition price	End of previous period (15th fiscal period-end)	Cap rate (Note 1)	①After asset replacement	② End of current period (16th fiscal period-end)	Cap rate (Note 1)	Change (②-①)	Change (②-①)/①	③Value recorded on the balance sheet at end of current period	Unrealized income/loss ②-③	Value to book ratio ②/③
HEP Five ( quasi co-ownership of the trust beneficiary interests)	6,468	23,895	4.5%	7,434	7,462	4.5%	28	0.4%	5,864	1,597	127.2%
Kitano Hankyu Building	7,740	6,650	5.6%	6,650	6,650	5.5%	0	0.0%	7,750	-1,100	85.8%
Dew Hankyu Yamada	6,930	7,000	5.5%	7,000	7,100	5.4%	100	1.4%	5,949	1,150	119.3%
Takatsuki-Josai Shopping Center	8,600	7,371	5.8%	7,371	7,497	5.7%	126	1.7%	7,656	-159	97.9%
Ueroku F Building	2,980	2,470	6.0%	2,470	2,500	6.0%	30	1.2%	2,833	-333	88.2%
Nitori Ibaraki-Kita Store (Site)	1,318	1,414	6.5%	1,414	1,435	6.3%	21	1.5%	1,340	94	107.0%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,910	6.7%	1,910	1,890	6.7%	-20	-1.0%	2,280	-390	82.9%
NU chayamachi	19,300	14,200	4.8%	-	-	-	-	-	-	-	-
Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary)	9,405	7,788	4.6%	7,788	6,831	4.7%	-957	-12.3%	8,722	-1,891	78.3%
Shiodome East Side Bldg.	19,025	12,600	4.8%	12,600	12,900	4.7%	300	2.4%	18,196	-5,296	70.9%
Hotel Gracery Tamachi	4,160	3,860	5.4%	3,860	4,000	5.2%	140	3.6%	3,960	39	101.0%
LAXA Osaka	5,122	5,110	5.9%	5,110	5,200	5.8%	90	1.8%	4,704	495	110.5%
LaLaport KOSHIEN (site)	7,350	6,710	5.0%	6,710	6,850	4.9%	140	2.1%	7,748	-898	88.4%
Namba-Hanshin Building	4,310	2,860	5.5%	2,860	2,860	5.5%	0	0.0%	4,050	-1,190	70.6%
Richmond Hotel Hamamatsu	2,100	1,952	6.3%	1,952	1,982	6.2%	30	1.5%	1,740	241	113.9%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	-	-	20,300	20,272	5.2%	-28	-0.1%	18,441	1,830	109.9%
Hankyu Corporation Head Office Building	10,200	-	-	10,200	10,300	4.9%	100	1.0%	10,303	-3	100.0%
<b>Total</b>	<b>121,306</b>	<b>105,790</b>	<b>5.1%</b>	<b>105,629</b>	<b>105,729</b>	<b>5.2%</b>	<b>100</b>	<b>0.1%</b>	<b>111,544</b>	<b>-5,815</b>	<b>94.8%</b>

(Note 1) Cap rates are cap rates based on the direct capitalization method used for appraisal value calculations (Nitori Ibaraki-Kita Store (site), Kohnan Hiroshima Nakano-Higashi Store (site) and LaLaport KOSHIEN (site) are allocated a discount rate using the DCF method.) and the total is the weighted average cap rate based on appraisal values.

(Note 2) 31% quasi co-ownership of the trust beneficiary interest was transferred on April 9, 2013 and the ratio of ownership as of the end of the period is 14%.

(Note 3) Concerning HEP Five, because 31% quasi co-ownership of the trust beneficiary interest was transferred in the 16th fiscal period (April 9, 2013) the ownership is now of a 14% equity ratio.





## 5. Financial Strategies



## Basic Financial Policy

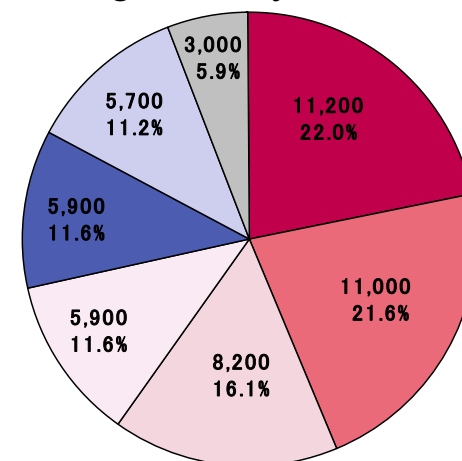
- Maintain sound financial position
- Maintain favorable trading relationship with financial institutions
- Realize lower fund procurement costs (effective use of security deposits/guarantees)
- Reduce financing risks (diversification of debt repayment dates)
- Reduce interest rate risks (focus on long-term, fixed rate loans)

	As of end of 15th period	As of end of 16th period
Interest-bearing debt	JPY 56.9 bn	JPY 56.9 bn
Avg. funding cost (interest-bearing debt+utilized amount of security deposits and guarantees)	1.25%	1.27%
Avg. debt financing cost (including investment corporation bonds)	1.36%	1.33%
Avg. remaining years on long-term loans payable and investment corporation bonds	2.4 years	2.0 years
Long-term debt ratio	89.5%	93.0%
Fixed debt ratio	69.8%	73.3%
LTV	55.8%	53.5%
Interest-bearing debt ratio	45.5%	46.7%
Investor rating (R&I)	A+ (stable)	A+ (stable)

(Note) LTV = (Interest-bearing debt + Security deposits/guarantees – Cash deposits of security deposits/guarantees) / (Total amount of assets\* – Cash deposits of security deposits/guarantees)

\* Adjusted appraised value basis

As of May 31, 2013  
Outstanding Debt by Lender (JPY mn)



- Mitsubishi UFJ Trust and Banking Corporation
- Development Bank of Japan Inc.
- Sumitomo Mitsui Banking Corporation
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- Mizuho Corporate Bank, Ltd. (Note)
- Sumitomo Mitsui Trust Bank, Limited
- The Senshu Ikeda Bank, Ltd.

**Total JPY 50.9bn**

(Note) Changed name to Mizuho Bank, Ltd. as of July 1, 2013.

### Registration for Issuance of Investment Corporation Bonds

Planned value of issuance (upper limited):

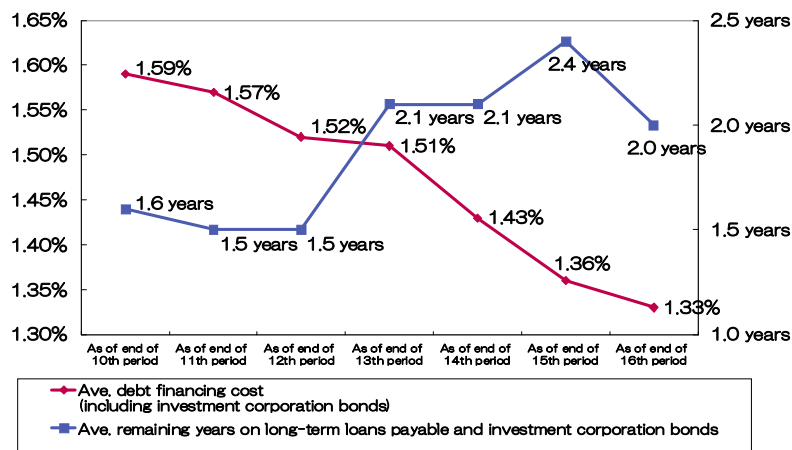
JPY 100,000 mn

Planned issuance period: Dec. 19, 2011 to Dec. 18, 2013

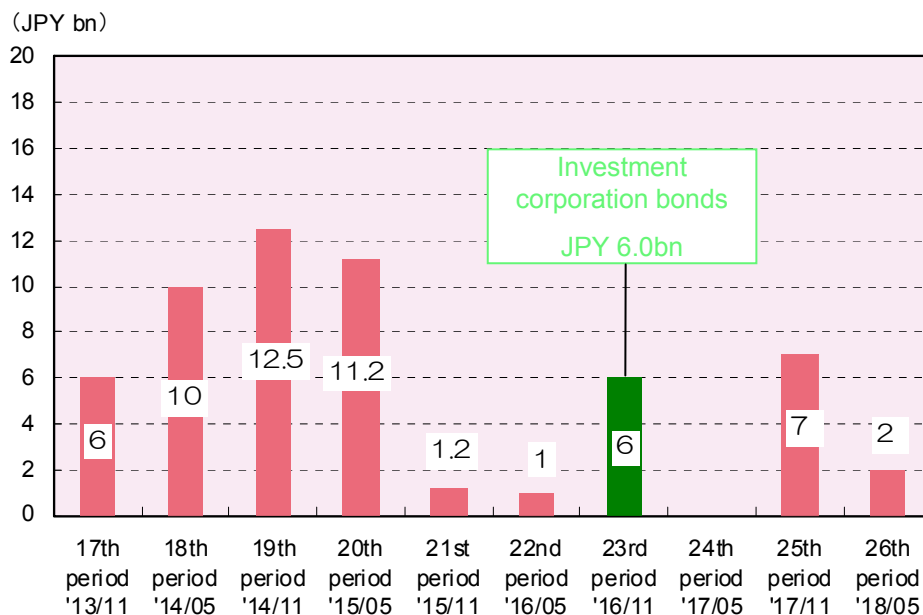
As of May 31, 2013

## Trend of Debt Financing Costs and Avg. Remaining Years

Realized reduced debt financing costs and extending the average remaining years of loans payable

