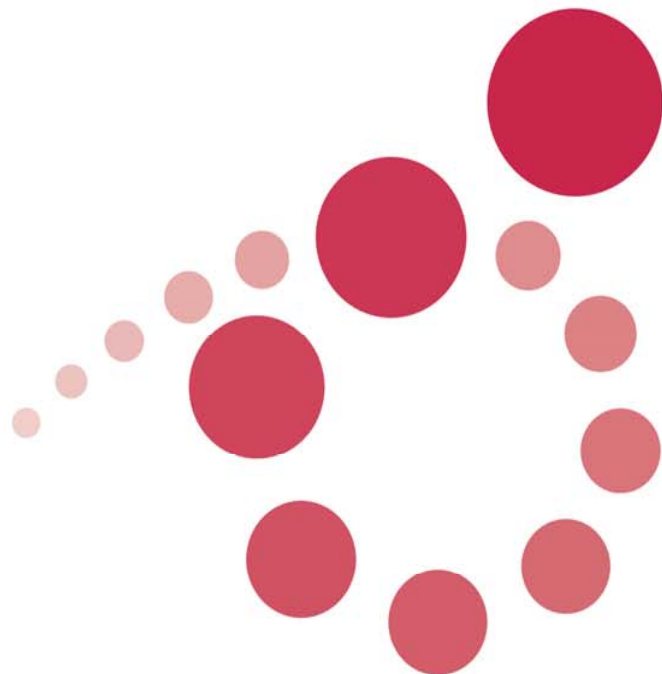


# Hankyu REIT

Financial Results Briefing Materials  
for the **17<sup>th</sup>** Fiscal period ended  
November 2013



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



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





1. Executive Summary	2
2. External Growth Strategies	11
3. Internal Growth Strategies	20
4. Financial Strategies	28
5. Overview of Financial Results for the 17th Fiscal Period	33
6. APPENDIX	40

**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.**

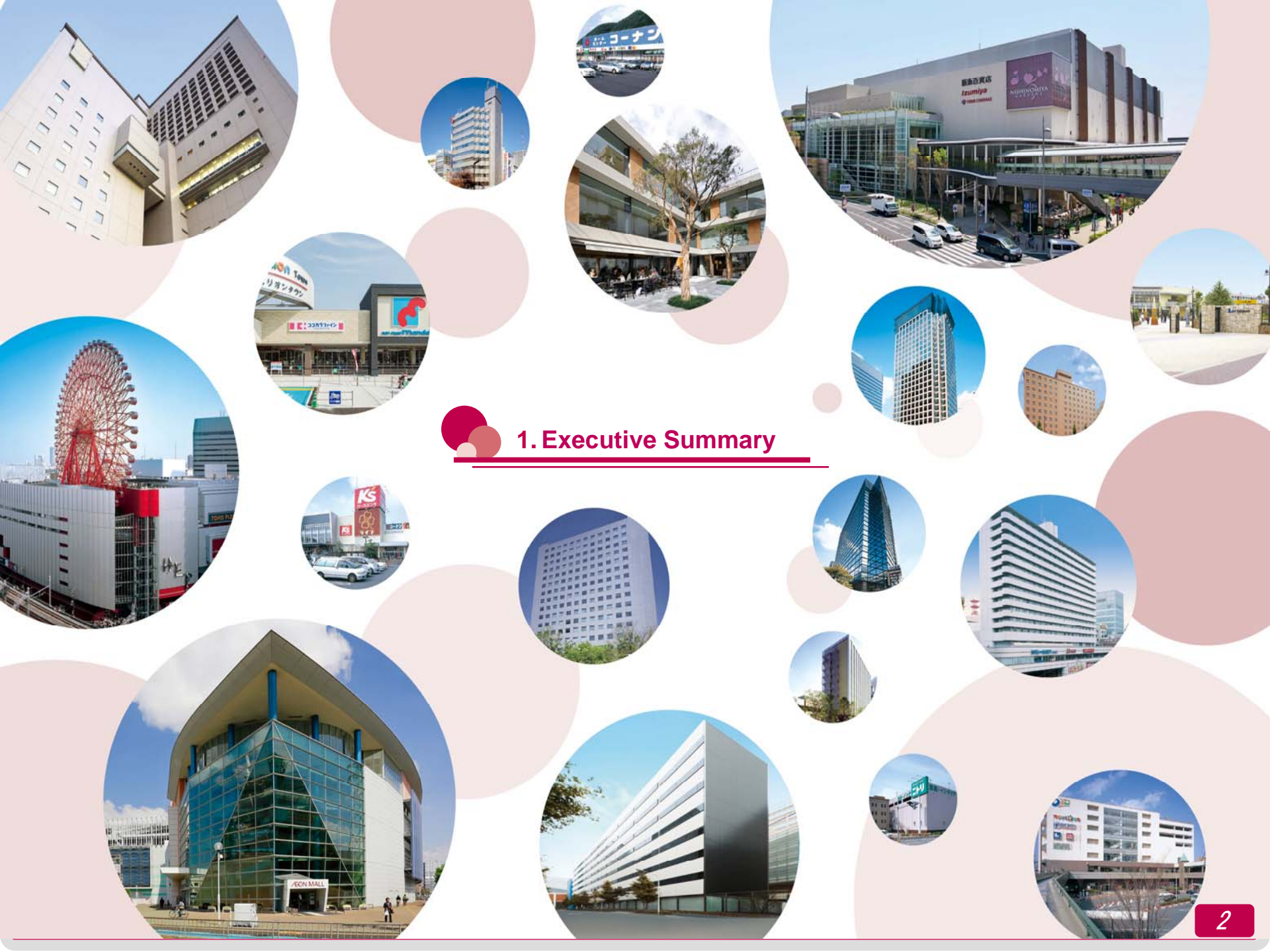
**This material is not intended as a solicitation to acquire investment securities of Hankyu REIT nor is it intended as a solicitation to sign contracts relating to transactions of other financial instruments. When undertaking any investment, please do so based on your own judgment and responsibility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



Asst size (total acquisition price)



- Urban retail properties
- Hotels
- Office Zone • Others
- Community-based retail properties



## AEON MALL SAKAIKITA HANADA (site)



### 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
NOI yield	5.2%

(Note) 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 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. 860,000 within a 5km radius and approx. 2,620,000 within a 10km distance and the plentiful trade area population speaks for the fortunate market potential.
- AEON MALL SAKAIKITA HANADA, 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.

## MANDAI Toyonaka Honan Store (site)



### 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	October 2013
NOI yield	5.7%

(Note) 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 by the acquisition price.

### 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 operating community-based stores targeting local populations, a neighborhood shopping center comprising of several shops is on the site making it a facility appropriate to its trading location and surrounding environment.
- 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.



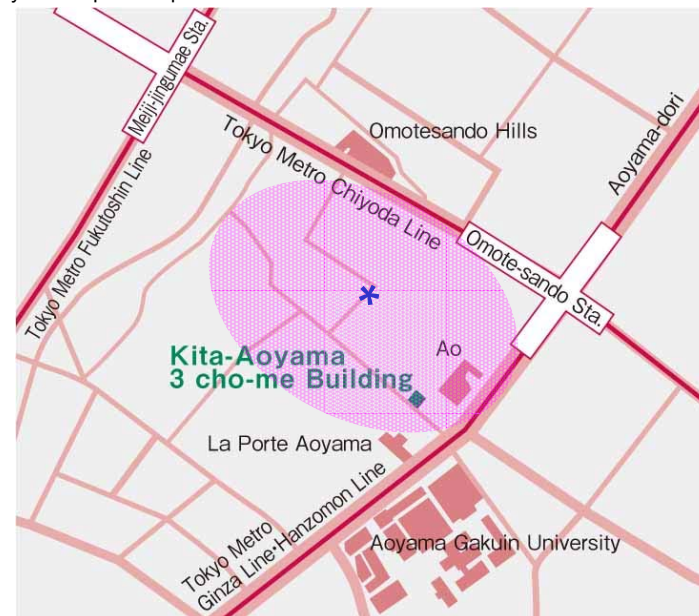
## Property Features

- The property is located in “Aosando/Aoshindo” (indicating the alley that passes from the Aoyama Dori street to Jingumae and its vicinities in the Kita-Aoyama area (\*)), somewhat behind the Aoyama Dori street on the western side. The area has the second highest concentration of retail facilities following locations facing major streets, and features competitive market superiority. The property is surrounded by many fashion brand stores that are purpose-driven and have strong ability to attract customers targeting core fans. Most recently, some brands have opened their first shops in Japan in this area, and businesses other than fashion also opened shops there. The image of the location is relatively favorable, and there is a growing number of customers seen around the area who seek originality or hope to enjoy town walking apart from the bustle of the main streets.
- ACRO Inc., the main tenant, was established as a wholly-owned company of Pola Orbis Holdings Inc., and operates 25 shops in department stores, etc. throughout Japan (as of October 2013) offering natural skin care cosmetic products under the “THREE” brand it has created. The “THREE AOYAMA” housed in the property is the flagship shop of the “THREE” brand, and operates spa and dining facilities along with a shop selling the products, matching the characteristics and image of the area.

## Property Overview

Location	Kita Aoyama, Minato-ku, Tokyo
Site area	415.42m <sup>2</sup>
Total floor area	692.00m <sup>2</sup>
Leasable area	619.76m <sup>2</sup>
Floors	3 floors
Completion date	September, 2013
NOI yield	4.2%

(Note) 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 by the acquisition price.



	April 2013 Asset replacements <b>Improvement of NOI Yield</b>		June 2013 2nd PO <b>Improvement of LTV</b>	
	End of 15th period (November 2012)	End of 16th period (May 2013)	End of 17th period (November 2013)	
<b>Average NOI yield (Note 1)</b>	4.6%	5.0%	4.8%	Acquisition of properties with sustainable yields
<b>Average NOI yield after depreciation (Note 1)</b>	3.0%	3.4%	3.3%	
<b>Unrealized income/ Loss (Note 1)</b>	-8.3bn	-5.8bn	-3.6bn	
<b>LTV (Note 2)</b>	56.1%	55.8%	48.6%	Aim for around 45% in mid-term
<b>Interest-bearing debt ratio</b>	45.4%	45.5%	43.2%	Extend the duration while reducing costs
<b>Average borrowing cost</b>	1.57%	1.36%	1.34%	
<b>Average remaining period of long-term funds</b>	2.4years	2.0years	2.2years	
<b>Distribution per unit</b>	End of 15th period (November 2012) JPN12,228	End of 16th period (May 2013) JPN11,806	End of 17th period (November 2013) JPN12,985	Forecast of 18th period (May 2014 forecast) JPN12,300

■ Distributions will be set at **JPY 12,000 or more on an on-going basis**, and aim for further build up  
■ Reinforce the collaboration with the sponsor group and aim for growth and expansion of portfolio

(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 through 15th to 17th fiscal period results. However, for the properties acquired during the periods, the net operating income and operating expenses for the first fiscal year (second year for MANDAI Toyonaka Honancho Store as of the end of 16th FP) in the discounted cash flow (DCF) method recorded in the appraisal report is used except for depreciation of properties, and figures based on Hanky REIT's accounting policy are used for figures of depreciation of such properties. For public charges and taxes, they are posted in expense from the first fiscal year and yields on an on-going basis are calculated.

(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.



## Results of 17th Fiscal Period

### External Growth

- Returned to a growth path by conducting capital increase through a public offering and acquiring 2 community-based retail facilities (sites)
- Acquisition of the first urban retail property in the Tokyo metropolitan area (Kita-Aoyama 3 cho-me Building)

### Internal Growth

- Maintained high total portfolio occupancy rate of 98.6% (as of the end of 17th FP)
- Improved revenue through upward rent revision (rent income up by 1.86%) and expansion of floor space by effective use of common space (increase of leasable area by 45m<sup>2</sup>) at Dew Hankyu Yamada

### Financial Strategies

- Improved LTV by conducting capital increase through a public offering
- Realized longer borrowing periods and diversification of debt repayment dates while trying to keep debt financing costs down
- Acquisition of new credit rating (JCR AA - Stable)(December 2013)

## Investment unit price and net assets at the end of 17th FP

Investment unit price (closing price):	JPY 543,000
Net assets per unit:	JPY 624,354
Net assets per unit after reflecting unrealized income/loss:	JPY 589,468



## Issues

## Goals



- How to acquire properties that will enable planning of target distributions in the midst of competition heating up for property acquisition.



- Aim for expansion and growth of portfolio by acquiring quality properties flexibly through utilization of real estate networks and warehousing functions of the sponsor group.



- Maintenance and improvement of competitiveness of retail properties owned.
- Leasing of Sphere Tower Tennoz and Namba-Hanshin Building.



- Aim for Maintenance/raise of rent by proactively replacing tenants while establishing favorable relationship with tenants through reinforcement of operational management.
- Work towards improvement of distributions through reinforcement of leasing based on area/building features (Enhancement of property management system, proactive use of brokerage agents, promotion of value enhancement).



- Implementation of LTV control.
- Extension of borrowing periods, diversification of debt repayment dates, and diversification of fund procurement method.



- Realization of equity finance which enables both maintenance/improvement of distributions and improvement of LTV.
- Aim for steady refinancing, extension of borrowing period, diversification of debt repayment dates, reduction of debt financing cost, diversification of fund procurement method by cooperating with financial institutions.

Forecast for the 18th fiscal period

Distribution per unit forecast JPY 12,300

[Main factors for increase/decrease from 17th FP]

- Decrease in operating income of Sphere Tower Tennoz -101 (Mainly due to decreased occupancy rate)
- Decrease in operating income of Namba-Hanshin Building -47 (Mainly due to decreased occupancy rate and increased repair cost)
- Expensed tax and public dues of properties acquired in 16th and 17th -52 (Nishinomiya G -19, Hankyu Corporation Head Office Building -16, Kitahanada -14, etc.)
- Increase in operating revenue due to period-through contribution from properties acquired in 17th FP +104 (Kita-Aoyama+37, Kitahanada+37, Toyonaka Honan+29)

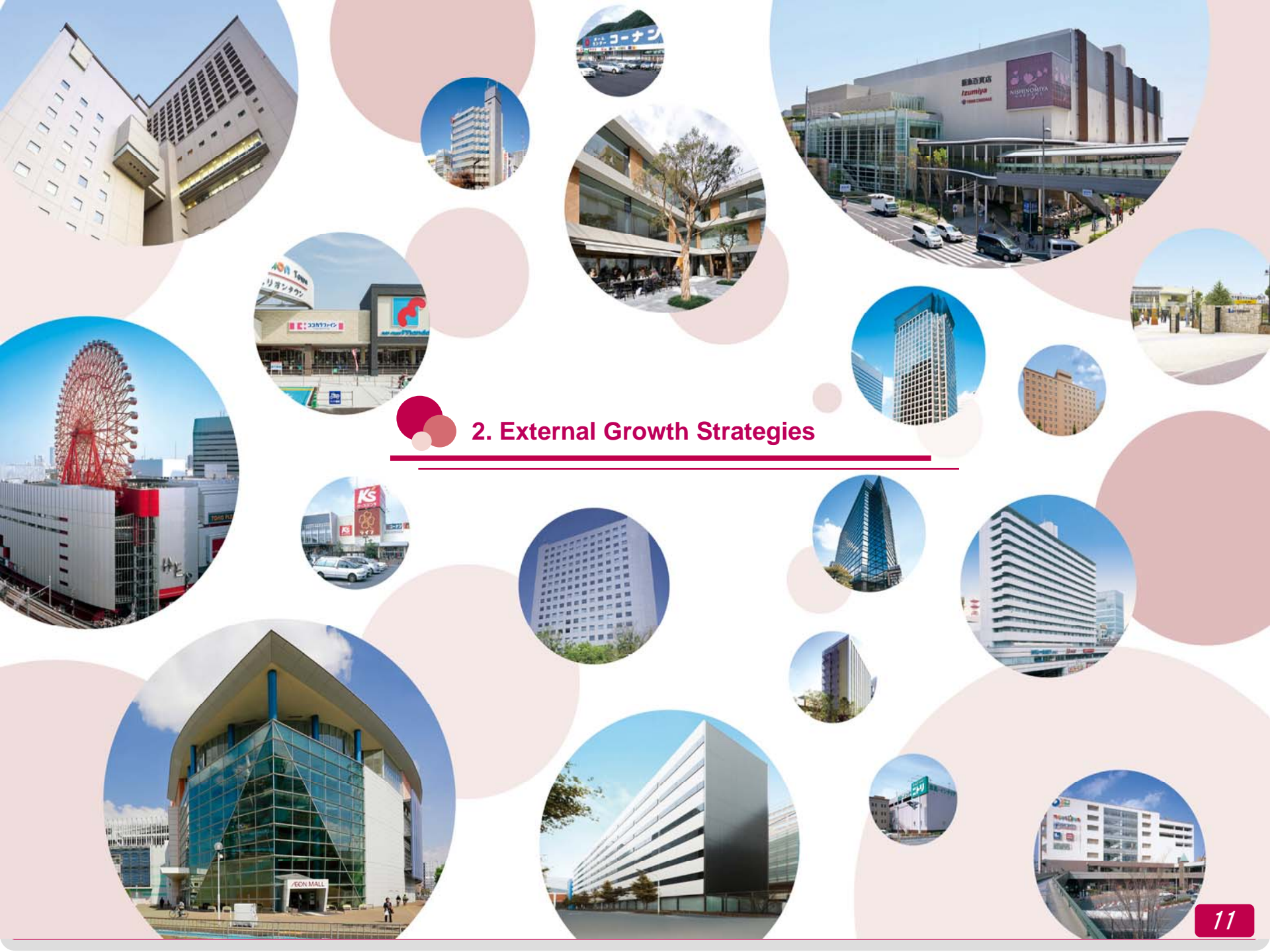
(Unit: JPY mn)

