



# Hankyu REIT

Financial Results Briefing Materials  
for the **18th** Fiscal period ended  
May 2014

 **Hankyu REIT, Inc.**  
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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.**

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**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.**

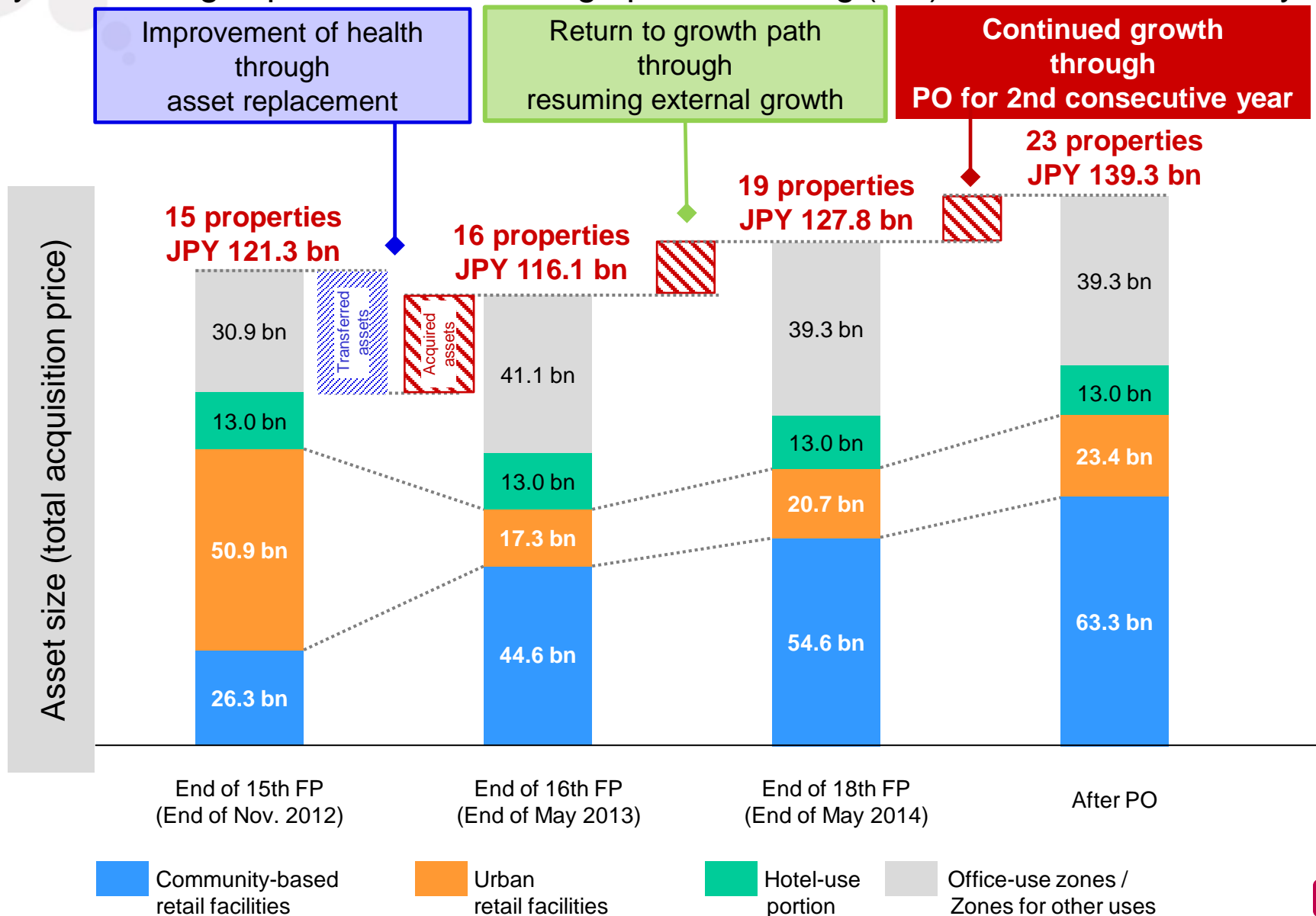


1. Executive Summary



## Continued growth

by conducting capital increase through public offering (PO) for 2nd consecutive year





## Improvement of profitability of portfolio

	End of 17th FP (End of Nov. 2013)	End of 18th FP (End of May 2014)	Acquired assets (Acquired in June 2014)	After PO
Average NOI yield (Note 1)	4.8%	4.7%	+ 5.4%	4.7%
Average NOI yield after depreciation (Note 1)	3.3%	3.2%	+ 5.0%	3.4%
Unrealized income/loss (Note 1)	-JPY 3.6 bn	-JPY 0.9 bn	+ JPY 0.2 bn	-JPY 0.7 bn