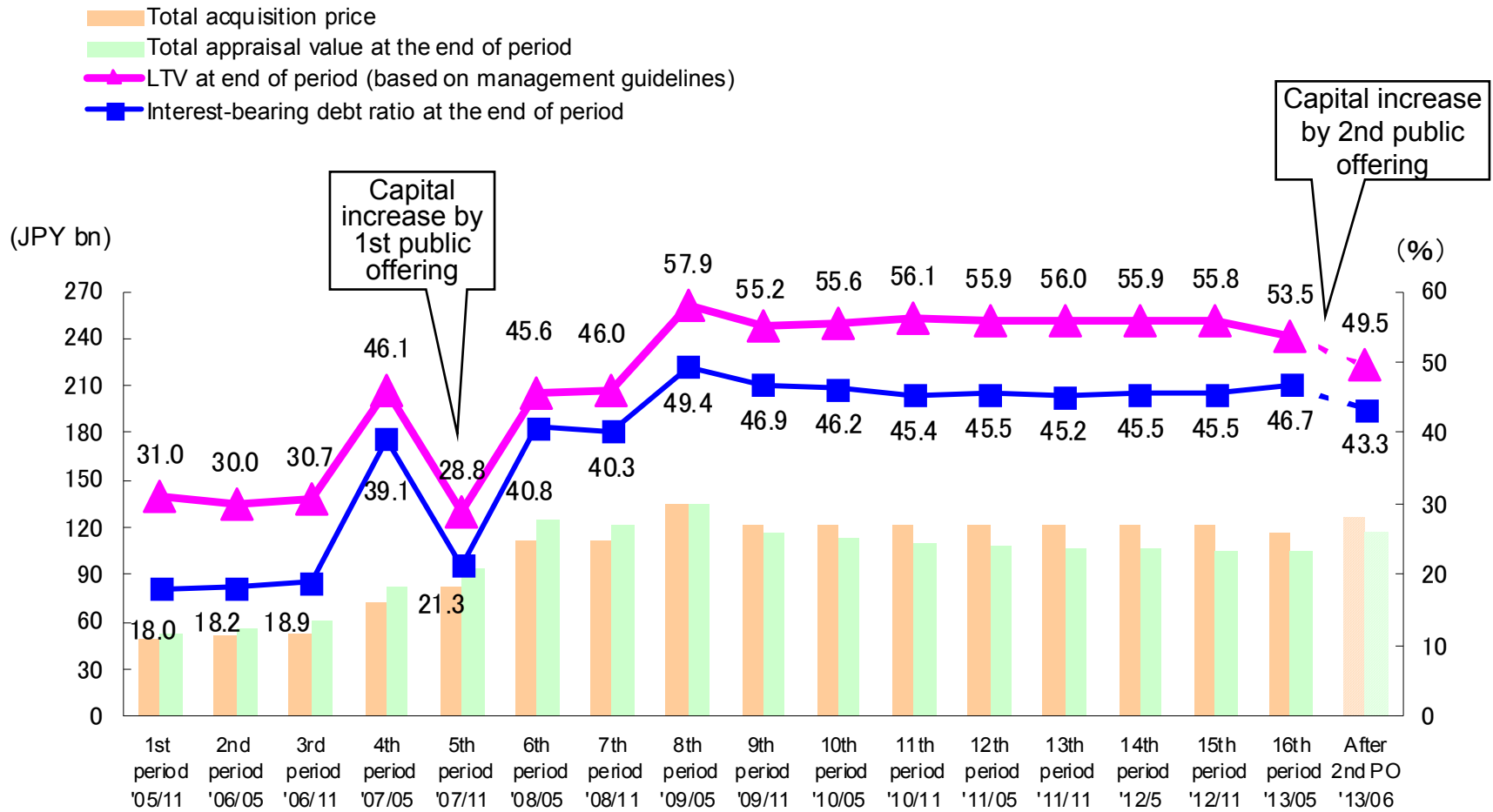


## Diversification of Repayment Dates



JPY 1 bn of short-term borrowings maturing July 23, 2013 are scheduled to be refinanced with long-term (5 year) borrowings

# 5-3. Asset Scale and LTV (Loan to Value)



Capital increase by 1st public offering

Capital increase by 2nd public offering

No. of properties	5	6	7	8	9	11	11	16	15	15	15	15	15	15	15	16	18
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LTV improved significantly





## 6. Overview of Financial Results for the 16th Fiscal Period

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(Unit:JPY mn)

Item	Forecast for 16th Fiscal Period <sup>①</sup> (as of Jan.22, 2013)	Results for 16th Fiscal Period <sup>②</sup> (Dec.1, 2012 to May. 31, 2013)	Change ②-①
Operation period (days)	182	182	—
Operating revenues	4,672	8,088	3,416
Operating income	1,402	1,466	64
Ordinary income	983	1,009	26
Net income	982	1,008	26
Number of outstanding investment units at end of fiscal period (units)	85,400	85,400	—
Distribution per unit (JPY)	11,500	11,806	306
FFO per unit (JPY)	23,016	23,444	427

**(Main factors for increase/decrease in profit)**

① Income on sale of HEP +JPY 3,492 mn  
 Loss on sales of NU -JPY 3,470mn  
 Increase in rental business  
 profit from asset replacement +JPY 51mn

② Investment unit issue costs -JPY 28 mn

## Income Statement

(Unit: JPY mn)

Item	15h Fiscal Period (Operation period:183 days) Jun. 1, 2012 to Nov. 30, 2012		16h Fiscal Period (Operation period:183 days) Dec. 1, 2012 to May.31.2013		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	4,736	100.0	8,088	
Lease operating revenues	4,700		4,556		
Income on sale of real estate, etc.	—		3,492		
Distribution revenue of silent partnership	35		40		
2. Operating expenses	3,264	68.9	6,621	81.9	3,357
Lease operating costs	2,892		2,787		
Loss on sale of real estate	—		3,470		
Asset management remuneration	274		272		
Officer remuneration	3		3		
Asset consignment remuneration	16		16		
Administrative agency remuneration	31		30		
Auditor remuneration	7		7		
Other operating expenses	38		32		
Operating income	1,471	31.1	1,466	18.1	-5
3. Non-operating revenues	6	0.1	1	0.0	-4
Interest earned	0		0		
Other non-operating revenues	5		0		
4. Non-operating expenses	432	9.1	458	5.7	25
Interest expenses	359		345		
Loan related expense	30		30		
Interest due on investment corporation bonds	37		38		
Amortization of investment corporation bond issuance costs	3		3		
Investment unit issue costs	—		28		
Other expenses	1		13		
Ordinary income	1,045	22.1	1,009	12.5	-36
Pretax net income for current period	1,045		1,009		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	0		0		
Net income for current period	1,044	22.0	1,008	12.5	-36
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,044		1,008		

## Cash Distribution Statement

(Unit: JPY thousand)

Item	15th Fiscal Period	16th Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,044,317	1,008,275	-36,042
Distributions	1,044,271	1,008,232	-36,038
(Distribution per unit (JPY))	(12,228)	(11,806)	(-422)
Retained earnings carried forward	46	43	-3

## (Main factors for increase/decrease

## ① Increase of operating revenues

Income on sale of HEP	+JPY 3,492 mn
Decrease of lease operating revenues due to asset replacement	-JPY 96 mn
Decrease of utilities expense income (excluding replacement properties)	-JPY 42 mn

## ② Increase of operating expenses

Loss on sale of NU	+JPY 3,470 mn
Decrease of lease operating revenues due to asset replacement	-JPY 105 mn
Decrease of utilities expenses (excluding replacement properties)	-JPY 45 mn
Increase of maintenance and repair fees (excluding replacement properties)	+JPY 39 mn

## Lease operating revenues / expenses

Breakdown: See pages 43 and 44

(Unit: JPY mn)

(Unit: JPY mn)

Item	15th Fiscal Period (as of Nov. 30, 2012)		16th Fiscal Period (as of May. 31, 2013)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
	Assets				
<b>I Current assets total</b>	9,781	7.8	9,018	7	-762
Currency and demand deposit	1,676		1,939		
Currency and demand deposit in trust	7,672		6,467		
Operational income receivable	44		316		
Deposit paid	295		119		
Prepaid expense	90		142		
Deferred income tax assets	3		32		
<b>II Fixed assets total</b>	115,306	92.2	112,736	93	-2,569
1. Tangible fixed assets					
Buildings	2,174		2,111		
Structures	284		269		
Tools, furniture and fixtures	1		0		
Land	7,938		7,938		
Buildings in trust	32,494		31,826		
Structures in trust	398		659		
Machinery and equipment in trust	181		236		
Tools, furniture and fixtures in trust	67		61		
Land in trust	69,613		67,388		
Trust construction account	—		0		
Tangible fixed assets total	113,154	90.4	110,494	91	-2,659
2. Intangible fixed assets					
Land leasehold	957		957		
Others	4		94		
Intangible fixed assets total	961	0.8	1,051	1	89
3. Investments, other assets					
Investment securities	1,119		1,119		
Long-fiscal period prepaid expenses	60		61		
Guarantee money deposit	10		10		
Investment, other assets total	1,190	1.0	1,190	1	0
<b>III Total deferred assets</b>	25	0.0	22	0	-3
Investment corporation bond issuance costs	25		22		
<b>Assets total</b>	125,113	100.0	121,777	100	-3,336