Item	Results for 17th Fiscal Period ① (Jun. 1, 2013 to Nov. 30, 2013)	Forecast for 18th Fiscal Period ② (Dec. 1, 2013 to May 31, 2014)	Change ②-①	Results for 16th Fiscal Period ③ (Dec. 1, 2012 to May 31, 2013)	Change ②-③
Operation period (days)	183	182	-1	182	—
Operating revenues	4,545	4,445	-99	8,088	-3,642
Operating income	1,812	1,708	-104	1,466	241
Ordinary income	1,367	1,295	-72	1,009	285
Net income	1,366	1,293	-72	1,008	285
Number of outstanding investment units at end of period (units)	105,200	105,200	—	85,400	19,800
Distribution per unit (JPY)	12,985	12,300	-685	11,806	494
FFO per unit (JPY)	21,959	21,315	-643	23,444	-2,128

[Main preconditions]

- There will be no transfer of portfolio properties from the presently held 19 properties
- There will be no additional issuance of investment units to the present 105,200 units until the end of the period





## 2. External Growth Strategies

## Acquisition Strategy

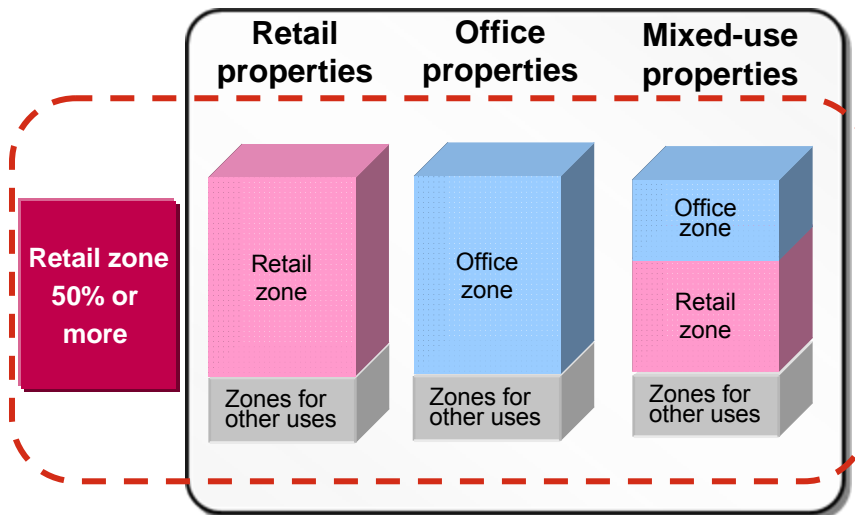
- Securing opportunities for asset acquisitions and acquisition of assets at appropriate prices
- Investment decisions in which even operational management after acquisitions are considered
- Establishment of a balanced portfolio

## Investment Targets

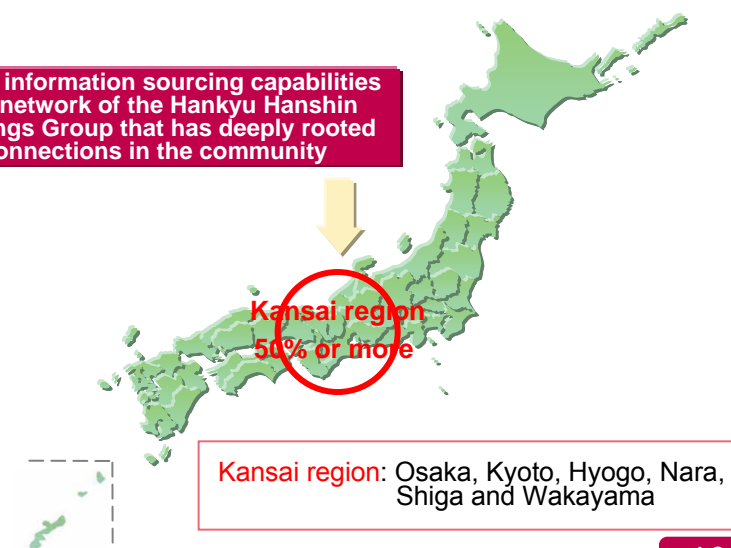
Target real estate with retail and office zoning  
 Especially focus investment on retail zoning

## 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



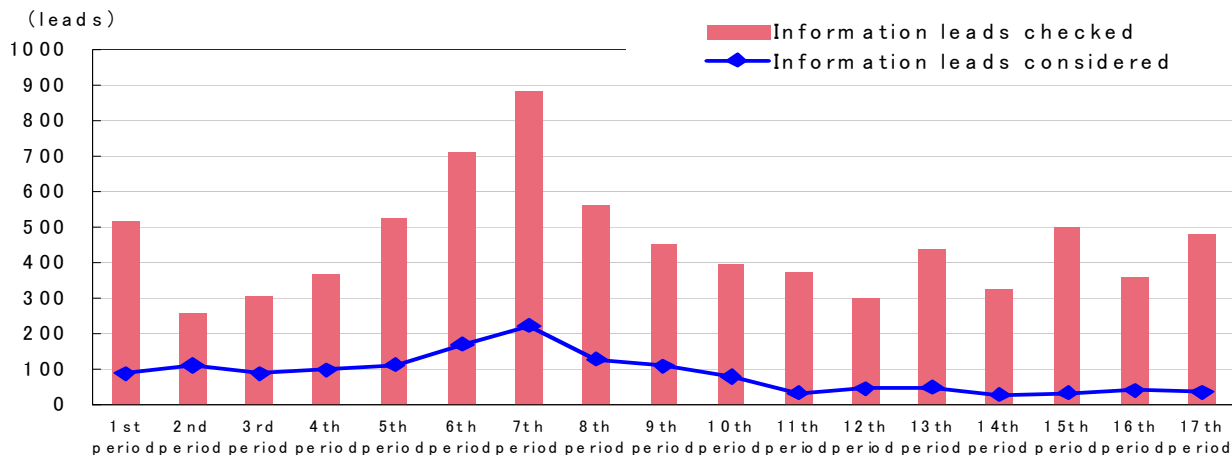
Utilize information sourcing capabilities and network of the Hankyu Hanshin Holdings Group that has deeply rooted connections in the community



Kansai region: Osaka, Kyoto, Hyogo, Nara, Shiga and Wakayama

\* 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 HANKYU NISHINOMIYA GARDENS	Shiodome East Side Building Hotel Gracery Tamachi	-	Hankyu Corporation Head Office Building	-
	From Hankyu REIT Asset Management, Inc.'s own route	-	-	<b>MANDAI Toyonaka Honan Store (site)</b>	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 <b>Kita-Aoyama 3 cho-me Building</b>

Acquired assets in the 17th fiscal period



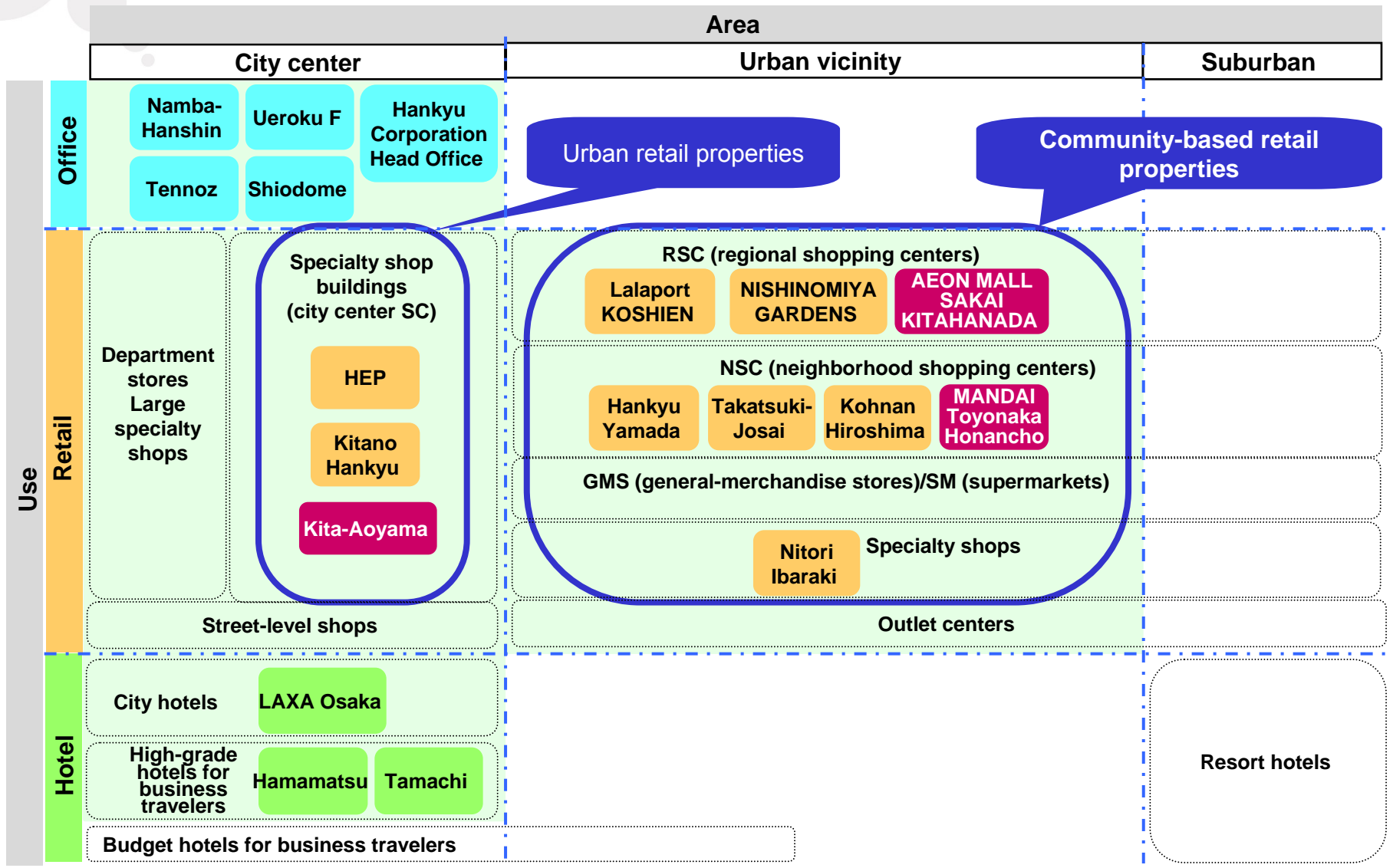
Use	Area								
	Central city			Urban vicinity			Suburban		
Office	5	3 50	6	7	13	0	0	0	1
Multi-Used	2 19	5 48	1 10	4	11	2	0	0	0
Retail	2 12	21	1 5	4 36	6 30	2 14	1	1	11
Hotel	2	4	2	1	1	2	0	0	2
Others	6	38	1	7 44	1 56	2 7	2	0	1

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

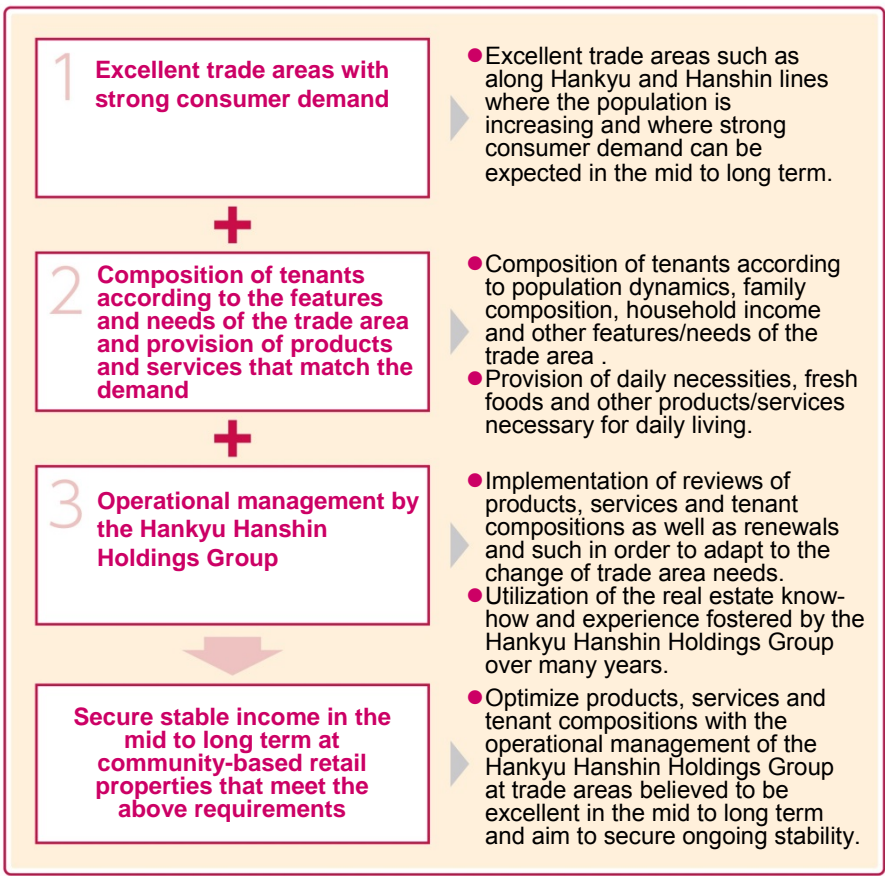
**\*Outer circle: Information leads**    **Inner circle: Leads actually considered**

Leads considered were primarily community-based retail properties in the Kansai region, Tokyo metropolitan area, Nagoya, Fukuoka, Hiroshima and such.

## Focus on community-based retail properties



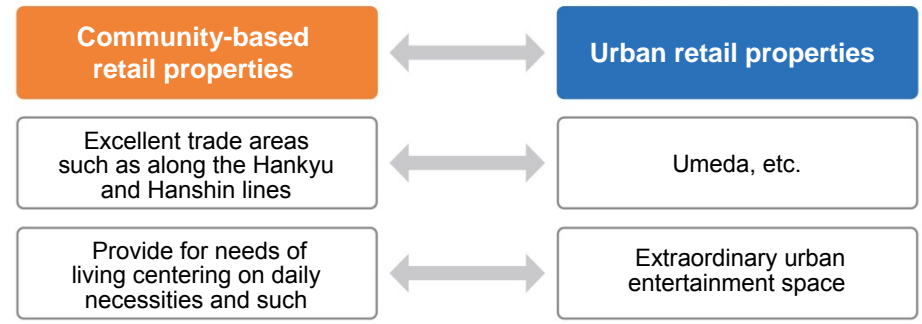
## Features and Superiority of Community-Based Retail Properties



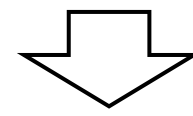
**Investment decision** Search for excellent community-based retail properties and make investment decisions using the discernment of the Hankyu Hanshin Holdings Group

**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**



## Background

- High risk of owing neighborhood shopping center buildings as they often have their own building specifications and restrictions on replacement of tenants.
- Revision in legal system (The duration of Fixed-Term Land Lease for Business Purposes was extended to under 50 years due to the revision to Act on Land and Building Leases).

## Concerns and Hanky REIT's Countermeasures

### Concerns

No internal reserve for site properties

Replacement capability and liquidity is low in case of tenant departure

Possible restrictions on use/sale of land due to land leasehold



### Hankyu REIT's Countermeasures

Tendency for higher ratio of depreciation (internal reserve) due to Hankyu REIT's focus on properties in Kansai region where building ratio in land/building properties is higher compared to the Tokyo metropolitan area.

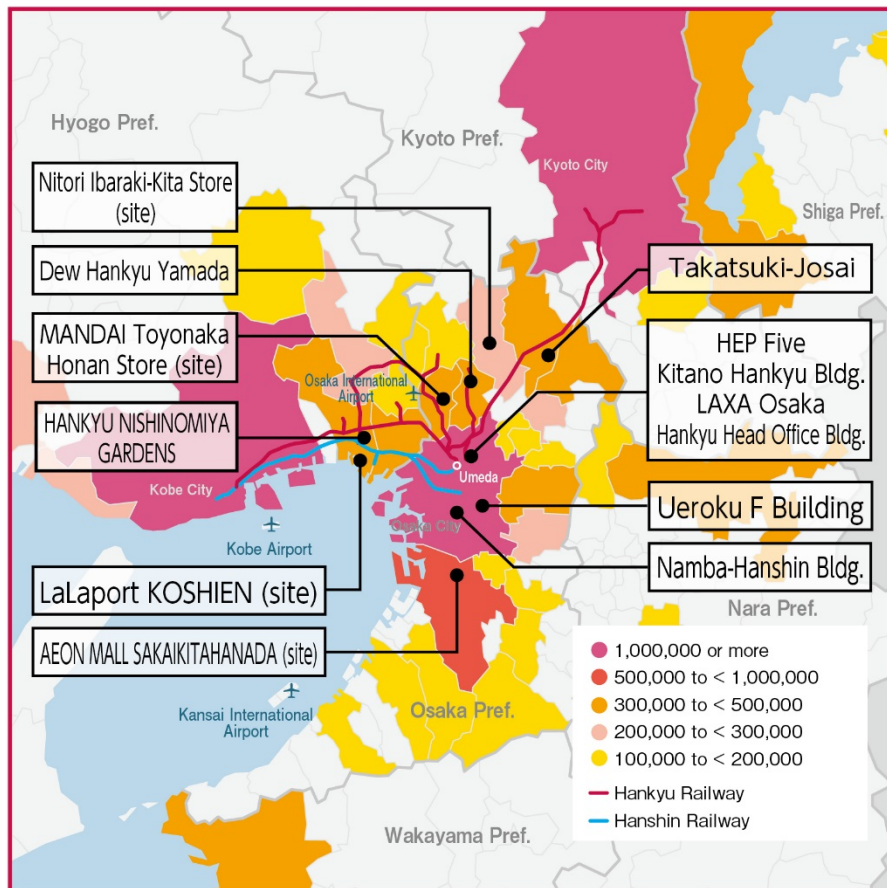
→ Balancing out with the entire portfolio

Upon property acquisition, consider the possibility of attracting new tenants in case of tenant departure and the deposition of the property as raw land.