## Improvement of stability of financial foundation

	End of 17th FP (End of Nov. 2013)	End of 18th FP (End of May 2014)	After PO
LTV (Note 1)	48.6%	47.3%	47.0% (Note 2)
Interest-bearing debt ratio (Note 1)	43.2%	43.4%	43.2% (Note 2)
Average debt financing costs (Note 1)	1.34%	1.23%	1.18%
Average remaining period of long-term funds	2.2 years	2.7 years	2.6 years

(Note 1) Details of the calculation method for “Average NOI yield,” “Average NOI yield after depreciation,” “Unrealized income/loss,” “LTV,” “Interest-bearing debt ratio” and “Average debt financing costs” are presented on P67.

(Note 2) The figure includes the expected amount and may differ from actual results.



# 1-3. Portfolio Status (End of 17th Fiscal Period to After Public Offering) Hankyu REIT

## End of 17th FP

Total acquisition price: JPY 127.83 bn  
 Total number of properties: **19 properties**  
 PML: **3.5%**

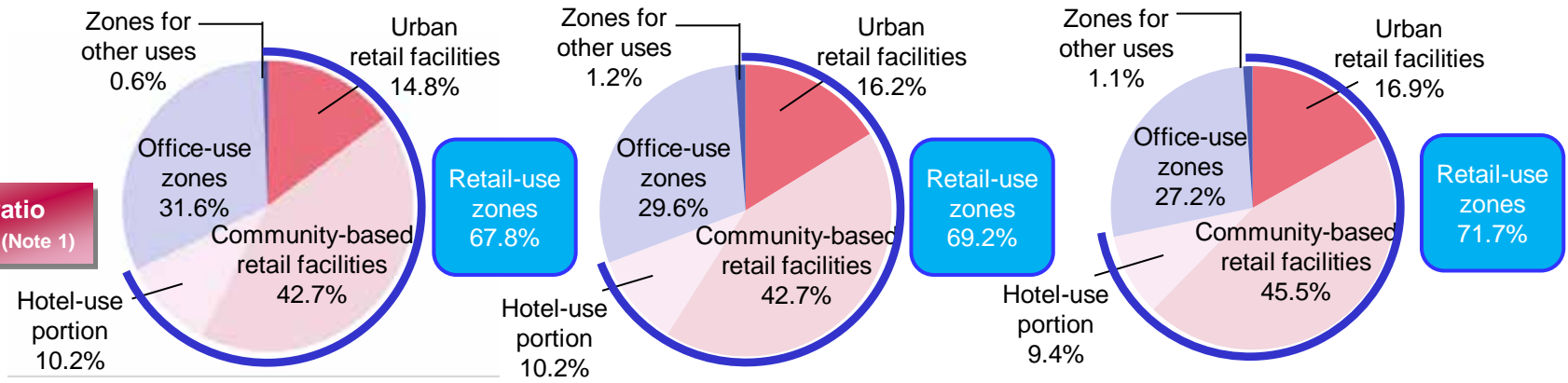
## End of 18th FP

Total acquisition price: JPY 127.83 bn  
 Total number of properties: **19 properties**  
 PML: **3.5%**