Item	15th Fiscal Period (as of Nov. 30, 2012)		16th Fiscal Period (as of May. 31, 2013)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
	Liabilities				
<b>I Current liabilities total</b>	11,454	9.2	17,722	14.6	6,267
Operating accounts payable	340		435		
Short term loans payable	6,000		4,000		
Long term loans payable (return within 1 year)	4,000		12,000		
Accrued dividend	10		10		
Accrued expenses	166		169		
Income taxes payable	1		1		
Accrued consumption tax	42		21		
Advance received	475		615		
Current deposit received	0		5		
Security deposits (return within 1 year)	417		463		
<b>II Total noncurrent liabilities</b>	57,269	45.8	47,701	39.2	-9,567
Investment corporation bonds	6,000		6,000		
Long term loans payable	40,900		34,900		
Security deposits	1,504		1,457		
Security deposits in trust	8,864		5,343		
<b>Liabilities total</b>	68,724	54.9	65,423	53.7	-3,300
<b>Net assets</b>					
<b>I Unitholders capital</b>	55,344	44.2	55,344	45.4	45.4
<b>II Total surplus</b>	1,044	0.8	1,008	0.8	
Unappropriated income for current period	1,044		1,008		
<b>Net assets total</b>	56,389	45.1	56,353	46.3	-36
<b>Liabilities and net assets total</b>	125,113	100.0	121,777	100.0	-3,336

Interest-bearing liabilities  
56,900mn

Total security deposits  
JPY 7,264 mn  
↓  
JPY 2,652 mn was allocated for property acquisitions



# 6-4. Income and Expenditure by Property ①

(Unit: JPY mn)

Item	HEP Five (Note 2)	Kitano Hankyu Bldg.	Dew Hankyu Yamada	Takatsuki- Josai SC	Nitori Ibaraki- Kita Store (site) (Note 1)	Kohnan Hiroshima Nakan o- Higashi Store (site)	NU chayamachi (Note 3)	Hotel Gracery Tamachi	LaLaport KOSHIEN (site)	Richmond Hotel Hamamatsu (Note 1)
Number of operating days of 16th fiscal period	182	182	182	182	182	182	136	182	182	182
Lease operating revenues total	802	536	373	284		76	470	121	257	
Income from lease	644	377	259	283		76	348	116	257	
Utilities expense income	52	110	45	—		—	59	—	—	
Other incomes	106	48	69	0		0	62	4	0	
Lease operating costs total	543	387	226	147		7	407	54	106	
Property/Facility management fees	118	122	75	9		0	79	1	1	
Utilities expense	62	128	46	0		—	80	—	—	
Rent paid	5	0	1	21		—	0	—	0	
Advertising and promotion expenses	114	2	2	—		—	57	—	—	
Repair expense	11	10	7	10		—	7	—	0	
Nonlife insurance premium	2	2	1	0		—	1	0	0	
Tax and public dues	56	50	26	26		6	38	14	102	
Other expenses	25	1	3	0		—	1	0	1	
Depreciation	145	69	62	77		—	140	36	0	
Lease operating income	259	149	147	137		69	62	67	150	
NOI (Lease operating income + Depreciation)	405	218	209	214	60	69	203	103	150	65
Capital expenditure	5	46	1	—	—	—	1	—	0	—

(Note 1) Rent Information is not disclosed as the consent of the tenant was not obtained.

(Note 2) Regarding HEP Five, figures until April 8, 2013 are calculated using the 45% quasi co-ownership whereas figures after April 9, 2013 use the 14% quasi co-ownership.

(Note 3) NU chayamachi was sold on April 16, 2013.

# 6-4. Income and Expenditure by Property ②

(Unit: JPY mn)

Item	NISHINO MIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Shiodome East Side Bldg.	Hankyu Corporation Head Office Bldg.	Ueroku F Bldg.	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	LAXA Osaka	Namba-Hanshin Building	Item	Total (16 properties)
Number of operating days of 16th fiscal period	46	182	52	182	182	182	182	Number of operating days of 16th fiscal period	—
Lease operating revenues total	154	395	101	132	310	254	144	Lease operating revenues total	4,556
Income from lease	154	372	101	114	243	254	120	Income from lease	3,865
Utilities expense income	—	21	—	8	22	—	9	Utilities expense income	329
Other incomes	—	2	—	8	44	—	14	Other incomes	361
Lease operating costs total	49	195	37	91	177	166	127	Lease operating costs total	2,787
Property/Facility management fees	0	18	0	22	27	2	23	Property/Facility management fees	506
Utilities expense	—	26	—	9	52	—	15	Utilities expense	421
Rent paid	1	0	—	—	—	18	—	Rent paid	49
Advertising and promotion expenses	—	—	—	—	0	—	—	Advertising and promotion expenses	176
Repair expense	—	4	0	9	10	10	11	Repair expense	93
Nonlife insurance premium	0	1	0	0	0	3	0	Nonlife insurance premium	17
Tax and public dues	—	21	—	12	28	49	18	Tax and public dues	463
Other expenses	0	2	0	1	2	1	0	Other expenses	44
Depreciation	46	121	35	34	55	81	57	Depreciation	1,014
Lease operating income	104	199	64	40	133	88	16	Lease operating income	1,768
NOI (Lease operating income + Depreciation)	150	321	99	75	188	169	73	NOI (Lease operating income + Depreciation)	2,782
Capital expenditure	—	2	11	37	7	—	62	Capital expenditure	175

**(Main capital expenditure)**

**Kitano Hankyu Building**

Renewal work for anti-disaster facilities JPY 16 mn  
 Repair work for air conditioners JPY 16 mn

**Ueroku F Building**

Renewal work for air conditioners JPY 27 mn

**Namba-Hanshin Building**

Renewal work for central monitoring and control device JPY 50 mn



Item	15th Fiscal Period	16th Fiscal Period	Remarks
Operation period	183	182	15th fiscal period: Jun. 1, 2012 to Nov. 30, 2012 16th fiscal period: Dec. 1, 2012 to May. 31, 2013
Return On Assets (ROA)	0.8%	0.8%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	1.7%	1.6%	Calculated from duration of operation
Return On Equity (ROE)	1.9%	1.8%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	3.7%	3.6%	Calculated from days of operation
Ratio of net assets at end of period	45.1%	46.3%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	55.8% (51.9%)	53.5% (50.8%)	(Amount of interest-bearing debt + Security deposits - Matched money to security deposits) / (Total assets(*) - Matched money to security deposits) *Appraisal-value basis (Ratios in brackets are based on book value)
Ratio of interest-bearing debts to total assets at end of period	45.5%	46.7%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	6.1times	6.3times	Pre-interest and pre-depreciation net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 2,794 mn	JPY 2,782 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 2,031 mn	JPY 2,002 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate



## 7. APPENDIX





# 7-1. Portfolio List (end of 16th Fiscal Period) ①

As of May 31, 2013

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Total leasable area (m <sup>2</sup> ) (Note 3)	Occupancy rate (Note 3)	Total number of tenants (Note 3)	PML (Note 4)	Date of acquisition	Acquisition price (JPY mn)	Investment ratio	Appraisal value (JPY mn) (Note 7)	Cap rate (Note 5)
Retail Properties	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita Ward, Osaka City	Nov. 1998	14.6	6,337.37 (2,958.94)	100.0% (99.1%)	1 (131)	4.6%	Feb. 1, 2005	6,468	5.6%	7,462	4.5%
	R2(K)	Kitano Hankyu Bldg.	Kita Ward, Osaka City	Jun. 1985	28.0	28,194.15 (18,477.35)	100.0% (97.8%)	2 (23)	10.1%	Feb. 1, 2005	7,740	6.7%	6,650	5.5%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	9.7	12,982.19	100.0%	28	4.5%	Feb. 1, 2005	6,930	6.0%	7,100	5.4%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	10.2	31,451.81	100.0%	1	6.1%	Nov. 15, 2005	8,600	7.4%	7,497	5.7%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	1.1%	1,435	6.3%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki Ward, Hiroshima City	—	—	25,469.59 60.14	100.0%	1	—	Oct. 2, 2006 Apr. 9, 2007	2,170 5	1.9%	1,890	6.7%
	R8	Hotel Gracery Tamachi	Minato Ward, Tokyo	Sep. 2008	4.7	4,943.66	100.0%	1	10.2%	Dec. 25, 2008	4,160	3.6%	4,000	5.2%
	R9(K)	LaLaport KOSHIEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.0%	Jan. 22, 2009	7,350	6.3%	6,850	4.9%
	R10	Richmond Hotel Hamamatsu	Naka Ward, Hamamatsu City	Sep. 2002	10.7	6,995.33	100.0%	1	13.9%	Jan. 22, 2009	2,100	1.8%	1,982	6.2%
	R11(K)	HANKYU NISHINOMIYA GARDERNS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	4.7	65,372.41	100.0%	1	9.2%	Apr. 16, 2013	18,300	15.8%	20,272	5.2%
	Office Properties	O1	Shiodome East Side Bldg.	Chuo Ward, Tokyo	Aug. 2007	5.8	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	16.4%	12,900
O2(K)		Hankyu Corporation Head Office Building	Kita Ward, Osaka City	Sep. 1992	20.7	27,369.37	100.0%	1	3.7%	Apr. 10, 2013	10,200	8.8%	10,300	4.9%
Mixed-Use Properties	M1(K)	Ueroku F Bldg.	Chuo Ward, Osaka City	Sep. 1993	19.7	4,611.82	97.2%	12	3.2%	Nov. 1, 2005	2,980	2.6%	2,500	6.0%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa Ward, Tokyo	Apr. 1993 (Note 6)	20.2	8,806.19	89.6%	22	2.7%	Oct. 2, 2007	9,405	8.1%	6,831	4.7%
	M3(K)	LAXA Osaka	Fukushima Ward, Osaka City	Feb. 1999	14.3	30,339.91	100.0%	1	3.4%	Jan. 22, 2009	5,122	4.4%	5,200	5.8%
	M4(K)	Namba-Hanshin Building	Chuo Ward, Osaka City	Mar. 1992	21.2	9,959.01 (6,456.88)	100.0% (92.6%)	1 (17)	4.5%	Jan. 22, 2009	4,310	3.7%	2,860	5.5%
Total(at the end of 16th fiscal period)					11.8	404,773.01 (388,175.66)	99.7% (99.5%)	81 (248)	3.5%	—	116,184	100.0%	105,729	5.2%
Retail Properties	R12(K)	AEON MALL SAKAIKITAHANADA (site)	Kita Ward, Sakai City	—	—	64,104.27	100.0%	2	—	June. 27, 2013	8,100	—	8,490	5.0%
	R13(K)	(tentative name)MANDAI Toyonaka Honancho store (site)	Toyonaka city, Osaka Prefecture	—	—	8,159.41	100.0%	1	—	June. 27, 2013	1,870	—	2,060	5.2%
	Total (including public offering properties)					11.8	477,036.69 (460,439.34)	99.8% (99.6%)	84 (251)	3.5%	—	126,154	—	116,279