Use agreement with Fixed-Term Land Lease as a precondition



- 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 20.57 million

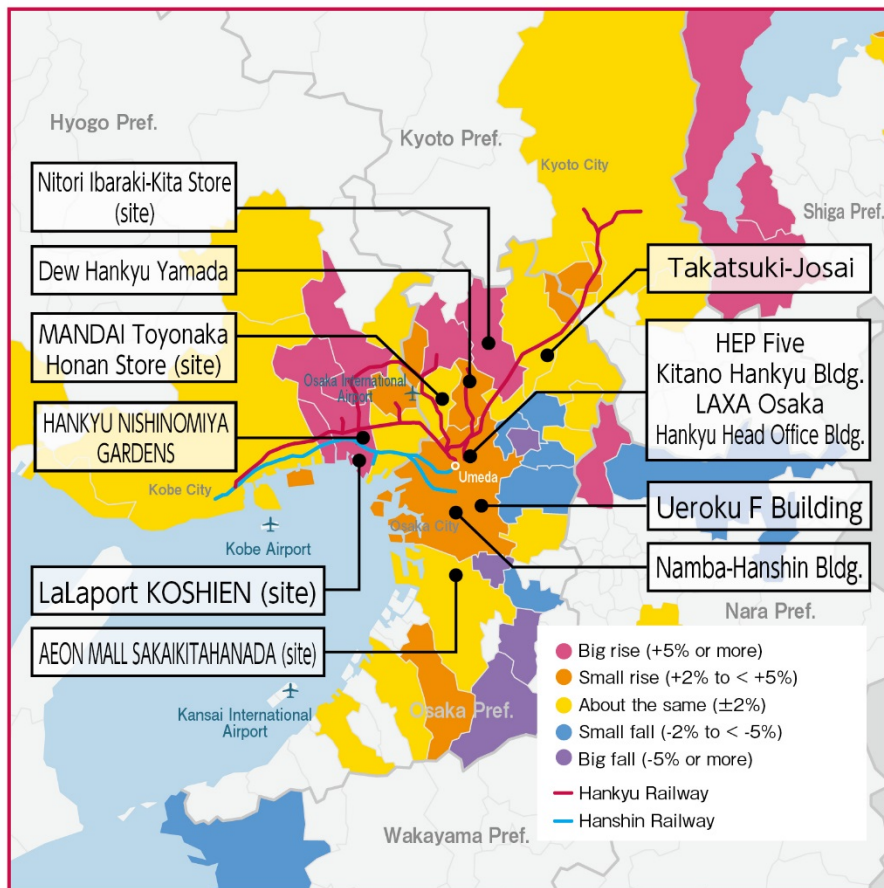
Osaka Prefecture: approx. 8.67 million  
Of which, 62% reside in the top 7 municipal regions (population of 300,000 or more) including Osaka City

Hyogo Prefecture: approx. 5.56 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" (2013)

<Populations as of March 31, 2013 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



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

Though Kansai population fell slightly -0.3% (10-year period), the population of city centers such as in Osaka City is +2.3%

Areas along Hankyu and Hanshin lines increased (+4.0%)

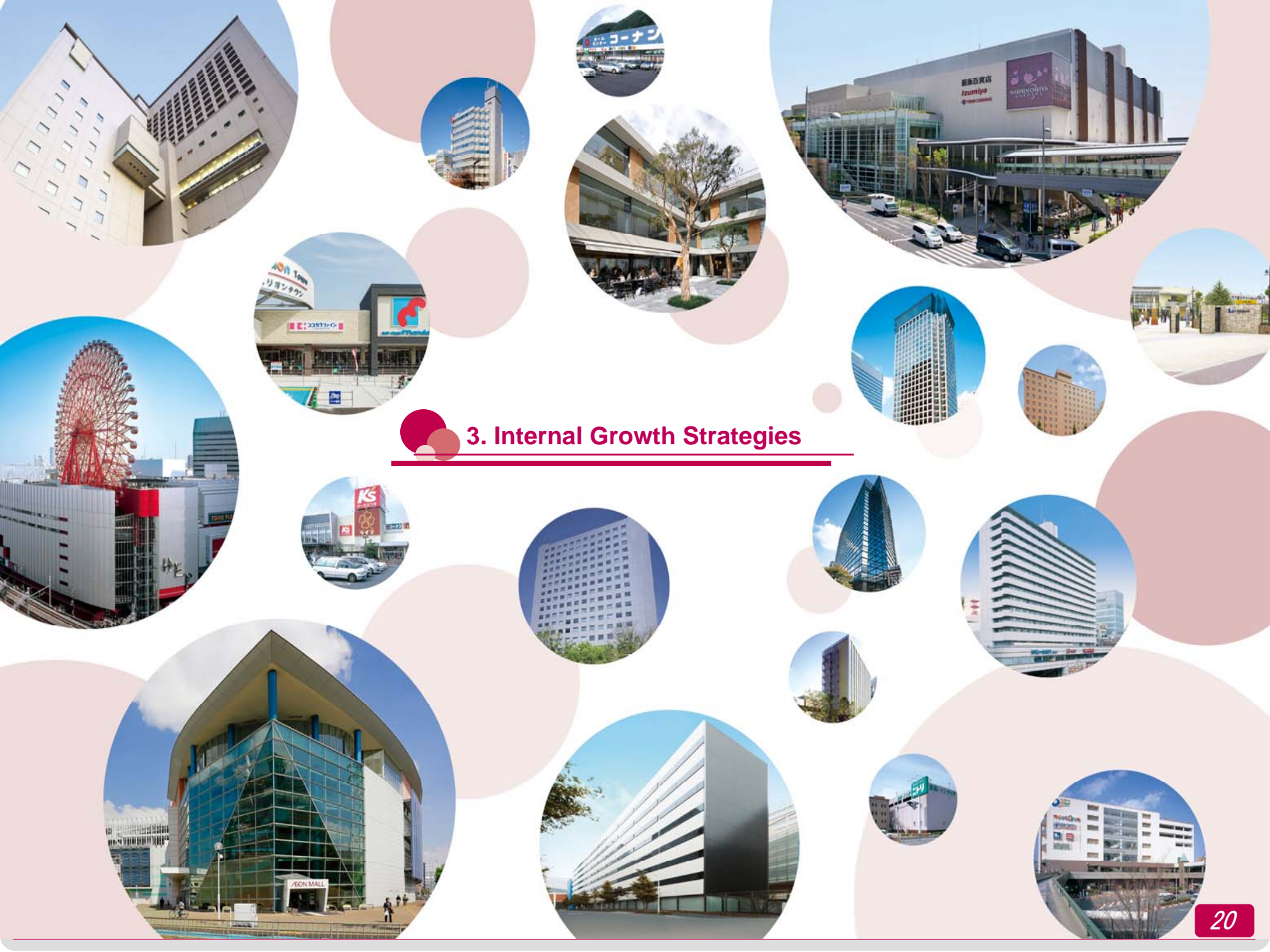
Reason for differentiation:

High transportation convenience and high concentration of city facilities

Positive factors to profitability and stability of Hankyu REIT

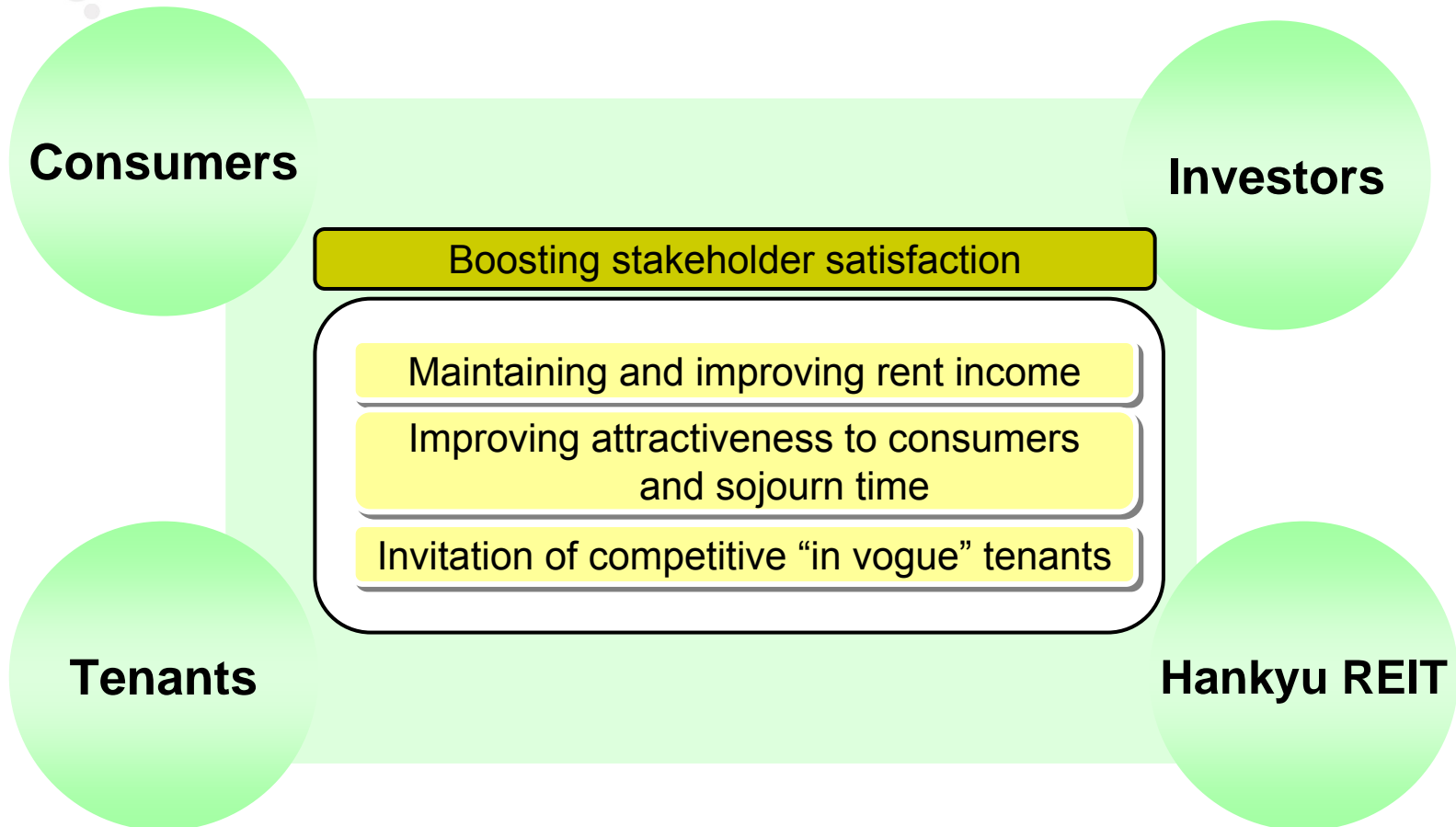
Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2003, 2013)





### 3. Internal Growth Strategies

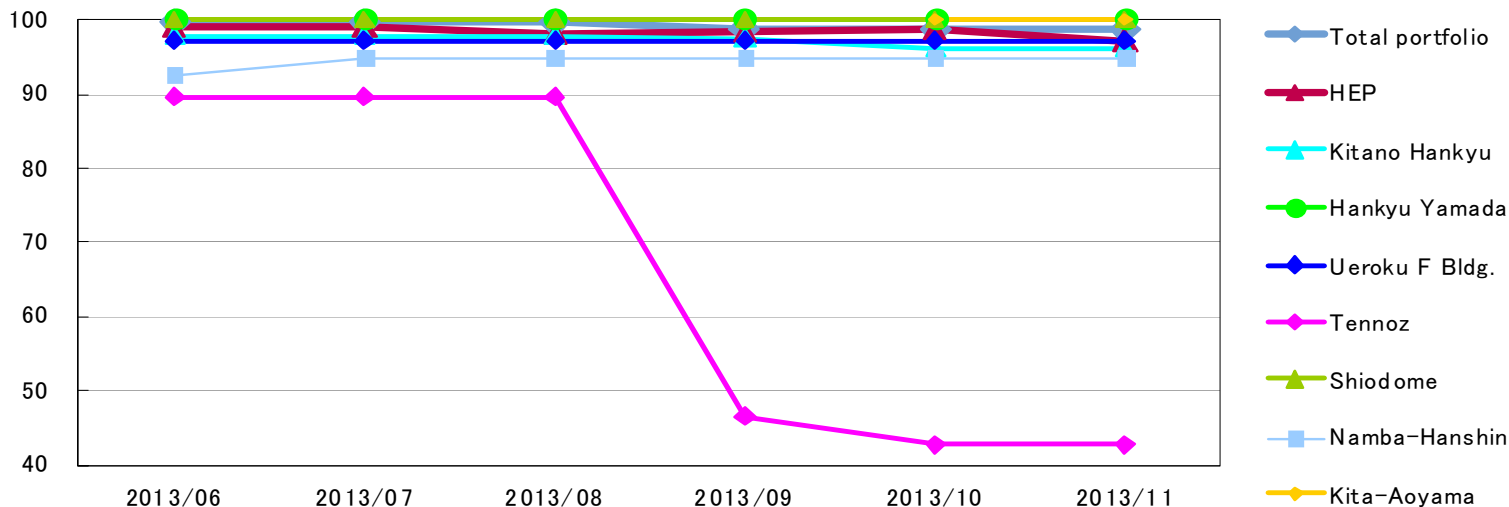
Achieving a WIN-WIN-WIN-WIN relationship in operations





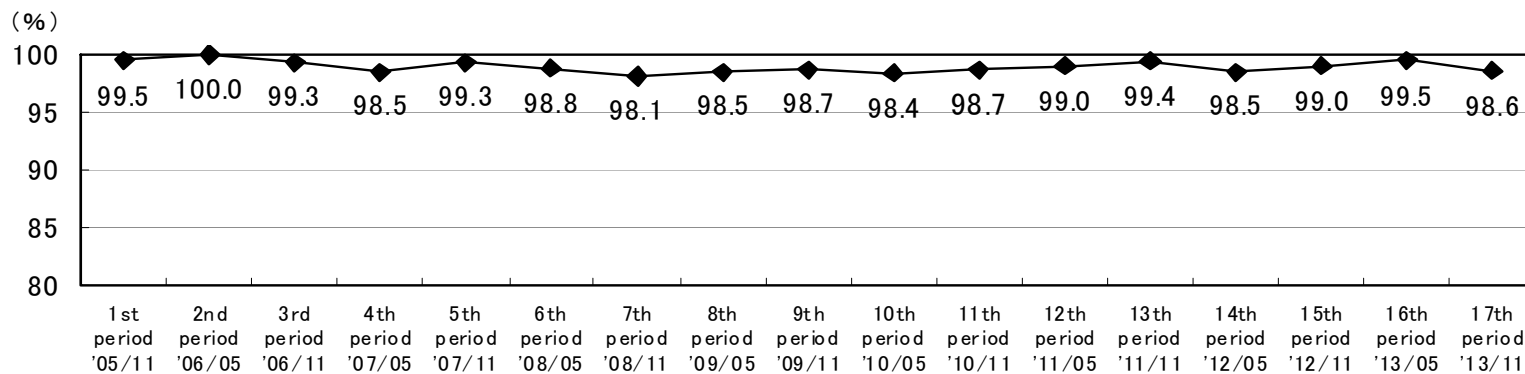
## Total portfolio occupancy rate of **98.6%** (end of 17th fiscal period)

The graph excludes the eleven properties (Takatsuki-Josai, Nitori Ibaraki, Kohnan Hiroshima, Tamachi, LaLaport KOSHIEN, LAXA Osaka, Hamamatsu, NISHINOMIYA GARDENS, Head Office, SAKAIKITAHANDA and Mandai (Toyonaka)) 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.



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

Name	Main rent system	Present conditions
<b>H E P Five</b> Specialty shop buildings (City center SC)	Overage (fixed + variable)	The occupancy at the end of the period was 97.2%, down by 1.9 points from the end of the previous period (16th FP), but expected to be 100% in the 18th FP. Continuing to replace low-sales tenants and to change brands, and about 10 tenants will be replaced at the end of January 2014. Vitalization events in collaboration with tenants and the PM company such as "Thanks 15" to commemorate the 15 <sup>th</sup> anniversary 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 96.2%, down by 1.6 points from the end of the previous period (16th FP). 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, and tenants have been unofficially decided for the 2 <sup>nd</sup> floor space in February. Facilities are being activated through 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 NSC</b> (Neighborhood shopping centers)	Long-term, fixed (Partly overage)	Occupancy rate was stable at 100% throughout the fiscal period. Upward rent revision was realized in November (rent revenue up by 1.86%), and since some of restaurant tenants are under short-term contract, leasing activities are now underway. Since Toysrus, which renewed its shop to accompany Babiesrus in July and is under partly overage rent system, is showing steady increase in sales, the monthly overage rent in the 18th FP is expected to be 800 thousand yen higher than the previous fiscal year. As for the grocery supermarket on the first floor which had been requesting for expansion of shop floor space, such request was met by expanding and moving the office/storage spaces through utilization of the common space.



■ Event at HEP Five



■ Event at HEP Five



■ Event at Dew Hankyu Yamada



## < Properties using the fixed rent system >

Name	Main rent system	Present conditions
Kita-Aoyama 3 cho-me Building Urban retail property + Office	Fixed	Completed in September 2013 and acquired in the 17th FP. The occupancy rate is 100%. The current tenant is THREE AOYAMA.
Shiodome East Side Building Office	Fixed	Stable occupancy rate of 100% throughout the fiscal period. Built-up tenant relations have begun to show results as seen in conclusion of a five-year (long-term) contract with a major tenant whose present contract is to end in May 2014, etc. Will continue to minimize risks of relocation through promoting tenant relations while reducing costs by taking advantage of the resident PM company and conducting preventive maintenance.
Sphere Tower Tennoz Office	Fixed	Occupancy rate at the end of the fiscal period dropped significantly to 42.8% due to departure of a major tenant. Despite ongoing leasing activities for large leasing such as office consolidation, space expansion, etc. and receiving some inquiries, any conclusion of contract has not been reached. As a result of discussion in line with the recent change in quasi-co-owner, additional expense was allocated for leasing promotion, thus proactive leasing activities such as forming a special leasing team, considering value enhancement using a design are underway.
Namba-Hanshin Building Office	Fixed	The occupancy rate at the end of the fiscal period was 94.9%, improved by 2.3% from the end of the previous fiscal period (16th FP). However, due to the confirmed cancellation of 3 tenants in the 18th FP, the occupancy rate is expected to fall to the 70% level. Working in a close collaboration with the PM company, will aim to secure tenant leasing as early as possible by trying to attract tenants matching the characteristics of the area and building and strengthening sales activities for brokers.
Ueroku F Building Office	Fixed	The occupancy rate remains stable at 97.2% at the end of the fiscal period, unchanged from the end of the fiscal period (16th FP). For the vacant lot, leasing activities centering on need for increase floor space will be continued. For the existing tenants, tenant relations will be further strengthened to avoid the risks of relocation and decrease of rent.

## < 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. Even showing strong performance, initiatives to further increase competitiveness are being taken such as renewal of 80 shops (48 new shops and 32 renovated), about one-third of the entire 256 shops starting March 2014.

(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.

## Event at HANKYU NISHINOMIYA GARDENS

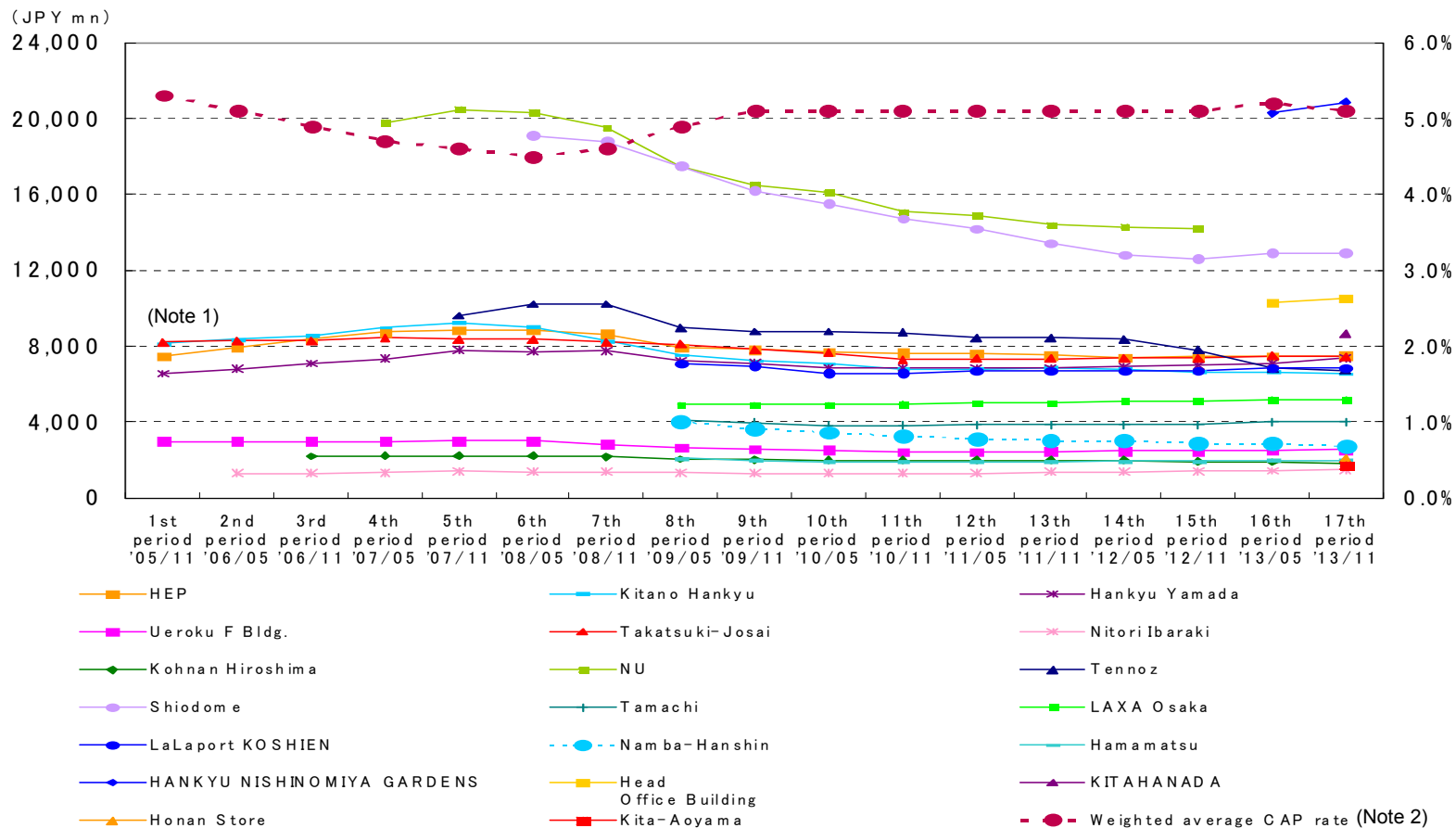


< Properties that mainly use the long-term, fixed rent systems >

Name	Main rent system	Present conditions
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. Contract ended for the leased land in January 2014, but an agreement to conclude a new land lease contract for 30 years was made.
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. Part of tenants are planned to be replaced in spring 2014 due to having an impact from the opening of competitive facilities.
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, relatively unaffected by the menu falsifying incident.
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 stable at a high level and the 17th fiscal period's average was high at 99.0%. Listed in the hotel section of "MICHELIN Guide Tokyo Yokohama Shonan 2014" for 3 consecutive years, 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 sheet is in a tough situation and cooperation with Kohnan had been underway. On the tenant side, efforts for balance improvement such as reduction of labor cost, reduction of selling/general and administrative expenses and utilization of parking space (subleasing) have been implemented, while we carried out 10% rent reduction at the time of rent revision in August. We plan to continue cooperating for further enhancement of balance sheet.
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.). With sufficient facilities such as parking space, meeting rooms, it provides a wide range of accommodation plans and its occupancy rate remains at high level in the Hamamatsu 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. Although rent revision timing was in October, it was not implemented.
AEON MALL SAKAIKITAHANADA (site) RSC (Regional shopping centers)	Long-term, fixed	Stable rent income since limited proprietary right of land of shopping center, which occupies most of the site, is under contract for general fixed-term land lease for business use. Having advantaged market potentials, the shopping center is formed as a specialty shop of about 160 shops with AEON and Hankyu Department Store as the core tenants.
MANDAI Toyonaka Honan Store (site) NSC (Neighborhood shopping centers)	Long-term, fixed	Opened on October 4, the sales have been strong according to the tenant. As a community-based retail facility, it houses shops closely related to daily life such as a grocery supermarket, a drugstore and a dry cleaner. Stable rent income based on a contract for fixed-term land lease for business use with Mandai Co., Ltd.



Increase of appraisal value by 0.7%  
Decrease of CAP rate for 10 out of 16 properties



(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 equity ratio ownership of 14%. For comparison, 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.

# 3-5. List of Appraisal Values

(Unit : JPY mn)

	Acquisition price	End of previous period (16th fiscal period-end)	Cap rate (Note 1)	② End of current period (17th fiscal period-end)	Cap rate (Note 1)	Change (②-①) (Note 2)	Change (②-①)/① (Note 2)	③ Value recorded on the balance sheet at end of current period	Unrealized income/loss ②-③	Value to book ratio ②/③
HEP Five ( 14% of the quasi co-ownership of the trust beneficiary interests)	6,468	7,462	4.5%	7,490	4.4%	28	0.4%	5,821	1,668	128.7%
Kitano Hankyu Building	7,740	6,650	5.5%	6,560	5.4%	-90	-1.4%	7,708	-1,148	85.1%
Dew Hankyu Yamada	6,930	7,100	5.4%	7,370	5.3%	270	3.8%	5,903	1,466	124.8%
Takatsuki-Josai Shopping Center	8,600	7,497	5.7%	7,460	5.7%	-37	-0.5%	7,582	-122	98.4%
Ueroku F Building	2,980	2,500	6.0%	2,560	5.9%	60	2.4%	2,800	-240	91.4%
Nitori Ibaraki-Kita Store (Site)	1,318	1,435	6.3%	1,488	6.2%	53	3.7%	1,340	147	111.0%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,890	6.7%	1,840	6.5%	-50	-2.6%	2,280	-440	80.7%
Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,831	4.7%	6,699	4.7%	-132	-1.9%	8,705	-2,006	77.0%
Shiodome East Side Bldg.	19,025	12,900	4.7%	12,900	4.7%	0	0.0%	18,076	-5,176	71.4%
Hotel Gracery Tamachi	4,160	4,000	5.2%	4,010	5.2%	10	0.3%	3,923	86	102.2%
LAXA Osaka	5,122	5,200	5.8%	5,190	5.7%	-10	-0.2%	4,631	558	112.0%
LaLaport KOSHIEIN (site)	7,350	6,850	4.9%	6,850	4.9%	0	0.0%	7,748	-898	88.4%
Namba-Hanshin Building	4,310	2,860	5.5%	2,710	5.4%	-150	-5.2%	4,023	-1,313	67.3%
Richmond Hotel Hamamatsu	2,100	1,982	6.2%	1,982	6.2%	0	0.0%	1,690	291	117.2%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	20,272	5.2%	20,860	5.1%	588	2.9%	18,319	2,540	113.9%
Hankyu Corporation Head Office Building	10,200	10,300	4.9%	10,500	4.8%	200	1.9%	10,201	298	102.9%
AEON MALL SAKAIKITAHAHADA (site)	8,100	-	-	8,650	4.9%	-	-	8,189	460	105.6%
MANDAI Toyonaka Honan store (site)	1,870	-	-	2,100	5.1%	-	-	1,889	210	111.2%
Kita-Aoyama 3 cho-me Buiding	1,680	-	-	1,700	4.1%	-	-	1,751	-51	97.1%
<b>Total</b>	<b>127,834</b>	<b>105,729</b>	<b>5.2%</b>	<b>118,919</b>	<b>5.1%</b>	<b>740</b>	<b>0.7%</b>	<b>122,589</b>	<b>-3,670</b>	<b>97.0%</b>

(Note 1) Cap rates are cap rates and discount 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 KOSHIEIN (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) For "Change", figures for properties acquired during this fiscal period (AEON MALL SAKAIKITAHAHADA (site), MANDAI Toyonaka Honan Store (site), Kita-Aoyama 3 cho-me Building) are excluded.





## 4. Financial Strategies

## Basic Financial Policy

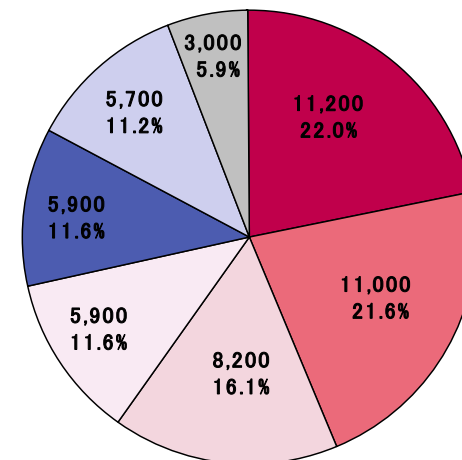
- Maintain sound financial position
- Maintain favorable trading relationship with financial institutions
- Realize lower fund procurement costs (effective use of security deposits/guarantees)
- Reduce financing risks (diversification of debt repayment dates)
- Reduce interest rate risks (focus on long-term,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

	As of end of 16th period	As of end of 17th 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)	1.27%	1.27%
Avg. debt financing cost (including investment corporation bonds)	1.33%	1.34%
Avg. remaining years on long-term loans payable and investment corporation bonds	2.0 years	2.2 years
Long-term debt ratio	93.0%	98.2%
Fixed debt ratio	73.3%	78.6%
LTV	53.5%	48.6%
Interest-bearing debt ratio	46.7%	43.2%
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 November 30, 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 Bank, Ltd.
- Sumitomo Mitsui Trust Bank, Limited
- The Senshu Ikeda Bank, Ltd.

Total JPY 50.9bn

### Registration for Issuance of Investment Corporation Bonds

Planned value of issuance (upper limited):

JPY 100,000 mn

Planned issuance period: Dec. 19, 2013 to Dec. 18, 2015

## Acquisition of new credit rating from Japan Credit Rating Agency, Ltd. (JCR) (as of December 11, 2013)

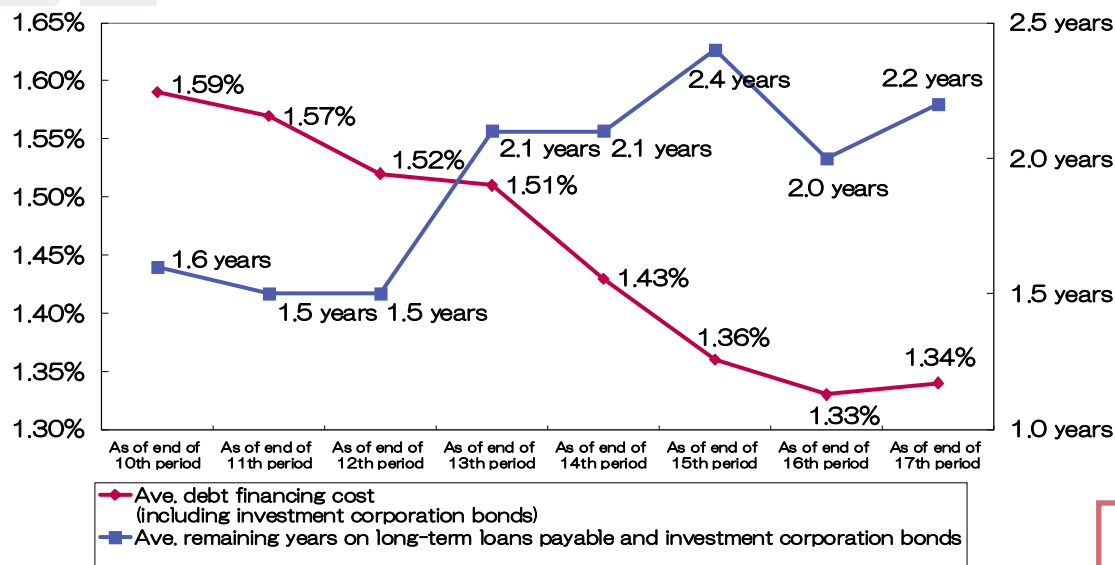
Rating agency	Rating category	Rating
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	A A - (Outlook of rating: Stable)

Upon acquiring a new credit rating, the following points were emphasized in presentation.

- Our aim is to embody investment strategies and growth strategies utilizing management capabilities such as planning ability and operational management inherited from real estate business of our main sponsor Hankyu Hanshin Holdings Inc.
- Improvement realized in NOI yield of our portfolio by implementing measures for improvement of portfolio's earning ability (assets replacement in April 2013) through a collaboration with the sponsor group as well as return to the growth path by improving LTV through capital increase with implementation of public offering in June 2013 and property acquisitions.
- Our intention for expansion and growth of our portfolio by agile acquisition of quality properties through utilization of real estate network and warehousing functions of the sponsor group in order to achieve future external growth.
- Our intention to secure solid refinancing, extending debt period, diversification of repayment dates, reduction of debt financing cost, and diversification of fund procurement methods with a close collaboration with financial institutions aiming for stable financial management.