- (Note 1) These codes and numbers represent properties owned by Hankyu REIT classified into the following properties and regions. Left-side letters represent properties: “R” is for retail property, “O” is for office property, and “M” is for mixed-use property. The numbers are assigned to properties in order of date of acquisition, and the letter “K” in parenthesis means the property is located in the Kansai region.
- (Note 2) The portfolio total is the weighted average building age by acquisition price.
- (Note 3) Figures in parenthesis indicate the total leasable area for end-tenants, the occupancy rate based on the said area, and the number of end-tenants, respectively.  
For HEP Five, 14% quasi co-ownership of the trust beneficiary interests is indicated as the leasable area.  
For Sphere Tower Tennoz, 33% quasi co-ownership of the trust beneficiary interests is indicated as the leasable area.  
For HANKYU NISHINOMIYA GARDENS, 28% quasi co-ownership of the trust beneficiary interests is indicated as the leasable area.
- (Note 4) PML of LaLaport KOSHIEN (site) is calculated for the parking garage space administration building (394.88m<sup>2</sup>).
- (Note 5) Cap rates and discount rates are based on the direct capitalization method used for appraisal value calculations (Nitori Ibaraki-Kita Store (site), Kohnan Hiroshima Nakano-Higashi Store (site), LaLaport KOSHIEN (site) and AEON MALL SAKAIKITAHANADA (site) are allocated a discount rate using the DCF method.) and the portfolio total is the weighted average cap rate based on appraisal values.
- (Note 6) The completion date for the office and store portions is indicated.
- (Note 7) Appraisal values for AEON MALL SAKAIKITAHANADA (site) and (tentative name) MANDAI Toyonaka Honancho Store are as of May 1, 2013.



## Urban retail properties

HEP Five



Kitano Hankyu Building



## Community-based retail properties

HANKYU NISHINOMIYA GARDENS



LaLaport KOSHIEEN (site)



Takatsuki-Josai SC



Dew Hankyu Yamada



Kohnan Hiroshima Nakano-Higashi Store (site)



Nitori Ibaraki-Kita Store (site)







## Hotel

LAXA Osaka



Hotel Gracery Tamachi



Richmond Hotel Hamamatsu



Shiodome East Side Building



## Office

Hankyu Corporation  
Head Office Building



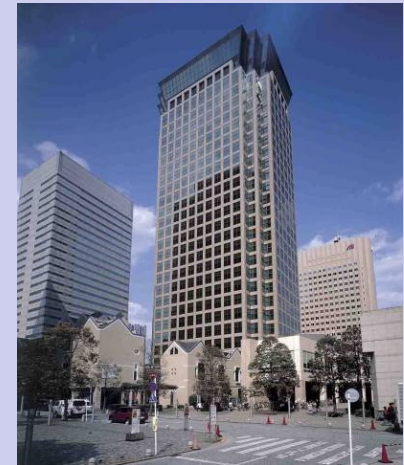
Ueroku F Building



Namba-Hanshin Building



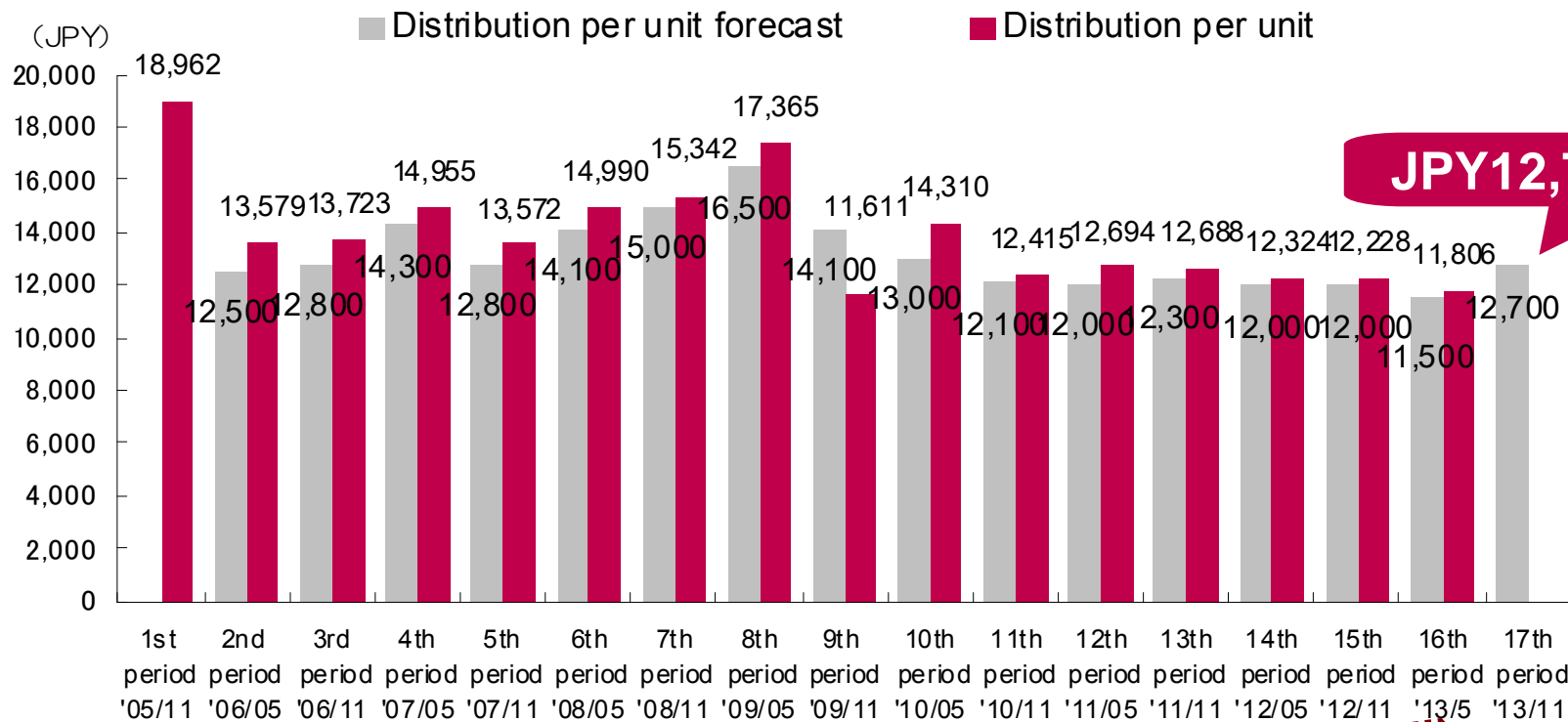
Sphere Tower Tennoz







# 7-3. Trends of Distribution per Unit



**JPY 12,700**

Irregular period (303 days)

(Comparison with 16th fiscal period forecast: +JPY 306 per unit, net income +JPY 26 mn)