As of November 30, 2013

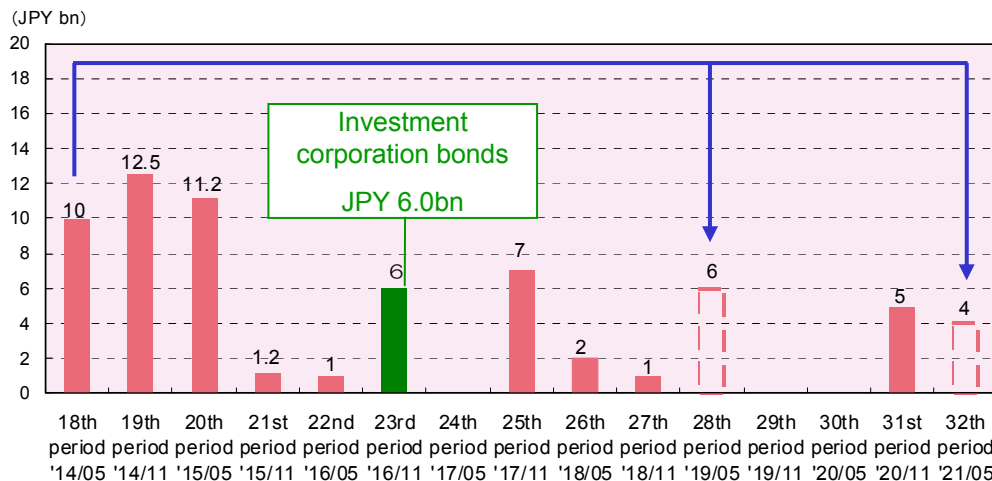
## Trend of Debt Financing Costs and Avg. Remaining Years



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

- Refinanced a long-term borrowing of JPY 4 billion maturing December 24, 2013 with a long-term borrowing (7 years).
- Refinanced a long-term borrowing of JPY 5 billion maturing January 21, 2014 with a long-term borrowing (5 years).
- Plan to refinance a short-term borrowing of JPY 1 billion maturing January 23, 2014 with a long-term borrowing (5 years)

## Diversification of Repayment Dates

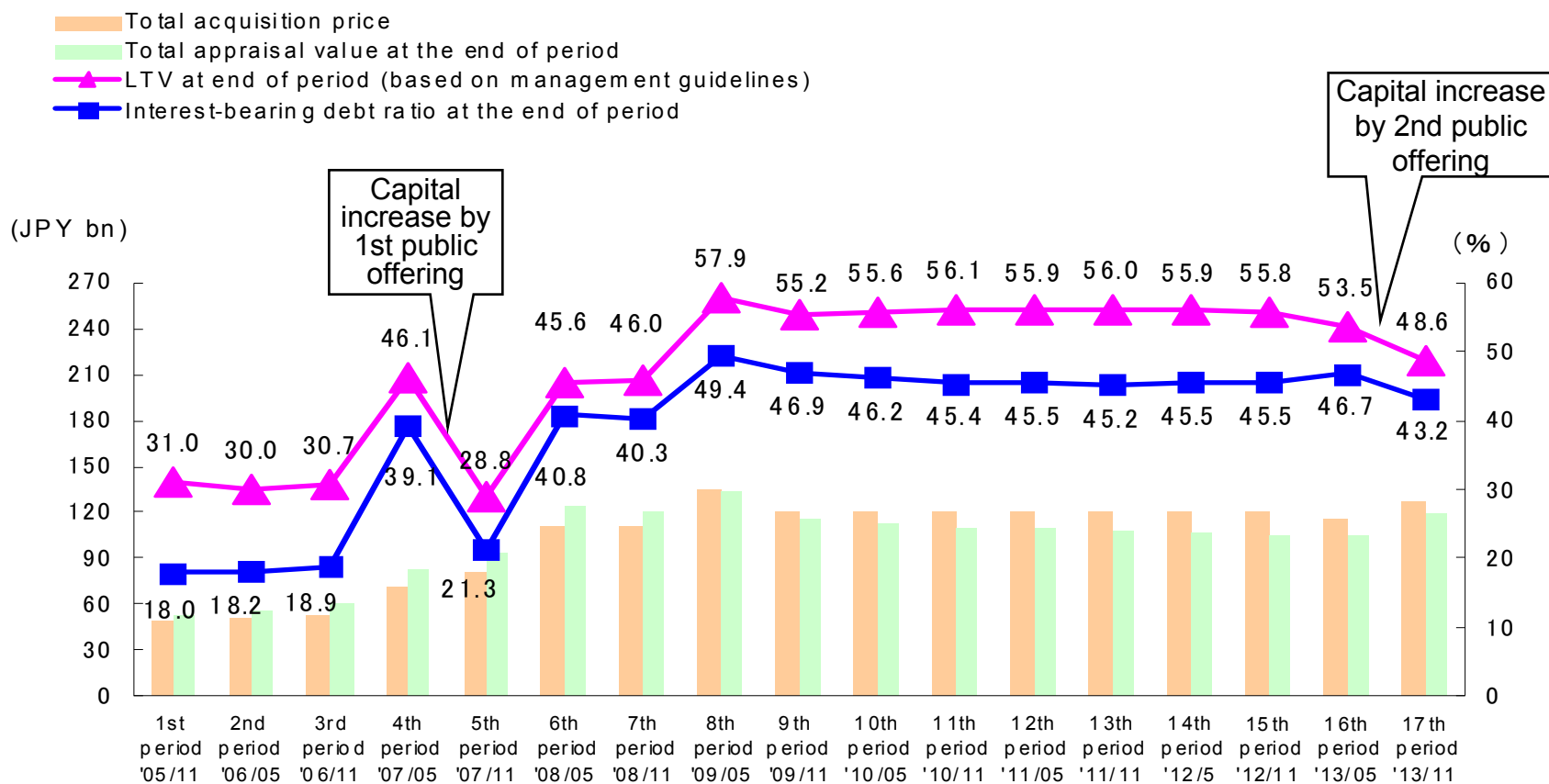


→ The average remaining years is expected to be extended to 2.7 years as of the end of the 18th FP (end of May 2014).





# 4-4. 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	19
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LTV improved significantly



## 5. Overview of Financial Results for the 17th Fiscal Period

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(Unit:JPY mn)

Item	Forecast for 17th Fiscal Period <sup>①</sup> (as of Jul.19, 2013)	Results for 17th Fiscal Period <sup>②</sup> (Jun.1, 2013 to November. 30, 2013)	Change ②-①
Operation period (days)	183	183	—
Operating revenues	4,529	4,545	16
Operating income	1,793	1,812	19
Ordinary income	1,337	1,367	29
Net income	1,336	1,366	29
Number of outstanding investment units at end of fiscal period (units)	105,200	105,200	—
Distribution per unit (JPY)	12,700	12,985	285
FFO per unit (JPY)	21,687	21,959	271

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

① Sphere Tower Tennoz +JPY 12 mn  
Dew Hankyu Yamada +JPY 8 mn

② Decrease in interest payment +JPY 3 mn

## Income statement

(Unit: JPY mn)

Item	16h Fiscal Period (Operation period:183 days) Dec. 1, 2012 to May. 31, 2013		17th Fiscal Period (Operation period:183 days) Jun. 1, 2013 to Nov. 30, 2013		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	8,088	100.0	4,545	
Lease operating revenues	4,556		4,536		
Income on sale of real estate, etc.	3,492		—		
Distribution revenue of silent partnership	40		9		
2. Operating expenses	6,621	81.9	2,732	60.1	-3,888
Lease operating costs	2,787		2,353		
Loss on sale of real estate	3,470		—		
Asset management remuneration	272		285		
Officer remuneration	3		3		
Asset consignment remuneration	16		16		
Administrative agency remuneration	30		30		
Auditor remuneration	7		7		
Other operating expenses	32		36		
Operating income	1,466	18.1	1,812	39.9	346
3. Non-operating revenues	1	0.0	2	0.0	0
Interest earned	0		0		
Other non-operating revenues	0		1		
4. Non-operating expenses	458	5.7	447	9.8	-11
Interest expenses	345		344		
Loan related expense	30		39		
Interest due on investment corporation bonds	38		37		
Amortization of investment corporation bond issuance costs	3		3		
Investment unit issue costs	28		16		
Other expenses	13		5		
Ordinary income	1,009	12.5	1,367	30.1	357
Pretax net income for current period	1,009		1,367		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	-0		-0		
Net income for current period	1,008	12.5	1,366	30.1	357
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,008		1,366		

Lease operating revenues / expenses  
Breakdown: See pages 37 and 38

## Cash distribution statement

(Unit: JPY thousand)

Item	16th Fiscal Period	17th Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,008,275	1,366,086	357,811
Distributions	1,008,232	1,366,022	357,789
(Distribution per unit (JPY))	(11,806)	(12,985)	(1,179)
Retained earnings carried forward	43	64	21

## (Main factors for increase/decrease)

## ① Decrease of operating revenues

Decrease of income on real estate sale (HEP) -JPY3,492mn

## ② Decrease of operating expenses

Decrease of loss on real estate sale (NU) -JPY 3,470 mn

## ③ Increase of operating income

Period-through contribution by properties acquired in the 16th FP  
+JPY 541mn

(Nishinomiya G+361, Hankyu Corporation Head Office Building +180)

Profit from 2 properties acquired by capital increase through public offering  
+JPY 246 mn

(Kitahanada+217, Honan-cho+28)

Decrease by sales of properties in the 16th FP -JPY 207 mn  
(HEP-145, NU-61)

Decrease of Kitahanada's distribution revenue of silent partnership  
-JPY 31mn

Decrease of income/loss on real estate sale -JPY 21mn  
Sphere Tower Tennoz (mainly due to decreased occupancy rate)  
-JPY 84mn

Ueroku, Kitano, Yamada, Namba, (mainly due to increased repairing cost)  
-JPY79mn





# 5-3. Balance Sheet

(Unit: JPY mn)

Item	16th Fiscal Period (as of May. 31, 2013)		17th Fiscal Period (as of Nov. 30, 2013)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
<b>Assets</b>					
<b>I Current assets total</b>	9,018	7.4	8,927	6.8	-91
Currency and demand deposit	1,939		2,078		
Currency and demand deposit in trust	6,467		6,648		
Operational income receivable	316		4		
Deposit paid	119		95		
Prepaid expense	142		87		
Deferred income tax assets	32		12		
<b>II Fixed assets total</b>	112,736	92.6	122,712	93.2	9,976
<b>1. Tangible fixed assets</b>					
Buildings	2,111		2,247		
Structures	269		267		
Tools, furniture and fixtures	0		0		
Land	7,938		9,482		
Buildings in trust	31,826		31,148		
Structures in trust	659		639		
Machinery and equipment in trust	236		222		
Tools, furniture and fixtures in trust	61		66		
Land in trust	67,388		77,467		
Trust construction account	0		0		
Tangible fixed assets total	110,494	90.7	121,542	92.3	11,048
<b>2. Intangible fixed assets</b>					
Land leasehold	957		957		
Others	94		89		
Intangible fixed assets total	1,051	0.9	1,047	0.8	-4
<b>3. Investments, other assets</b>					
Investment securities	1,119		-		
Long-fiscal period prepaid expenses	61		112		
Guarantee money deposit	10		10		
Investment, other assets total	1,190	1.0	122	0.1	-1,067
<b>III Total deferred assets</b>	22	0.0	18	0.0	-3
Investment corporation bond issuance costs	22		18		
<b>Assets total</b>	121,777	100.0	131,658	100.0	9,881

(Unit: JPY mn)

Item	16th Fiscal Period (as of May. 31, 2013)		17th Fiscal Period (as of Nov. 30, 2013)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
<b>Liabilities</b>					
<b>I Current liabilities total</b>	17,722	14.6	24,416	18.5	6,693
Operating accounts payable	435		624		
Short term loans payable	4,000		1,000		
Long term loans payable (return within 1 year)	12,000		21,500		
Accrued dividend	10		10		
Accrued expenses	169		178		
Income taxes payable	1		1		
Accrued consumption tax	21		55		
Advance received	615		629		
Current deposit received	5		0		
Security deposits (return within 1 year)	463		415		
<b>II Total noncurrent liabilities</b>	47,701	39.2	41,560	31.6	-6,140
Investment corporation bonds	6,000		6,000		
Long term loans payable	34,900		28,400		
Security deposits	1,457		1,478		
Security deposits in trust	5,343		5,682		
<b>Liabilities total</b>	65,423	53.7	65,976	50.1	552
<b>Net assets</b>					
<b>I Unitholders capital</b>	55,344	45.4	64,316	48.9	8,972
<b>II Total surplus</b>	1,008	0.8	1,366	1.0	358
Unappropriated income for current period	1,008		1,366		
<b>Net assets total</b>	56,353	46.3	65,682	49.9	9,329
<b>Liabilities and net assets total</b>	121,777	100.0	131,658	100.0	9,881

**Interest-bearing liabilities**  
56,900mn

**Total security deposits**  
JPY 7,575 mn  
↓  
JPY 3,101 mn was allocated for property acquisitions



# 5-4. Income and Expenditure by Property ①

(Unit: JPY mn)

Item	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kitano Hankyu Bldg.	Dew Hankyu Yamada	Takatsuki-Josai SC	Nitori Ibaraki- Kita Store (site) (Note 1)	Kohnan Hiroshima Nakano-Higashi Store (site)	Hotel Gracery Tamachi	LaLaport KOSHIIEN (site)	Richmond Hotel Hamamatsu (Note 1)
Number of operating days of 17th fiscal period	183	183	183	183	183	183	183	183	183
Lease operating revenues total	310	571	388	284		72	121	257	
Income from lease	248	373	255	283		72	116	257	
Utilities expense income	16	141	63	—		—	—	—	
Other incomes	45	55	70	0		0	4	0	
Lease operating costs total	197	442	256	144		6	54	106	
Property/Facility management fees	43	111	78	10		0	1	1	
Utilities expense	26	180	63	0		—	—	—	
Rent paid	2	0	1	21		—	—	0	
Advertising and promotion expenses	26	1	0	—		—	—	—	
Repair expense	15	23	20	9		—	0	—	
Nonlife insurance premium	0	2	1	1		—	0	0	
Tax and public dues	22	50	26	26		6	14	102	
Other expenses	8	1	3	0		—	0	1	
Depreciation	51	71	62	75		—	36	0	
Lease operating income	112	128	132	139		65	67	150	
NOI (Lease operating income + Depreciation)	163	199	194	214	60	65	103	151	65
Capital expenditure	8	28	16	1	—	—	—	—	—

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

# 5-4. Income and Expenditure by Property ②

(Unit: JPY mn)

Item	NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	AEON MALL SAKAI KITAHANADA (site) (Note 1)	Mandai Toyonaka Honan Store (site) (Note 1)	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)	LAXA Osaka	Namba-Hanshin Building	Kita-Aoyama 3 cho-me Bldg. (Note 1)	Total (19 properties)
Number of operating days of 17th fiscal period	183	157	157	183	183	183	183	183	183	19	—
Lease operating revenues total	618			407	359	137	217	254	146		4,536
Income from lease	617			378	359	117	169	254	121		4,013
Utilities expense income	—			27	—	12	14	—	9		285
Other incomes	0			2	—	7	33	—	14		237
Lease operating costs total	149			198	114	127	168	175	143		2,353
Property/Facility management fees	0			18	1	22	23	2	23		345
Utilities expense	—			32	—	12	51	—	19		386
Rent paid	6			0	—	—	—	18	—		51
Advertising and promotion expenses	—			—	—	—	—	—	—		28
Repair expense	1			0	5	41	5	19	21		163
Nonlife insurance premium	3			0	1	0	0	3	0		17
Tax and public dues	—			21	—	12	29	49	18		391
Other expenses	0			2	0	1	2	1	1		26
Depreciation	138			121	105	36	55	81	58		943
Lease operating income	468			208	245	10	49	78	2		2,183
NOI (Lease operating income + Depreciation)	606	217	28	330	350	46	104	160	61	—	3,126
Capital expenditure	16	—	—	1	3	2	38	8	31	—	157

## (Main capital expenditure)

### Kitano Hankyu Building

Renewal work for water pumping pipe for lower floors JPY15 mn

### Dew Hankyu Yamada

Floor expansion work for shop tenant on the 1<sup>st</sup> floor JPY 14 mn

### Sphere Tower Tennoz

Renewal work for gondola JPY 20 mn

### Namba-Hanshin Building

Renewal work for automatic fire alarm switchboard JPY 30 mn



Item	16th Fiscal Period	17th Fiscal Period	Remarks
Operation period	182	183	16th fiscal period: Dec. 1, 2012 to May. 31, 2013 17th fiscal period: Jun. 1, 2013 to Nov. 30, 2013
Return On Assets (ROA)	0.8%	1.1%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	1.6%	2.2%	Calculated from duration of operation
Return On Equity (ROE)	1.8%	2.2%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	3.6%	4.5%	Calculated from days of operation
Ratio of net assets at end of period	46.3%	49.9%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	53.5% (50.8%)	48.6% (47.2%)	(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	46.7%	43.2%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	6.3times	7.0times	Pre-interest and pre-depreciation net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 2,782 mn	JPY 3,126mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY2,002 mn	JPY 2,310 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate



6. APPENDIX



# 6-1. Portfolio Status

(Comparison during End of 15th Fiscal Period and End of 17th Fiscal Period)

**End of 15th fiscal period**

**End of 16th fiscal period**

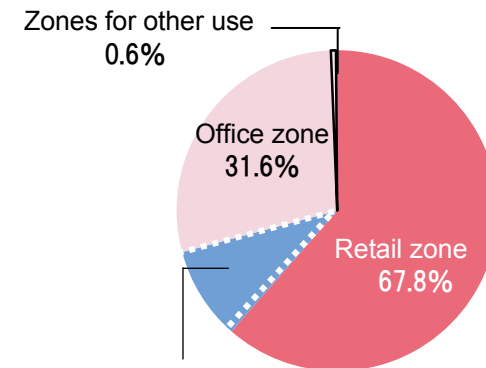
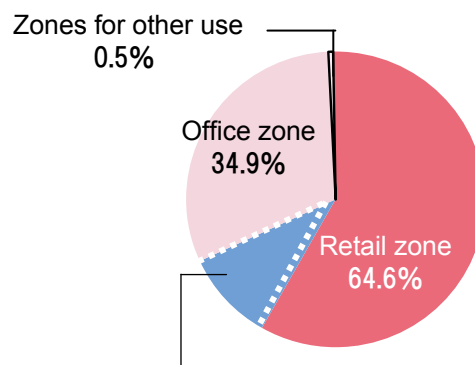
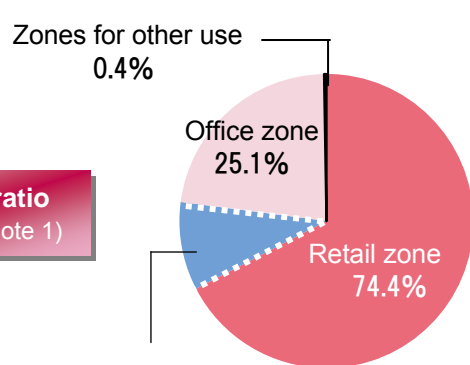
**End of 17th fiscal period**

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

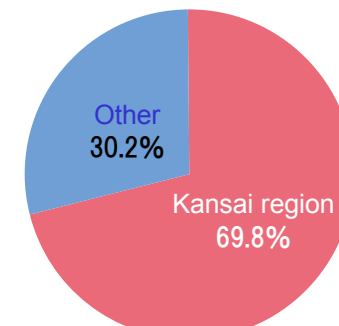
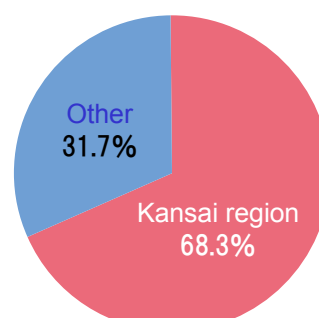
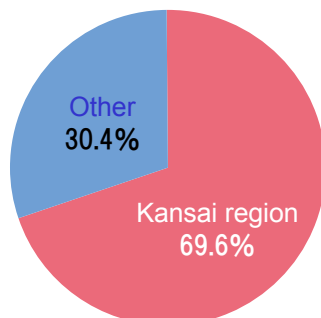
Total acquisition price : 116.18bn  
 Total number of properties: 16 properties  
 PML : 3.5%

Total acquisition price : 127.83bn  
 Total number of properties: 19 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.

Future property acquisition policy will remain unchanged from present 50% or more for retail zone and 50% or more in Kansai region. For areas, the Tokyo metropolitan area and other regional major cities such as Nagoya, Fukuoka, Hiroshima will be included as possible candidates.

# 6-2. Portfolio List (end of Fiscal Period) ①

As of November 30, 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)	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	15.1	6,337.37 (2,958.94)	100.0% (97.2%)	1 (130)	4.6%	Feb. 1, 2005	6,468	5.1%	7,490	4.4%
	R2(K)	Kitano Hankyu Bldg.	Kita Ward, Osaka City	Jun. 1985	28.5	28,194.15 (18,477.35)	100.0% (96.2%)	2 (22)	10.1%	Feb. 1, 2005	7,740	6.1%	6,560	5.4%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	10.2	13,027.28	100.0%	28	4.5%	Feb. 1, 2005	6,930	5.4%	7,370	5.3%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	10.7	31,451.81	100.0%	1	6.1%	Nov. 15, 2005	8,600	6.7%	7,460	5.7%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	1.0%	1,488	6.2%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki Ward, Hiroshima City	—	—	25,469.59	100.0%	1	—	Oct. 2, 2006	2,170	1.7%	1,840	6.5%
						60.14				Apr. 9, 2007	5			
	R8	Hotel Gracery Tamachi	Minato Ward, Tokyo	Sep. 2008	5.2	4,943.66	100.0%	1	10.2%	Dec. 25, 2008	4,160	3.3%	4,010	5.2%
	R9(K)	LaLaport KOSHIEEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.0%	Jan. 22, 2009	7,350	5.7%	6,850	4.9%
	R10	Richmond Hotel Hamamatsu	Naka Ward, Hamamatsu City	Sep. 2002	11.2	6,995.33	100.0%	1	13.9%	Jan. 22, 2009	2,100	1.6%	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	5.2	65,372.41	100.0%	1	9.2%	Apr. 16, 2013	18,300	14.3%	20,860	5.1%
	R12(K)	AEON MALL SAKAIKITA-HANADA (site)	Kita Ward, Sakai City	—	—	64,104.27	100.0%	2	—	June. 27, 2013	8,100	6.3%	8,650	4.9%
	R13(K)	MANDAI Toyonaka Honan store (site)	Toyonaka city, Osaka Prefecture	—	—	8,159.41	100.0%	1	—	June. 27, 2013	1,870	1.5%	2,100	5.1%
Office Properties	O1	Shiodome East Side Bldg.	Chuo Ward, Tokyo	Aug. 2007	6.3	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	14.9%	12,900	4.7%
	O2(K)	Hankyu Corporation Head Office Building	Kita Ward, Osaka City	Sep. 1992	21.2	27,369.37	100.0%	1	3.7%	Apr. 10, 2013	10,200	8.0%	10,500	4.8%
Mixed-use Properties	M1(K)	Ueroku F Bldg.	Chuo Ward, Osaka City	Sep. 1993	20.2	4,611.82	97.2%	12	3.2%	Nov. 1, 2005	2,980	2.3%	2,560	5.9%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa Ward, Tokyo	Apr. 1993 (Note 6)	20.7	8,807.71	42.8%	21	2.7%	Oct. 2, 2007	9,405	7.4%	6,699	4.7%
	M3(K)	LAXA Osaka	Fukushima Ward, Osaka City	Feb. 1999	14.8	30,339.91	100.0%	1	3.4%	Jan. 22, 2009	5,122	4.0%	5,190	5.7%
	M4(K)	Namba-Hanshin Building	Chuo Ward, Osaka City	Mar. 1992	21.7	9,959.01 (6,456.88)	100.0% (94.9%)	1 (18)	4.5%	Jan. 22, 2009	4,310	3.4%	2,710	5.4%
	M5	Kita-Aoyama 3 cho-me Building	Minato Ward, Tokyo	Sep. 2013	0.2	619.76	100.0%	2	7.4%	Nov. 12, 2013	1,680	1.3%	1,700	4.1%
Total(at the end of 17th fiscal period)					12.1	477,703.07 (461,105.71)	98.9% (98.6%)	85 (251)	3.5%	—	127,834	100.0%	118,919	5.1%



- (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.

## Urban retail facilities

HEP Five



## Community-based retail facilities

HANKYU NISHINOMIYA GARDENS



Dew Hankyu Yamada



Kita-Aoyama 3 cho-me Building



Kitano Hankyu Building



AEON MALL SAKAI KITAHANADA (Site)







## Community-based retail facilities

LaLaport KOSHIEN (Site)



Mandai Toyonaka Honan Store (Site)



Takatsuki-Josai SC



Nitori Ibaraki-Kita Store (Site)



Kohnan Hiroshima Nakano-Higashi Store (Site)







## Hotel

LAXA Osaka



Hotel Gracery Tamachi



Richmond Hotel Hamamatsu



Shiodome East Side Building



## Office

Hankyu Corporation Head Office Building



Ueroku F Building



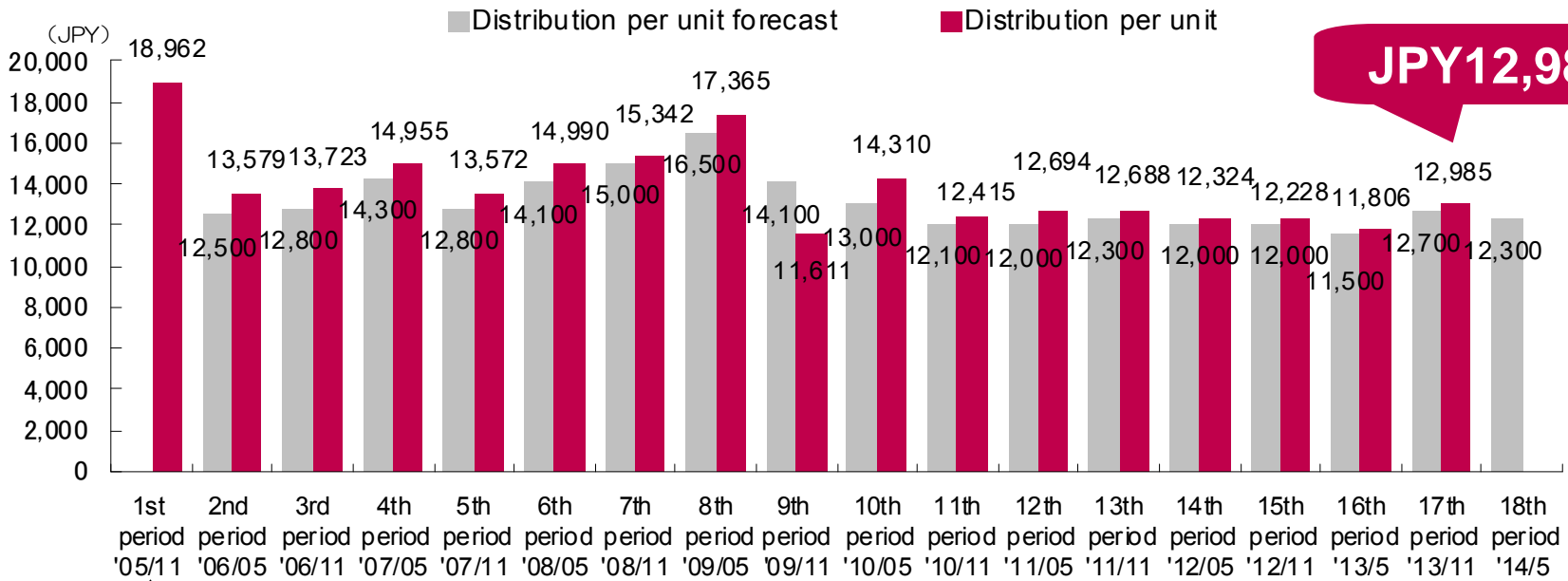
Namba-Hanshin Building



Sphere Tower Tennoz



# 6-4. Trends of Distribution per Unit



**JPY12,985**

Irregular period (303 days)

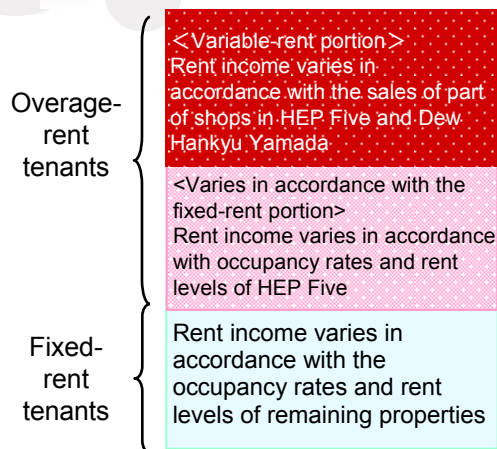
(Compared with 17th FP forecast: +JPY 285 per unit, net income +JPY 29 mn)

Increase in operating income	+JPY 19 mn
Decrease in non-operating expenses (Decrease in interest payment JPY 3 mn, etc.)	+JPY 9 mn

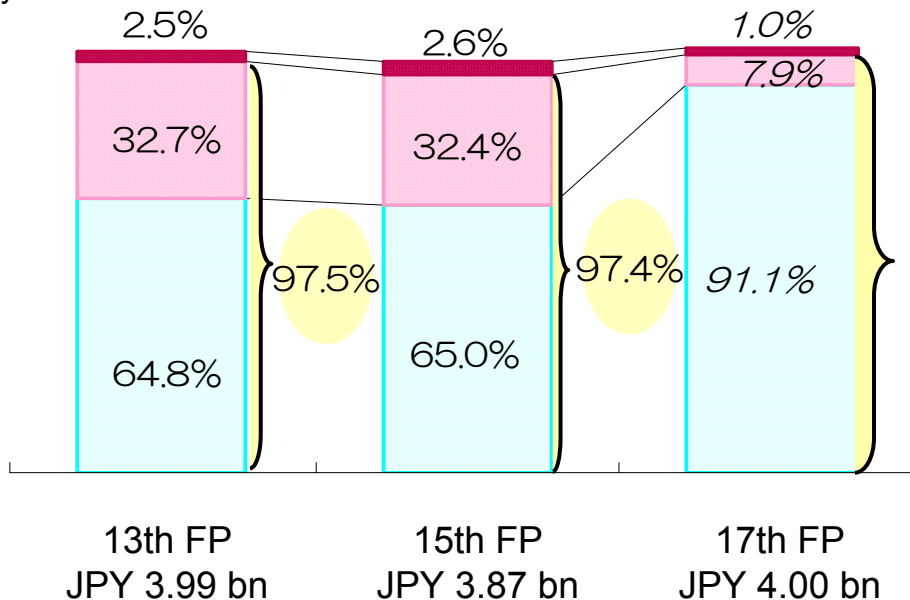
**Target a level of JPY 12,000 or more on an ongoing basis and aim for further increase**



## Income Ratio by Rent Category and Variation Factors

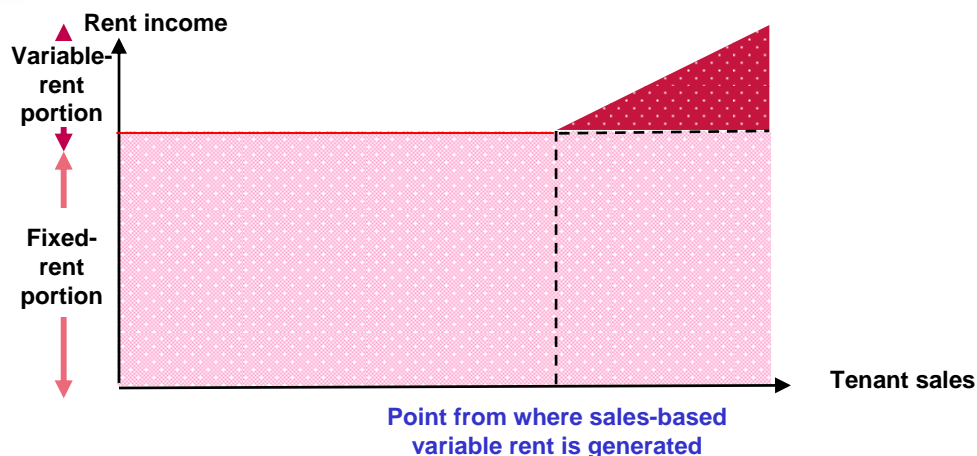


Total rent income (excluding warehouse income)



Actual fixed rent portion **99.0%**

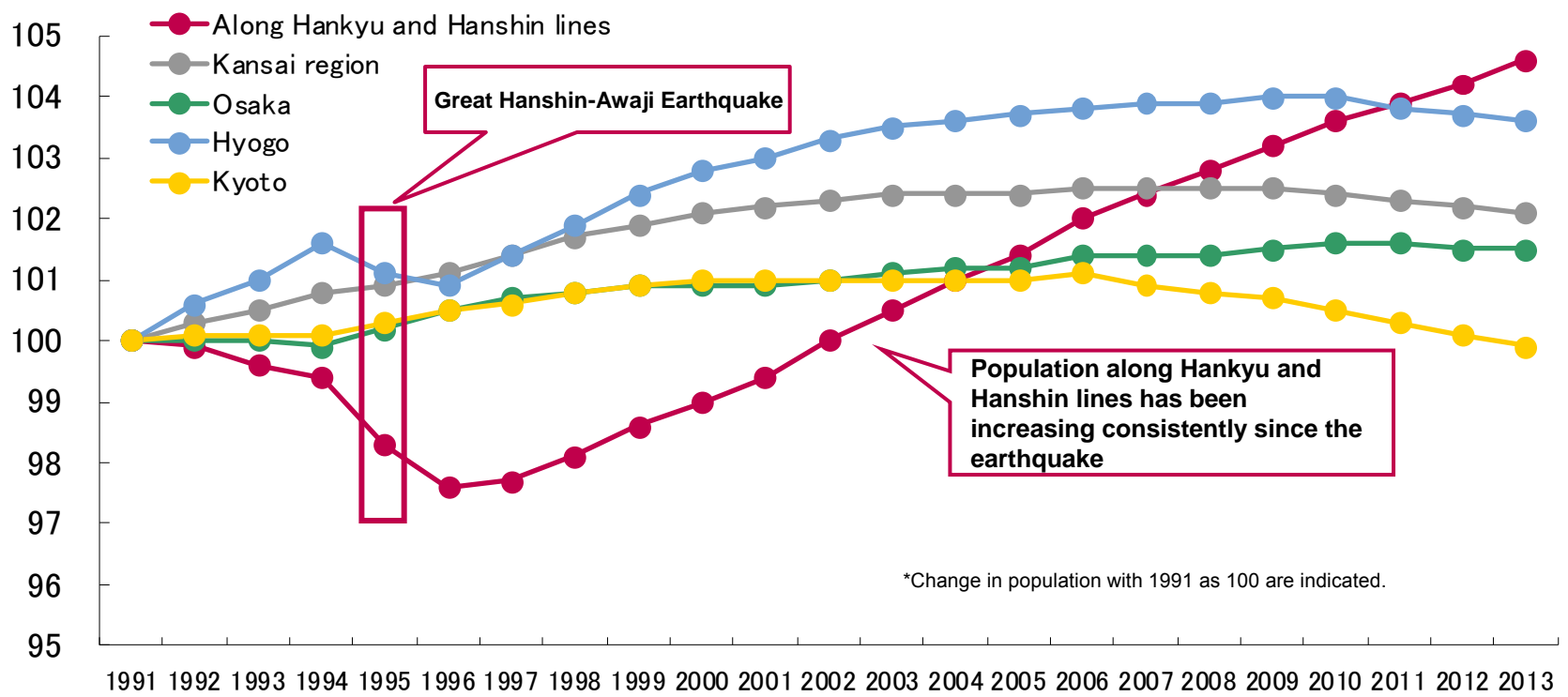
## Concept Diagram of General Sales-based Overage Rent System