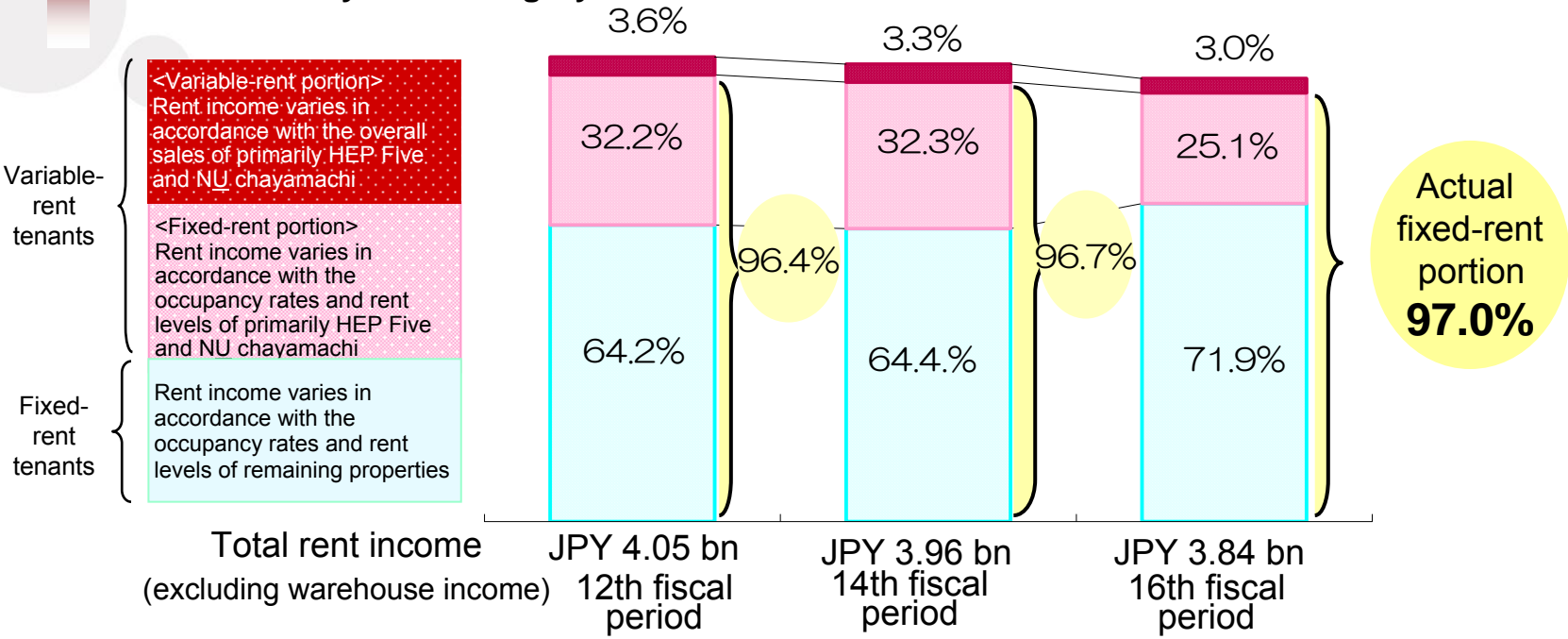
Increase in operating income +JPY 64 mn  
 (Increase of lease operation income from asset replacement + JPY 50 mn, Income/loss on transfer + JPY 21 mn, Increase of repair expenses -JPY 13 mn, etc.)

Increase in non-operating expenses -JPY 39 million  
 (Investment unit issue costs JPY 28 mn, etc.)

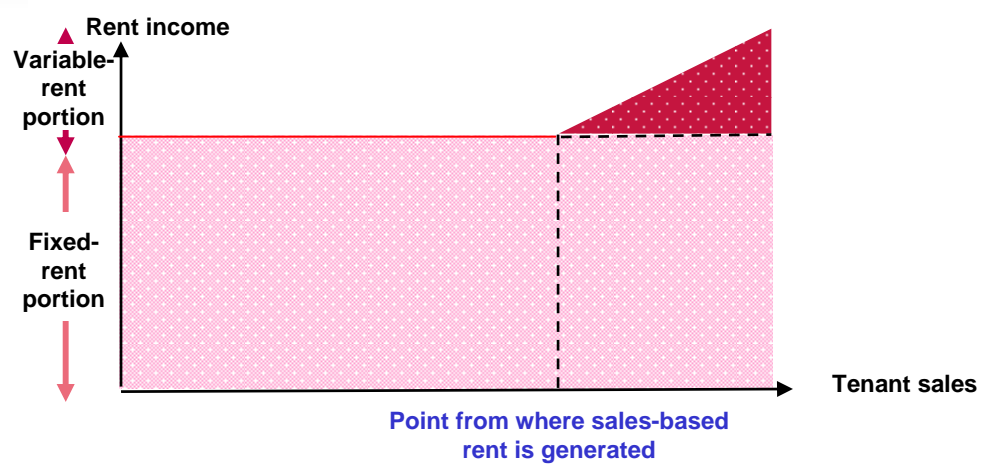
Target a level of JPY 12,000 or more on an ongoing basis and aim for further increase



## Income Ratio by Rent Category and Variation Factors



## Concept Diagram of General Sales-based Overage Rent System

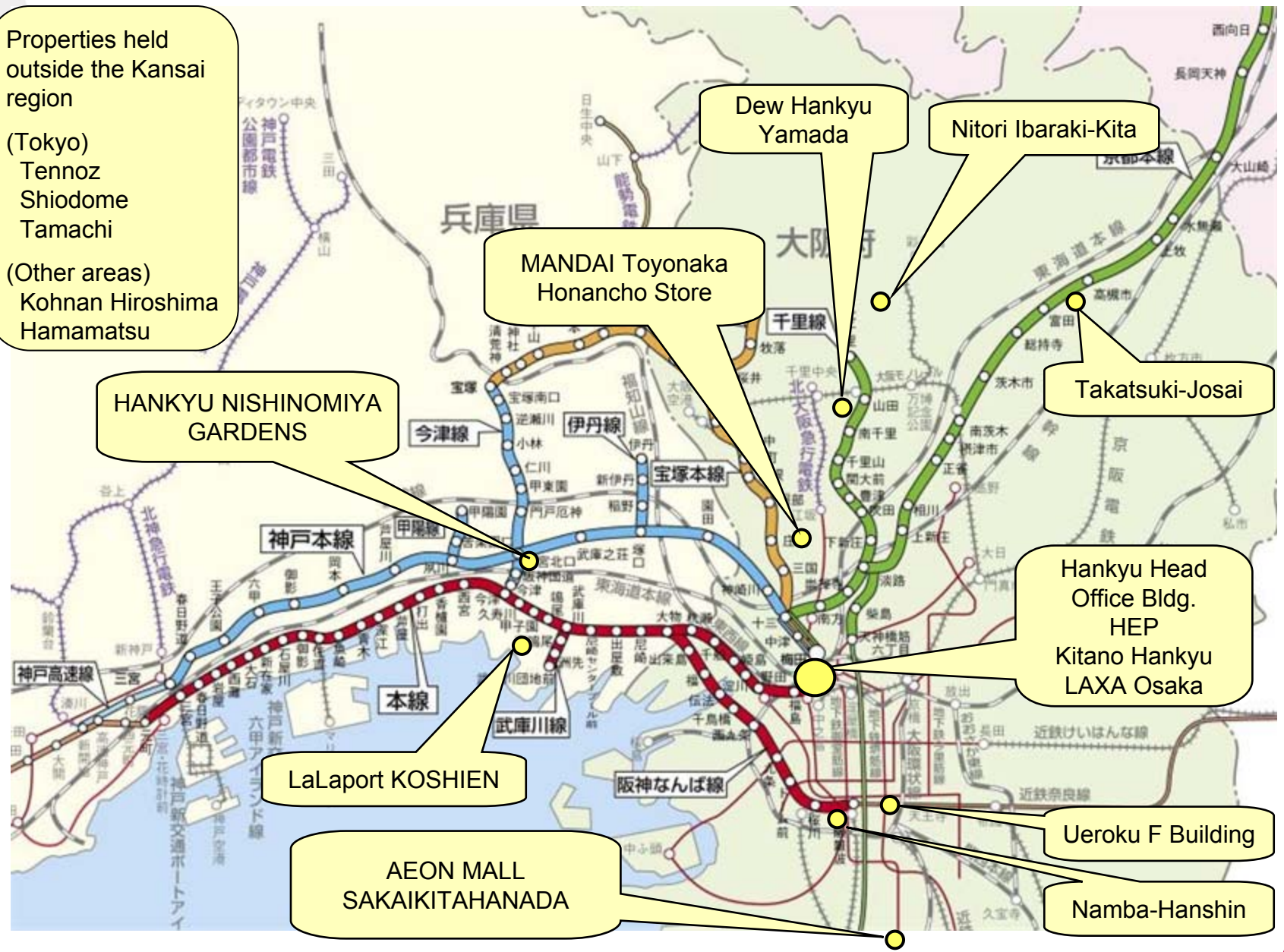




# 7-5. Hankyu/Hanshin Lines and Properties Held

Properties held outside the Kansai region

- (Tokyo)
  - Tennoz
  - Shiodome
  - Tamachi
- (Other areas)
  - Kohnan Hiroshima
  - Hamamatsu