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

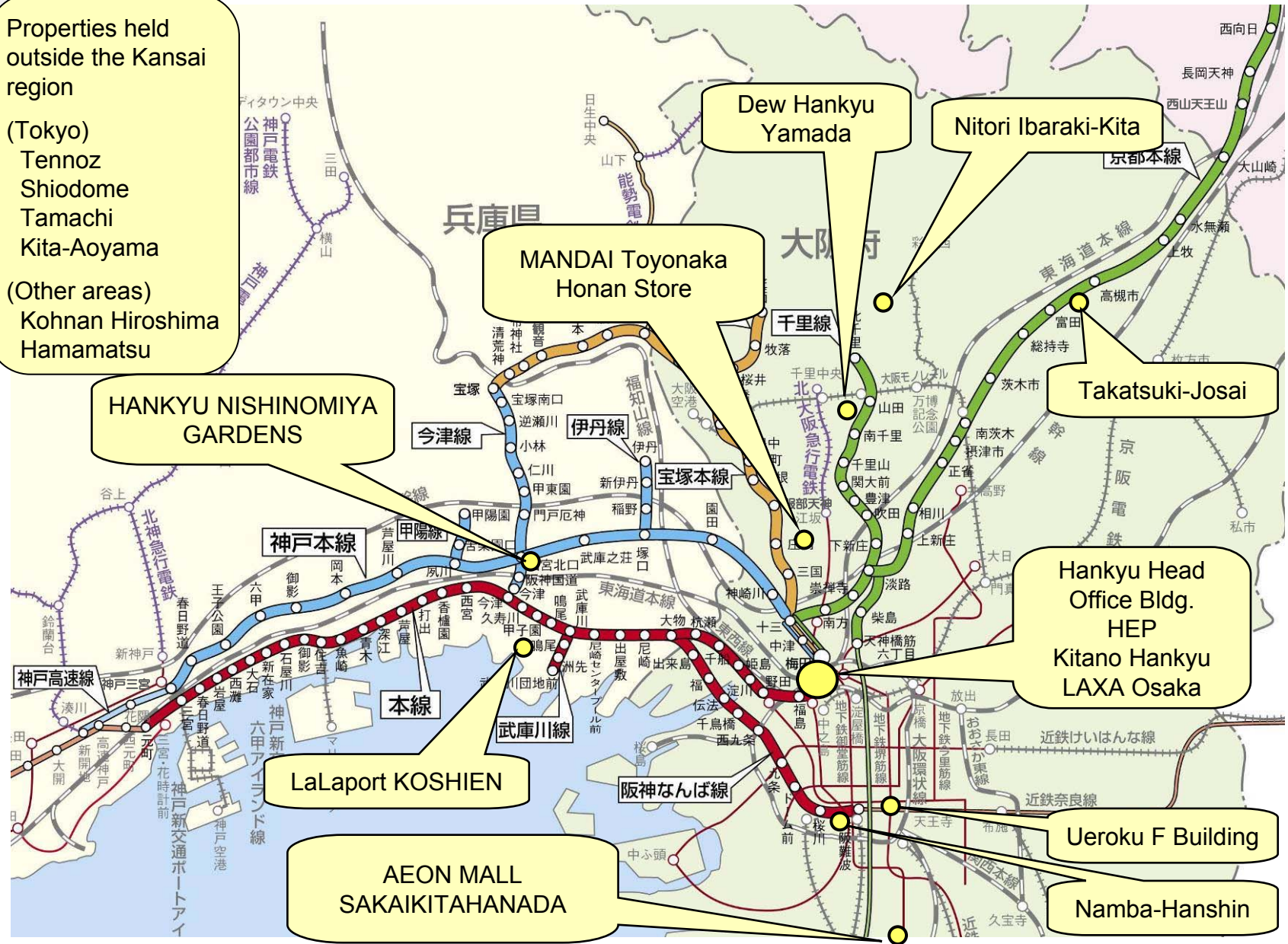


\*Change in population with 1991 as 100 are indicated.

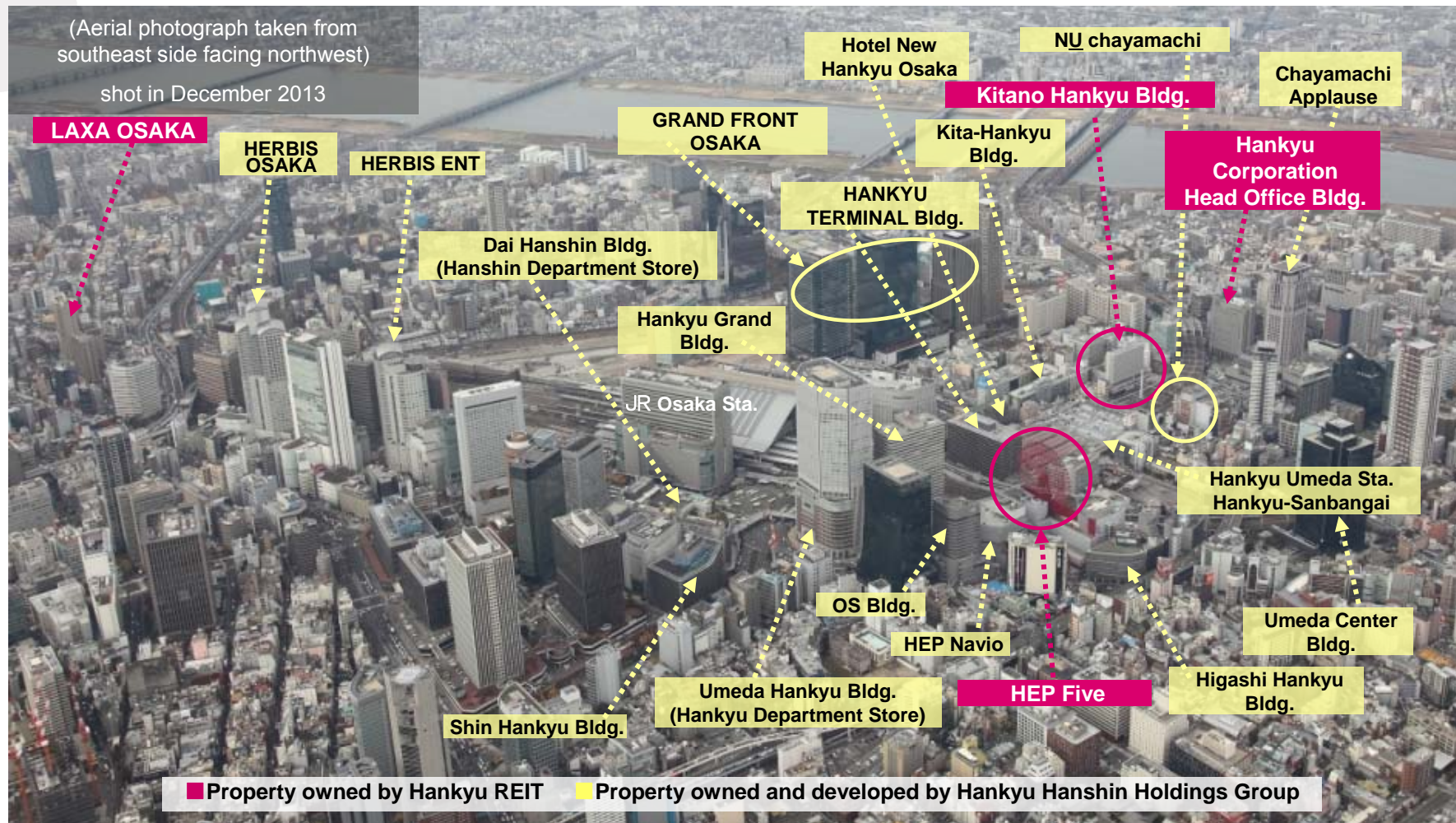


Properties held outside the Kansai region

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







### Present situation of Osaka/Umeda area

Although vacancy rates for office buildings is temporarily increasing with the opening of GRAND FRONT OSAKA, the contract rate of office building of GRAND FRONT OSAKA shows signs of increase. Osaka area as a whole is rejuvenating with active relocations to quake-resistant buildings with other advanced functions located in prime locations and other factors. Furthermore, the number of visitors to Osaka/Umeda area is on the rise and the number of visitors and shoppers are also surpassing that of last year at HEP Five, which Hankyu REIT owns.





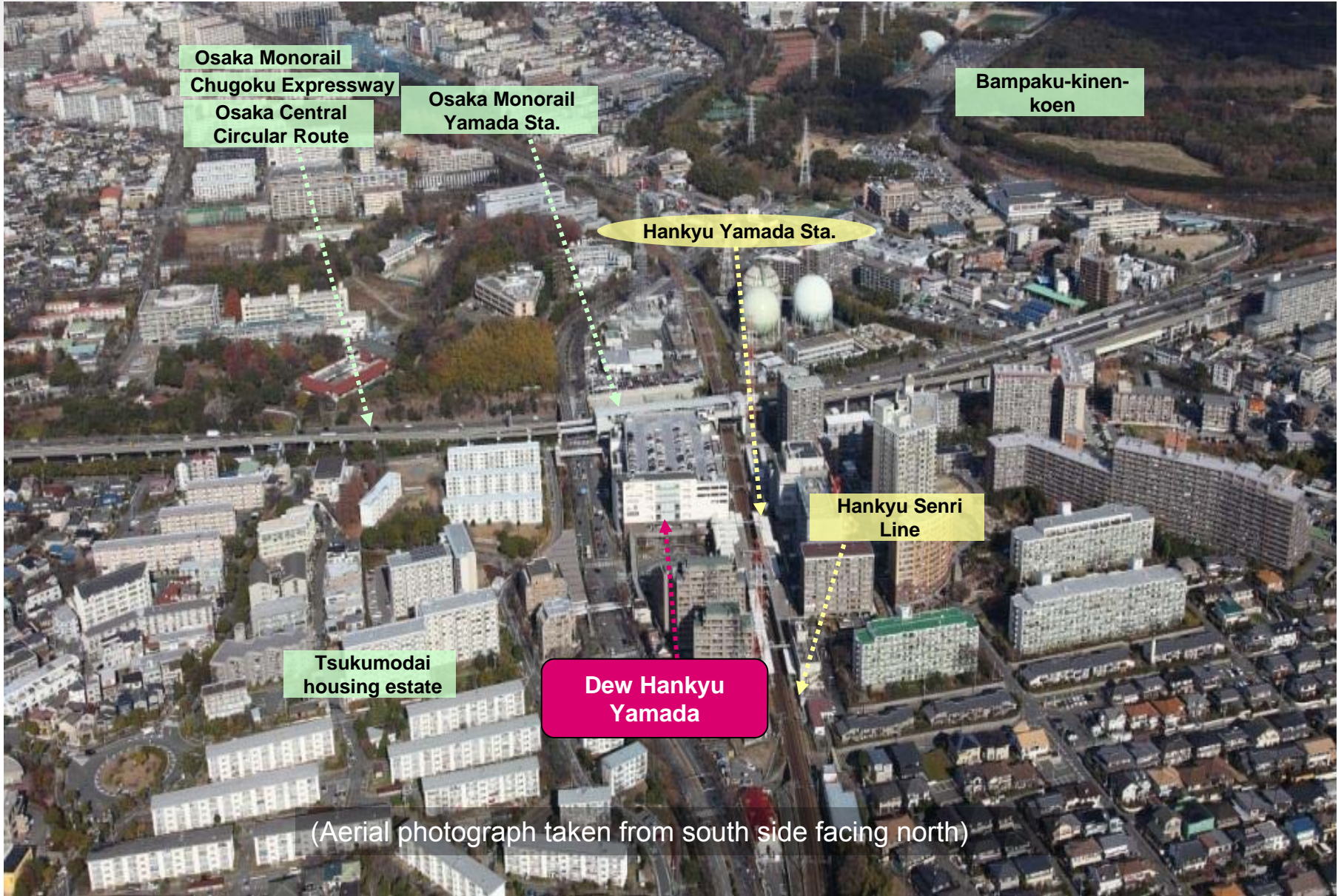




**AEON MALL  
SAKAI  
KITAHAHANADA  
(site)**

**Subway Midosuji Line  
Kitahanada Sta.  
(underground)**





(Aerial photograph taken from south side facing north)

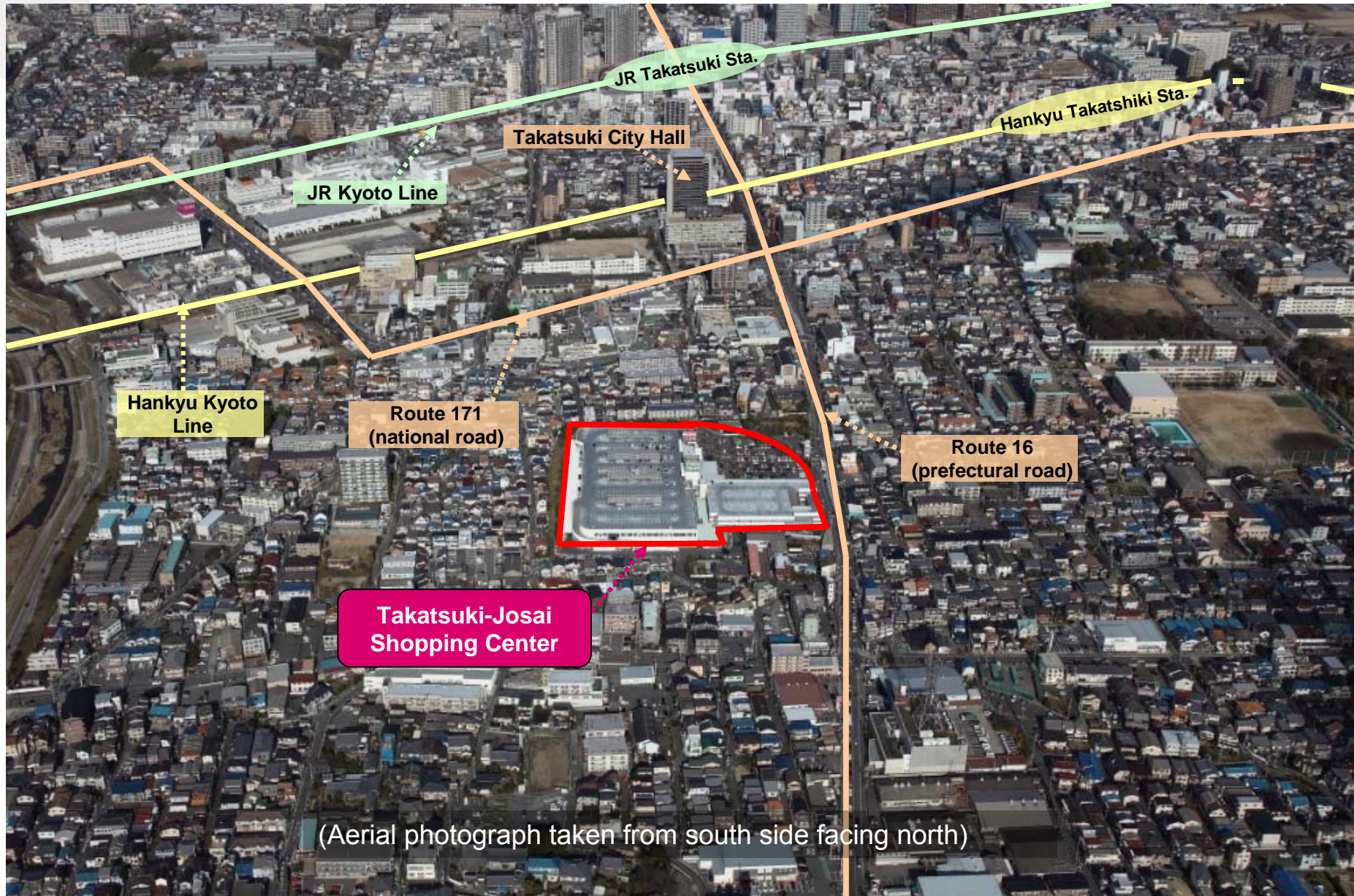




(Aerial photograph taken from south side facing north)



# 6-13. Takatsuki-Josai Shopping Center and Properties in Vicinity Hankyu REIT



(Aerial photograph taken from south side facing north)





(Aerial photograph taken from south side facing north)

As of November 30, 2013

Classification	Code	Name	Completion date	PML
Retail Properties	R 1 (K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Nov. 1998	4.6%
	R 2 (K)	Kitano Hankyu Bldg.	Jun. 1985	10.1%
	R 3 (K)	Dew Hankyu Yamada	Oct. 2003	4.5%
	R 4 (K)	Takatsuki-Josai Shopping Center	Apr. 2003	6.1%
	R 5 (K)	Nitori Ibaraki-Kita Store (site)	—	—
	R 6	Kohnan Hiroshima Nakanohigashi Store (site)	—	—
	R 8	Hotel Gracery Tamachi	Sep. 2008	10.2%
	R 9 (K)	LaLaport KOSHIE N (site)	—	6.0%
	R 10	Richmond Hotel Hamamatsu	Sep. 2002	13.9%
	R 11 (K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Oct. 2008	9.2%
	R 12 (K)	AEON MALL SAKAIKITA HANADA (site)	—	—
	R 13 (K)	MANDAI Toyonaka Honan store (site)	—	—
	Office Properties	O 1	Shiodome East Side Bldg.	Aug. 2007
O 2 (K)		Hankyu Corporation Head Office Building	Sep. 1992	3.7%
Mixed-use Properties	M 1 (K)	Ueroku F Bldg.	Sep. 1993	3.2%
	M 2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Apr. 1993	2.7%
	M 3 (K)	LAXA Osaka	Feb. 1999	3.4%
	M 4 (K)	Namba-Hanshin Building	Mar. 1992	4.5%
	M 5	Kita-Aoyama 3 cho-me Building	Sep. 2013	7.4%
Total(at the end of 17th fiscal period)				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:

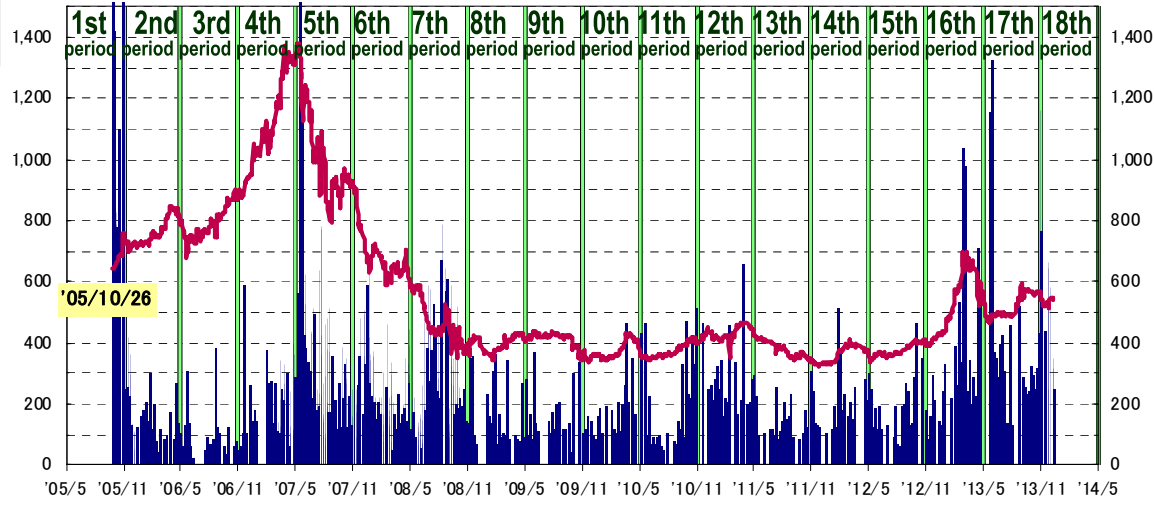
“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”



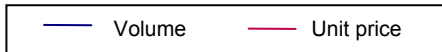
## Unit Price (closing price basis)

(Unit: JPY thousand)

(Units)



Source: QUICK



## Per Unit Trading Trends

(Oct 26, 2005-Jan 10, 2014)

High (closing price basis) JPY 1,380,000  
(June 2007)  
Low (closing price basis) JPY 325,000  
(December 2011)

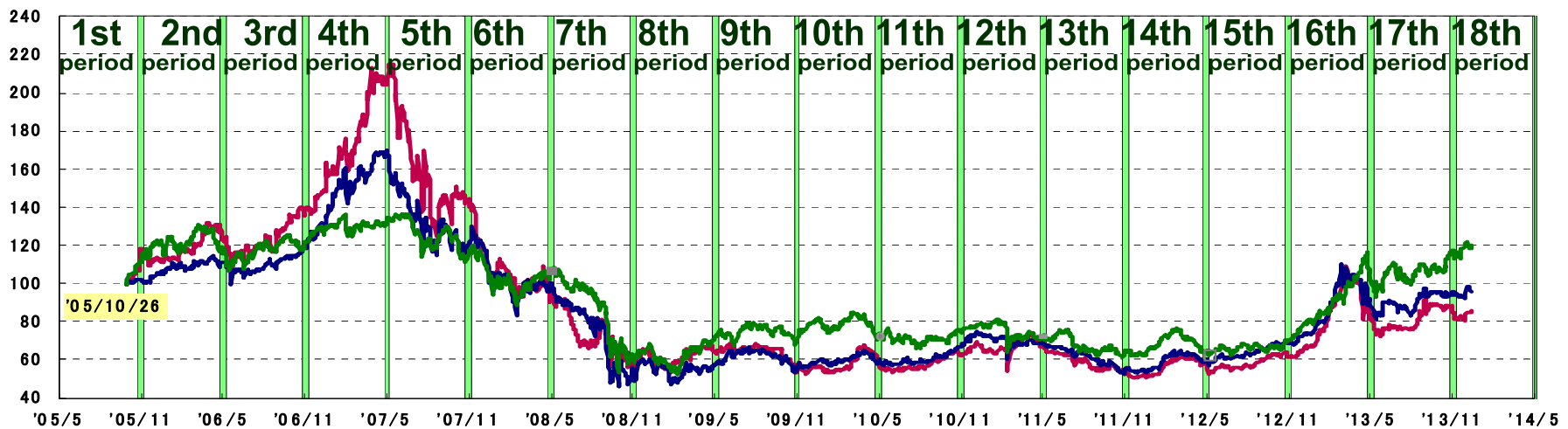
### During fiscal period

(June 1, 2013–November 30, 2013)  
High (closing price basis) JPY 591,000  
(Sep 30, 2013)  
Low (closing price basis) JPY 463,000  
(Jun 20, 2012)

Price on November 29, 2013 (closing price basis)

JPY 543,000

## Relative Price (closing price basis)



Source: QUICK, Tokyo Stock Exchange



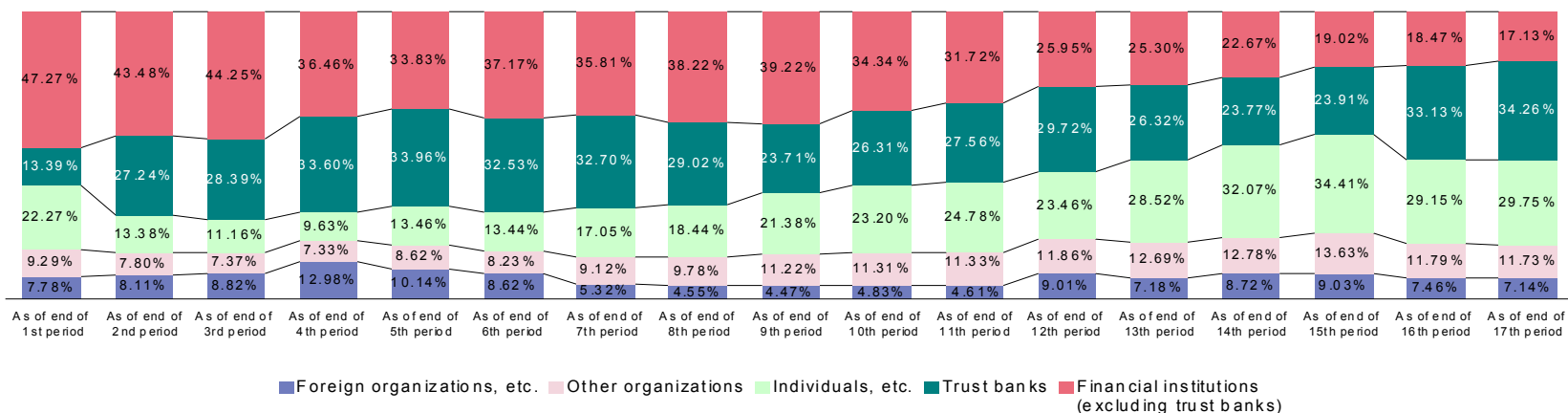
## Unitholder Composition

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)	68	0.64%	18,020	17.13%
Trust banks	8	0.08%	36,044	34.26%
Individuals, etc.	10,229	96.18%	31,294	29.75%
Other organizations	229	2.15%	12,335	11.73%
Foreign organizations, etc.	101	0.95%	7,507	7.14%
<b>Total</b>	<b>10,635</b>	<b>100%</b>	<b>105,200</b>	<b>100%</b>

## Top 10 Unitholders

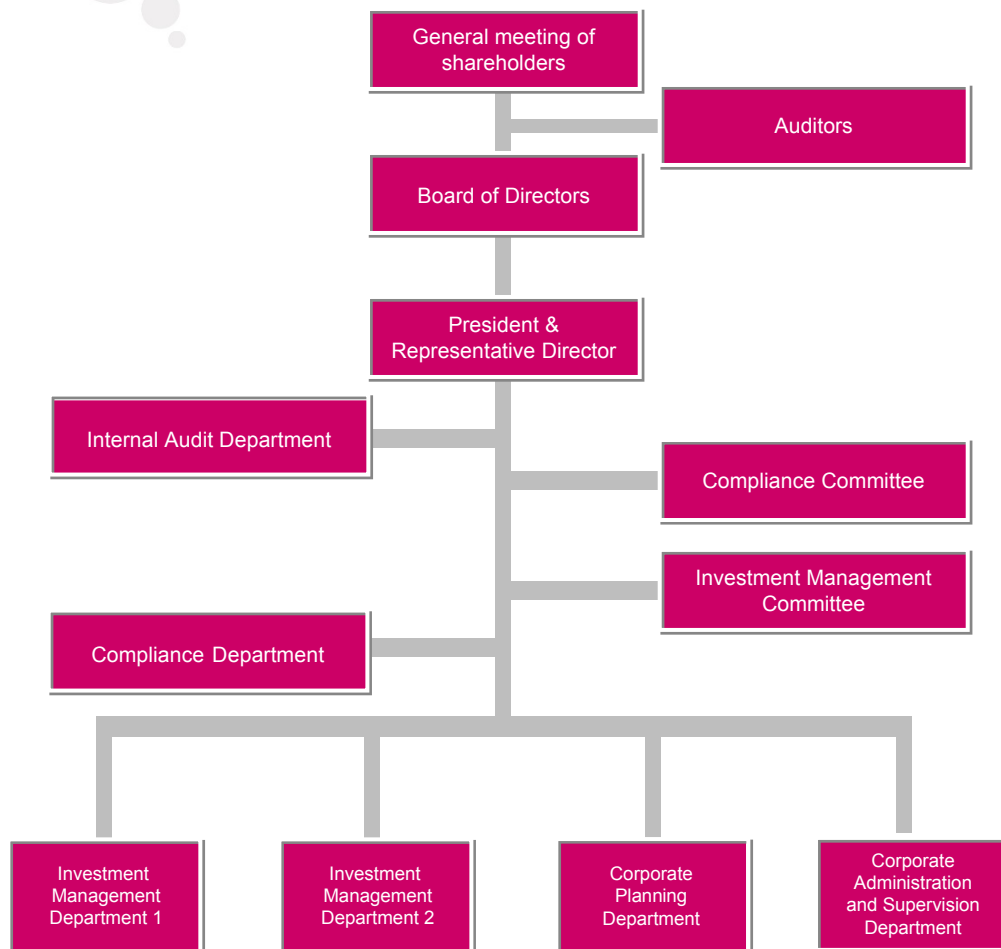
Unitholder name	Number of units held (units)	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	20,861	19.83%
The Master Trust Bank of Japan, Ltd. (Trust account)	7,275	6.92%
The Senshu Ikeda Bank, Ltd.	4,624	4.40%
Hankyu Corporation	4,200	3.99%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,732	3.55%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	3,523	3.35%
Fuji Fire And Marine Insurance Co., Ltd.	1,893	1.80%
Shikoku Railway Company	1,768	1.68%
Nippon Toshu Fukyu Co.,LTD.	1,241	1.18%
Nomura Bank (Luxembourg) S.A	1,136	1.08%
<b>Total investment</b>	<b>50,253</b>	<b>47.77%</b>
<b>Number of outstanding units</b>	<b>105,200</b>	<b>100%</b>

## Ratio of Units by Unitholder Category



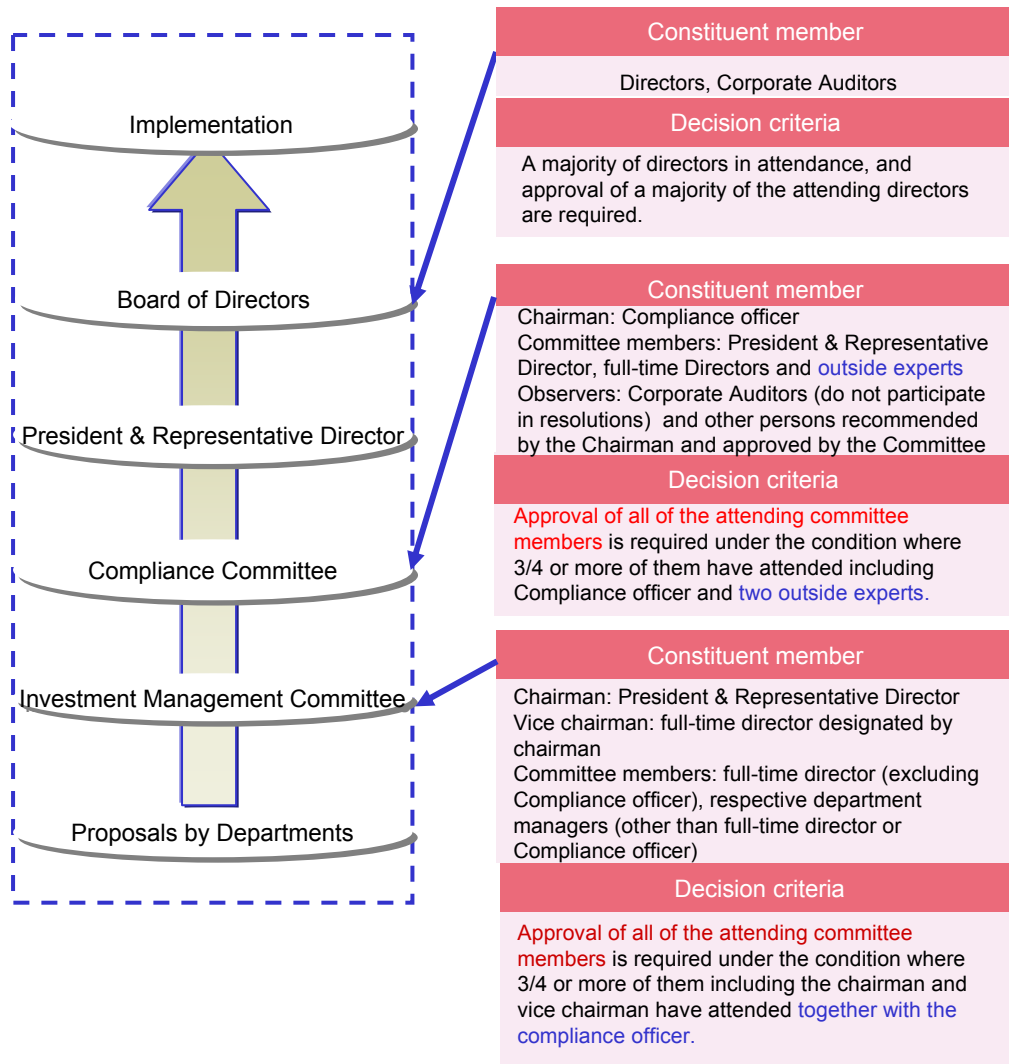


(As of November 30, 2013)



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	21	
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 check functions.  
Focus on promoting a compliance-conscious corporate culture.



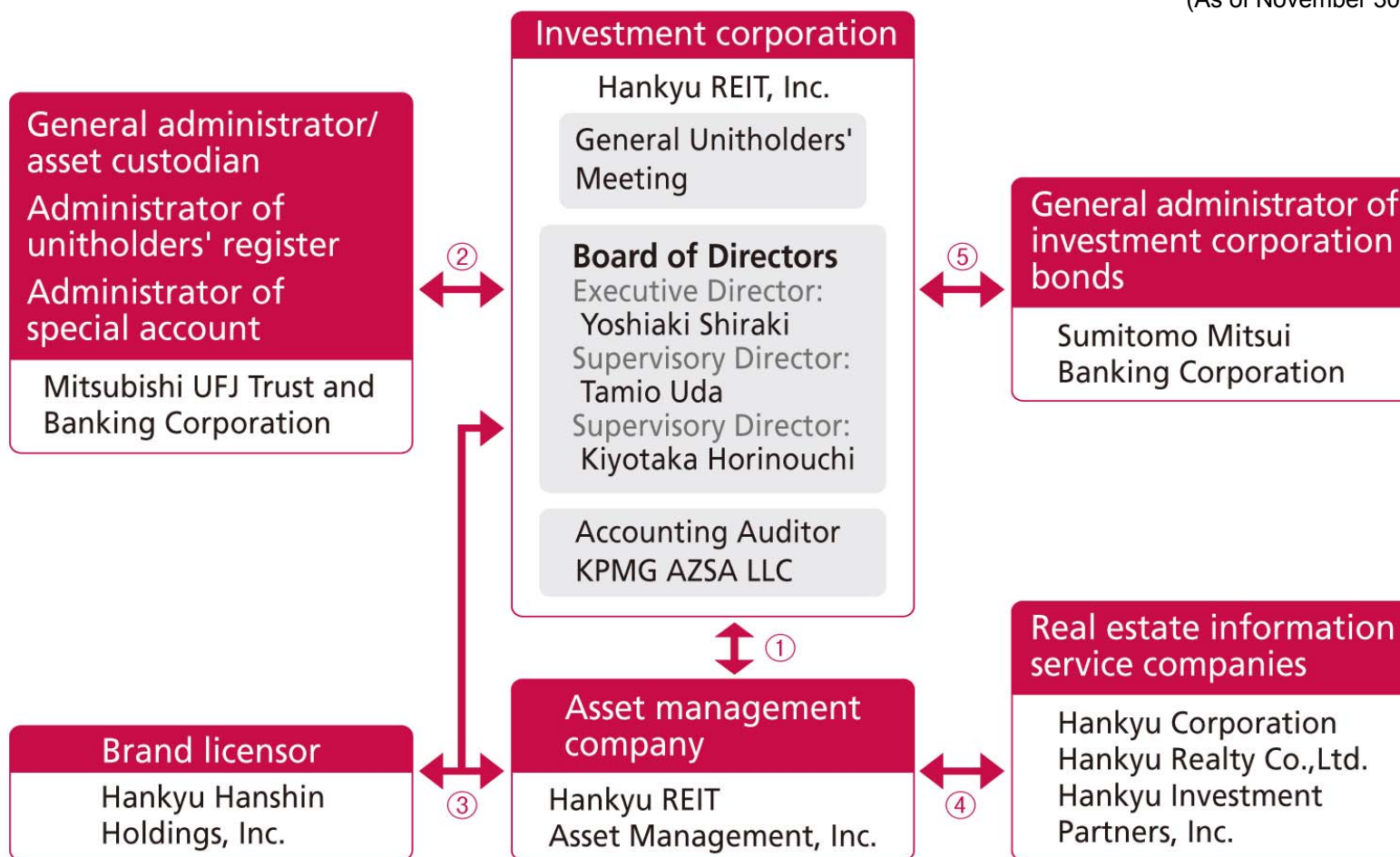
### Compliance System

- Achieve comprehensive compliance by establishing a Compliance Department and a Compliance Officer.
- The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction with interested parties.
- The Compliance Officer attends the Investment Committee meeting and checks for compliance issues.
- Appointed a person to be in charge of efforts to prevent improper requests and exclude anti-social forces

### Internal Audit System

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

(As of November 30, 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 Executive and 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.