HANKYU NISHINOMIYA GARDENS

MANDAI Toyonaka Honancho Store

Dew Hankyu Yamada

Nitori Ibaraki-Kita

Takatsuki-Josai

Hankyu Head Office Bldg.  
HEP  
Kitano Hankyu  
LAXA Osaka

LaLaport KOSHIEN

AEON MALL SAKAIKITA HANADA

Ueroku F Building

Namba-Hanshin









# 7-7. AEON MALL SAKAIKITAHANADA (site) and Properties in Vicinity Hankyu REIT

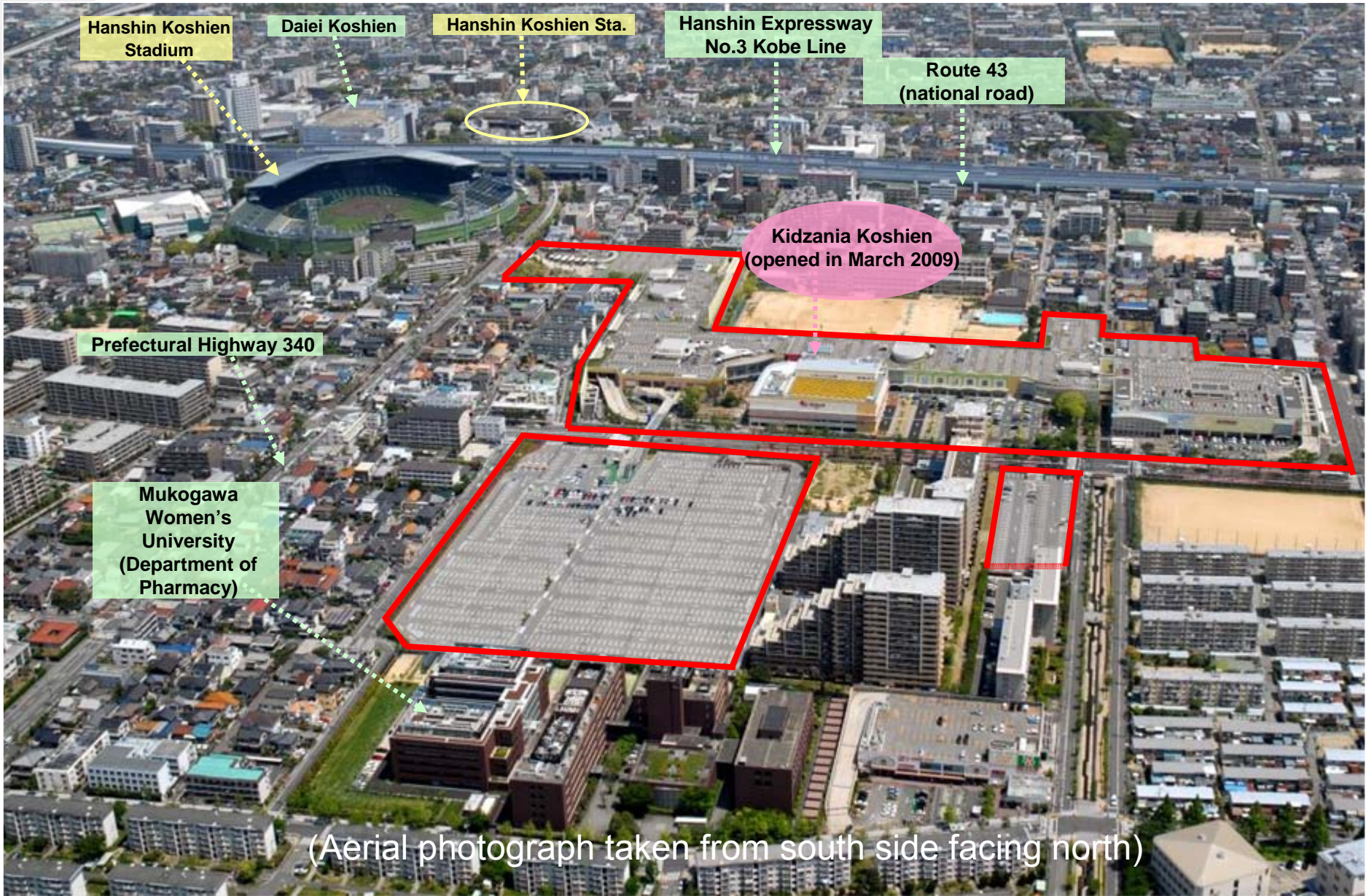


\*The property was acquired on June 27, 2013.









(Aerial photograph taken from south side facing north)







As of May 31, 2013

Classification	Code	Name	Location	Completion date	PML
Retail Properties	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita Ward, Osaka City	Nov. 1998	4.6%
	R2(K)	Kitano Hankyu Bldg.	Kita Ward, Osaka City	Jun. 1985	10.1%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	4.5%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	6.1%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki Ward, Hiroshima City	—	—
	R8	Hotel Gracery Tamachi	Minato Ward, Tokyo	Sep. 2008	10.2%
	R9(K)	LaLaport KOSHIE N (site)	Nishinomiya City, Hyogo Prefecture	—	6.0%
	R10	Richmond Hotel Hamamatsu	Naka Ward, Hamamatsu City	Sep. 2002	13.9%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	9.2%
Office Properties	O1	Shiodome East Side Bldg.	Chuo Ward, Tokyo	Aug. 2007	4.6%
	O2(K)	Hankyu Corporation Head Office Building	Kita Ward, Osaka City	Sep. 1992	3.7%
Mixed-use Properties	M1(K)	Ueroku FBldg.	Chuo Ward, Osaka City	Sep. 1993	3.2%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa Ward, Tokyo	Apr. 1993	2.7%
	M3(K)	LAXA Osaka	Fukushima Ward, Osaka City	Feb. 1999	3.4%
	M4(K)	Namba-Hanshin Building	Chuo Ward, Osaka City	Mar. 1992	4.5%
Total (at the end of 16th fiscal period)					3.5%
Retail Properties	R12(K)	AEON MALL SAKAIKIHANADA (site)	Kita Ward, Sakai City	—	—
	R13(K)	(tentative name) MANDAI Toyonaka Honanchostore (site)	Toyonaka city Osaka Prefecture	—	—
Total (including public offering properties)					3.5%

## ● What is PML?

PML (Probable Maximum Loss) refers to the estimated amount of the maximum loss from earthquake damage, and indicates the ratio of projected maximum physical loss amount of a building from a probable earthquake of maximum magnitude (assumed to happen once every 475 years, or a 10% probability of occurring during any 50 year span) during its use (a 90% non-exceedance probability) against the price to reacquire it.

## ● Portfolio PML

The total PML value for multiple buildings scattering in wide areas is always smaller than the weighted average PML value of each building. This is called the portfolio effect. Hankyu REIT calculates the portfolio PML by taking into account the geographical diversity of buildings over wide areas.

As shown in the table to the left, the portfolio PML of Hankyu REIT is 3.5%.

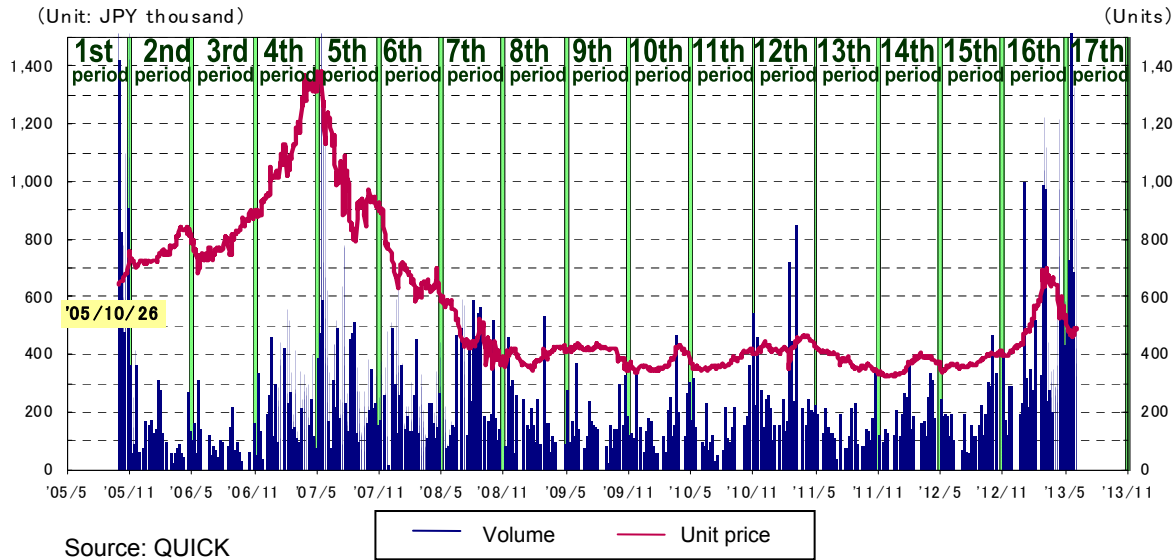
## ● Policy on earthquake insurance coverage

Hankyu REIT will decide to cover earthquake insurance in accordance with the following standard set forth in its management guidelines:

“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”



## Unit Price (closing price basis)



## Per Unit trading trends

(Oct 26, 2005-July 8, 2013)

High (closing price basis) JPY 1,380,000

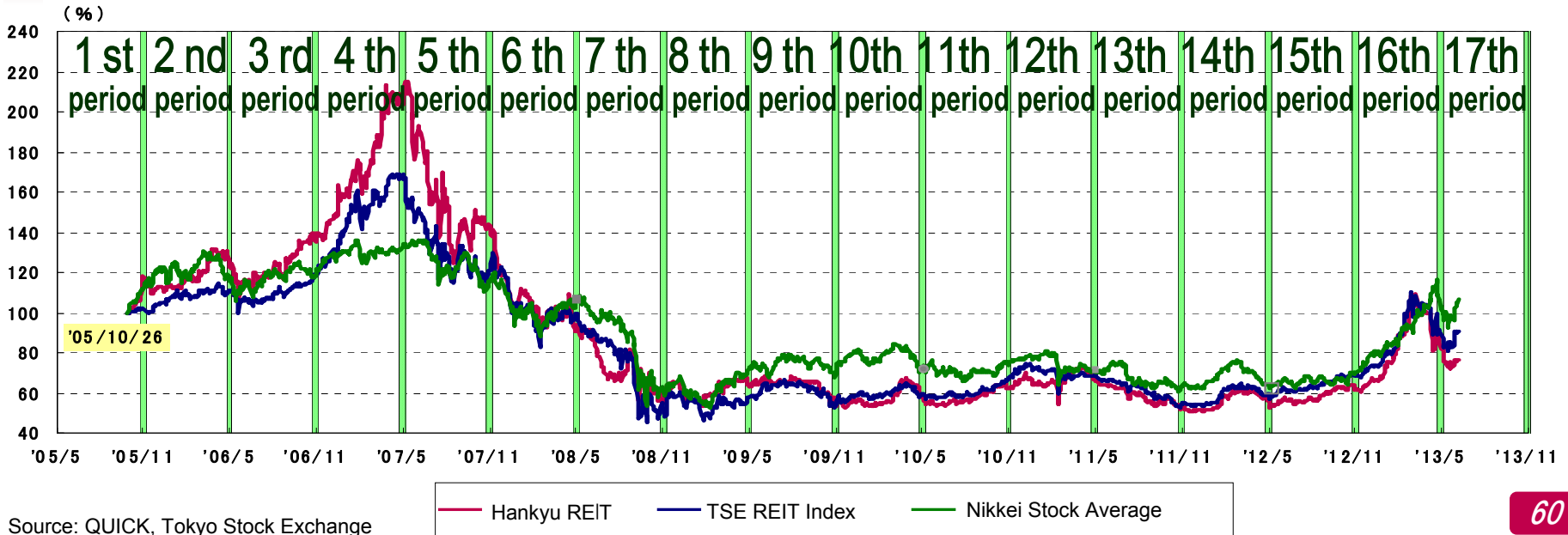
(June 2007)  
Low (closing price basis) JPY 325,000  
(December 2011)

### During 16th fiscal period

(December 1, 2012-May 31, 2013)  
High (closing price basis) JPY 700,000  
(April 8, 2013)  
Low (closing price basis) JPY 392,000  
(December 12, 13, 2012)

**Price of May 31, 2013 (closing price basis)**  
JPY 539,000

## Relative Price (closing price basis)



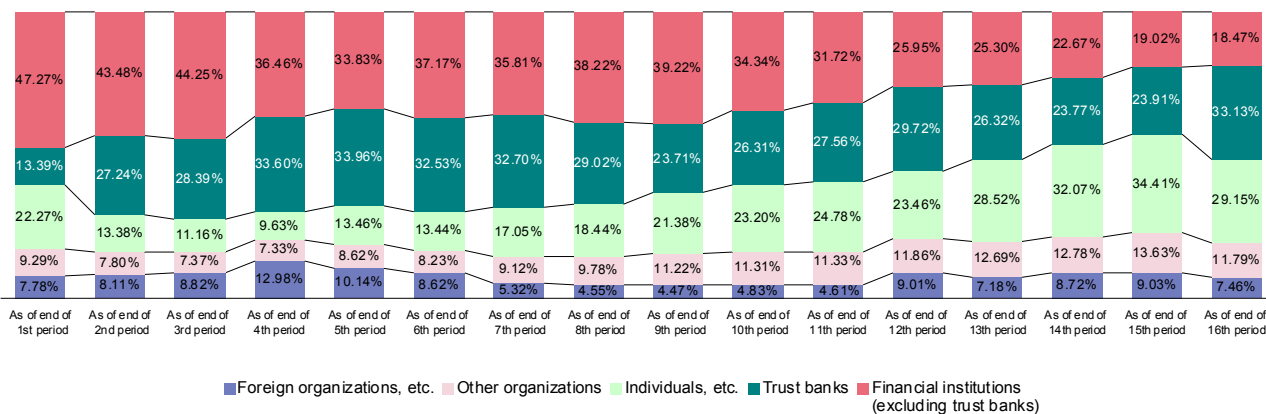
## Unitholder Composition

Ownership by category	Number of unitholders (persons)	Ratio to ownership	Number of investment units held (units)	Ratio to number of investment units
Financial institutions (excluding trust banks)	54	0.62%	15,777	18.47%
Trust banks	8	0.09%	28,292	33.13%
Individuals, etc.	8,345	96.00%	24,895	29.15%
Other organizations	188	2.16%	10,068	11.79%
Foreign organizations, etc.	98	1.13%	6,368	7.46%
<b>Total</b>	<b>8,693</b>	<b>100%</b>	<b>85,400</b>	<b>100%</b>

## Top 10 Unitholders

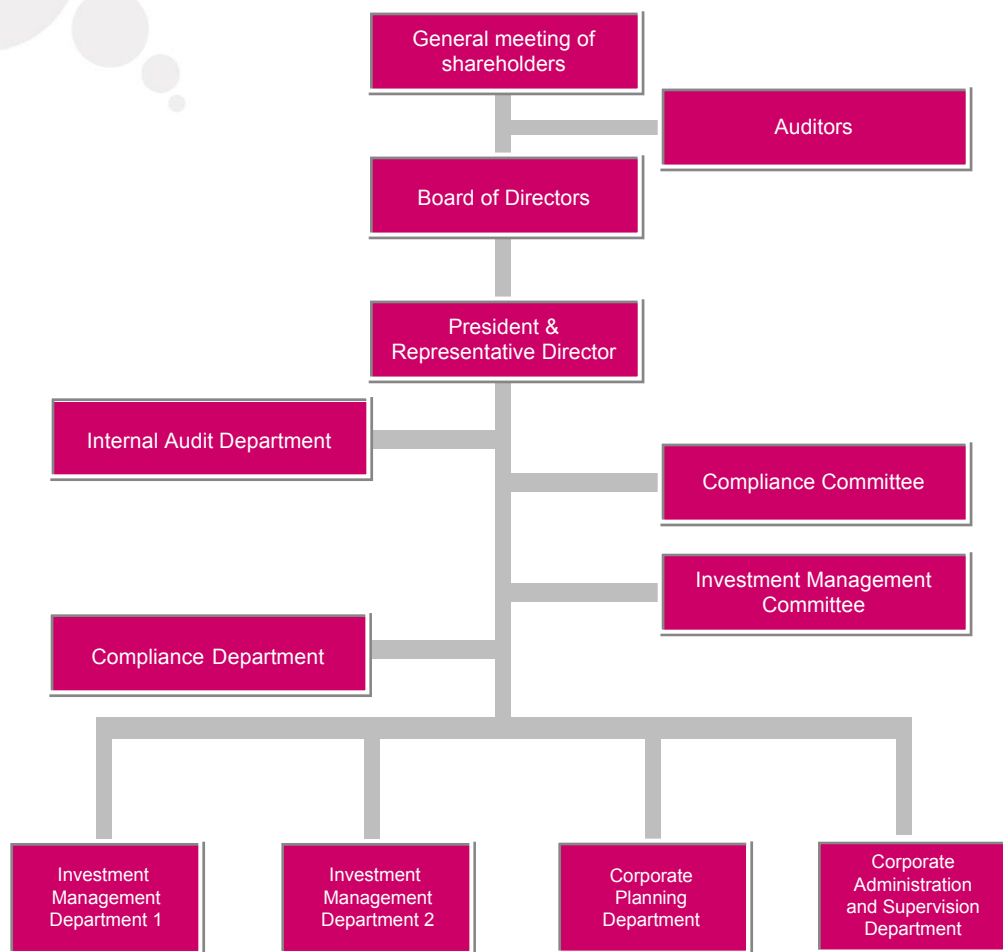
Unitholder name	Number of units held (units)	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	16,738	19.60%
The Master Trust Bank of Japan, Ltd. (Trust account)	5,675	6.65%
The Senshu Ikeda Bank, Ltd.	4,150	4.86%
Hankyu Corporation	3,500	4.10%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	2,796	3.27%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,479	2.90%
Shikoku Railway Company	1,768	2.07%
Sumitomo Mitsui Banking Corporation	1,332	1.56%
Nomura Bank (Luxembourg) S.A.	910	1.07%
North Pacific Bank, Ltd.	854	1.00%
<b>Total investment</b>	<b>40,202</b>	<b>47.07%</b>
<b>Number of outstanding units</b>	<b>85,400</b>	<b>100%</b>

## Ratio of Units by Unitholder Category



# 7-14. Organization of Hankyu REIT Asset Management, Inc. Hankyu REIT

(As of May 31, 2012)

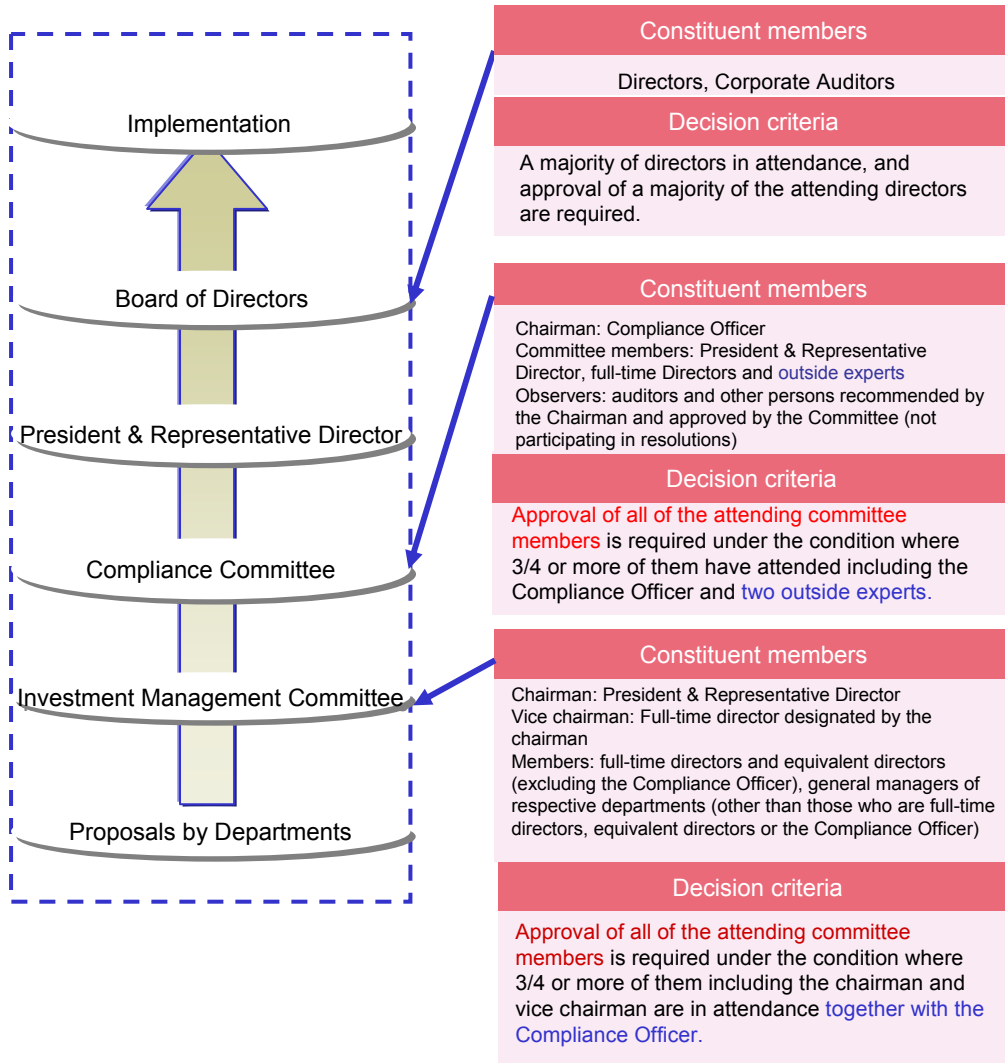


Corporate Data		
Trade name	Hankyu REIT Asset Management, Inc.	
Headquarters	19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan	
Established	March 15, 2004	
Paid-in capital	JPY 300 mn	
Shareholder	Hankyu Corporation (100%)	
Number of officers and employees	22	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Director	Toshinori Shoji
	Director	Yasuki Fukui
	Corporate Auditor (part-time)	Toru Ono
	Corporate Auditor (part-time)	Ken Kitano
Principal businesses	Financial instruments trading (investment management business)	
	<ul style="list-style-type: none"> <li>• Financial product trader: Director-General of the Kinki Finance Bureau Ministry of Finance (Kinsho) No. 44</li> <li>• Real Estate Transaction License: The Governor of Osaka Prefecture (2) No. 50641</li> <li>• Approval of discretionary dealing trustee etc.: No.23 by Minister of land, infrastructure, transportation and tourism</li> </ul>	





Systematically ensure multiple checking functions.  
Focus on promoting a compliance-conscious corporate culture.



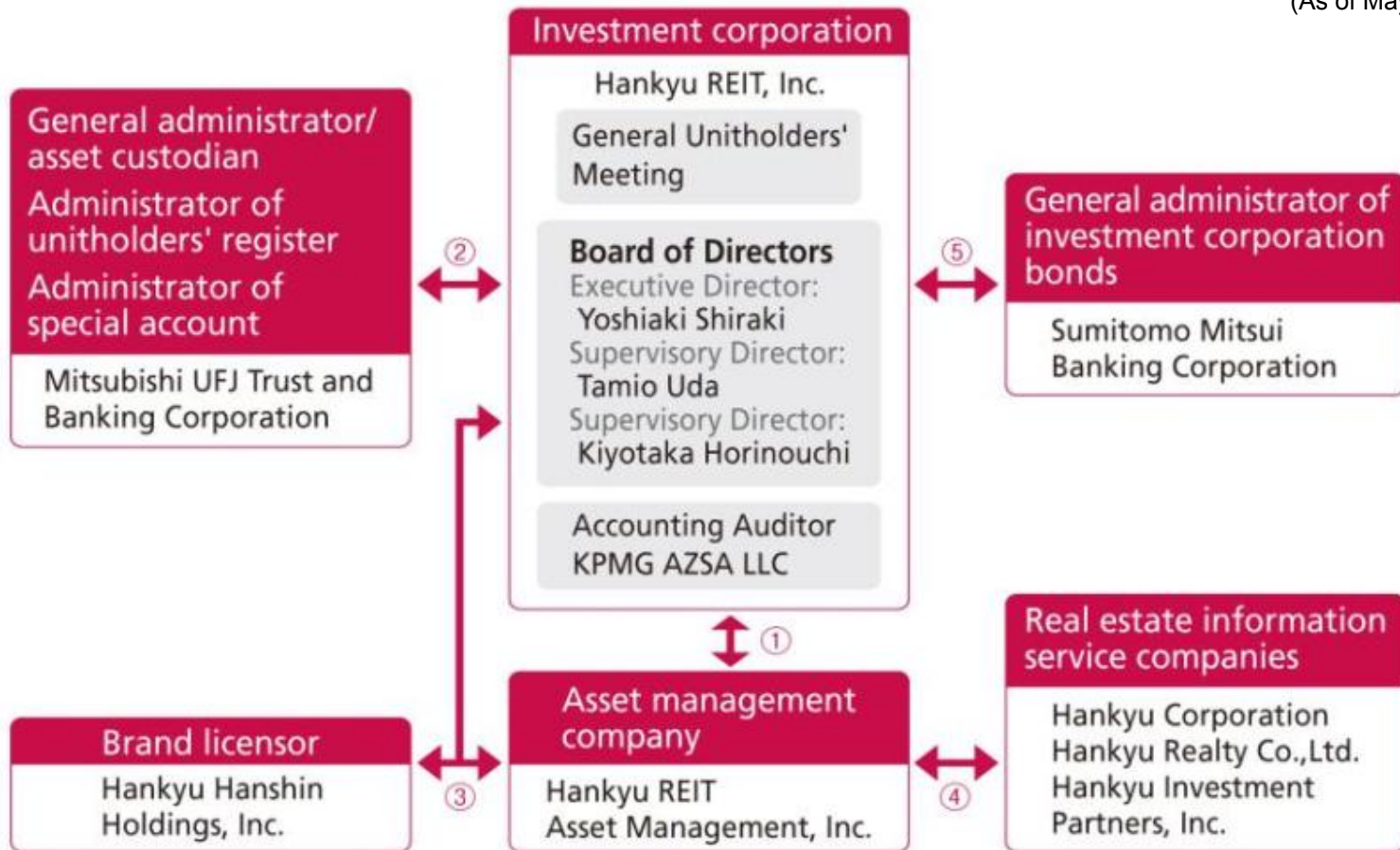
### Compliance System

- Achieve comprehensive compliance by establishing a Compliance Department and a Compliance Officer
- The Compliance Committee, including outside experts, deliberates on conflicts of interest transactions with interested parties
- The Compliance Officer attends the Investment Committee Meeting and checks compliance issues
- Appointed a person to be in charge of efforts to prevent improper requests and the exclusion of anti-social forces

### Internal Audit System

- Implemented PDCA cycle by systematically implementing the internal audit system every fiscal year based on the annual internal auditing plan
- Utilize external consulting entity to secure independence of internal audit and obtain a highly effective internal audit
- Introduced semi-full-time Corporate Auditor system and strengthened auditing functions (Independent system of the Hankyu Corporation and the group companies. Recognized as part-time Corporate Auditor under the Companies Act.)
- Established the internal control system and strengthened check and balance functions as a consolidated subsidiary of Hankyu Hanshin Holdings, Inc.

(As of May 31, 2013)



- ① Asset management services agreement ② Administrative agency agreement/asset custody agreement/agreement on administration of unitholders' register/special account management agreement  
 ③ Trademark license agreement ④ Information sharing-related agreement ⑤ Fiscal agency agreement

(Note) In preparation for the event that the number of Supervisory Directors is less than that stipulated in laws and regulations, Toshinori Shoji was elected as alternate Executive Director and Motofumi Suzuki was elected as alternate Supervisory Director at the General Unitholders' Meeting held on August 29, 2012.