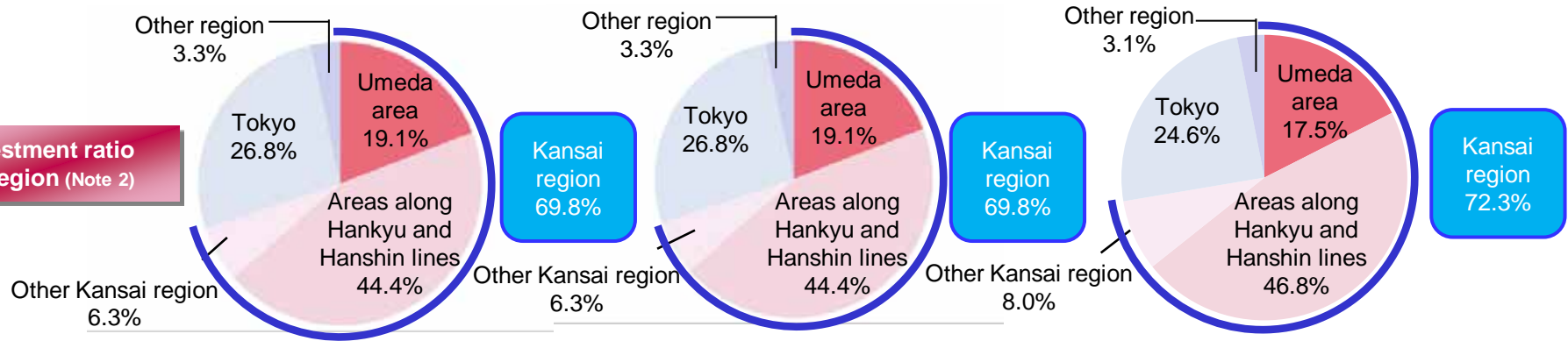
## After PO

Total acquisition price: JPY 139.30 bn  
 Total number of properties: **23 properties**  
 PML: **3.5%**

**Investment ratio by use zone (Note 1)**



**Investment ratio by region (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.

Property acquisition policy will continue to be 50% or more in retail-use zones and, with 50% or more in the Kansai region, the focused investment area will be the Kansai region, while also investing in the Tokyo metropolitan area and regional major cities, such as Nagoya, Fukuoka and Hiroshima, for risk diversification



## Issues

## Results of 18th fiscal period

### External Growth

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

- Acquired properties by conducting capital increase through public offering for 2nd consecutive year and in collaboration with the sponsor group, and thereby implemented continued growth
- Acquired a total of 4 properties (urban retail facility and community-based retail facilities (sites)), and thereby realized portfolio stability and profitability improvement (June 2014: 19th fiscal period)

### Internal Growth

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

- Maintained high total portfolio occupancy rate of 98.6% (at end of 18th fiscal period)
- For Namba-Hanshin Building, conducted cleaning work on elevator hall and other common-use portions and had an agent conduct door-to-door marketing, etc., and thereby realized improvement of occupancy rate (end of January 2014: 73.1% → end of May 2014: 92.8%)
- For Sphere Tower Tennoz, planning renovation of entrance, elevator hall and other common-use portions and value-enhancement work on flow of people and signs, and strengthening the leasing structure, such as employing a PM company that has a leasing division and installing a team specializing in leasing

### Financial Strategies

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

- Maintained distributions and implemented LTV control by conducting capital increase through public offering and new debt financing
- Extended borrowing periods and diversified debt repayment dates while trying to keep debt financing costs down
- Acquired new credit rating (JCR AA- Stable)

Results of 18th fiscal period (ended May 2014)  
Distribution per unit

**JPY 12,462**



## External Growth

- 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
- Conduct review of future direction of hotel investment (investment ratio, category, etc.)

## Internal Growth

- Aim to maintain/improve rent by proactively replacing tenants while establishing favorable relationship with tenants through reinforcement of operational management
- For Sphere Tower Tennoz, continue to work toward early improvement of occupancy rate and improvement of distributions through reinforcement of leasing based on area/building features

## Financial Strategies

- Realize equity financing that enables both distributions to be maintained/improved and LTV to be improved
- Aim for steady refinancing, extension of borrowing periods, diversification of debt repayment dates, reduction of debt financing costs and diversification of fund procurement methods through cooperation with financial institutions

Forecast for 19th fiscal period (ending November 2014)  
Distribution per unit

**JPY 12,400**

Aim to secure distributions of **JPY 12,000 on an ongoing basis** and further build up



## 2. Public Offering (PO)



## Overview of Public Offering

<b>Number of investment units issued and outstanding</b>	105,200 units (after PO, 119,500 units)
<b>Number of investment units newly issued</b>	14,300 units (of this, third-party allotment: 1,300 units)
<b>Issue price</b>	JPY 532,057
<b>Purchase price</b>	JPY 513,503
<b>Total amount of purchase price</b>	JPY 7,343 mn (including third-party allotment)
<b>Date of resolution of issuance</b>	May 12, 2014
<b>Price determination date</b>	May 21, 2014
<b>Payment date</b>	June 2, 2014 (primary offering) June 27, 2014 (third-party allotment)

## Overview of New Debt Financing

Category	Lender	Amount of debt financing (JPY mn)	Interest rate	Drawdown date	Lending and repayment methods	Repayment date
Short-term loans payable	Sumitomo Mitsui Banking Corporation	2,000	Reference interest rate (JBA 3-month JPY TIBOR) + 0.35%	June 23, 2014	Unsecured / Non-guaranteed	June 23, 2015
	Mizuho Trust & Banking Co., Ltd.	1,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500				
	Mizuho Bank, Ltd.	500	Variable interest rate			
	Mitsubishi UFJ Trust and Banking Corporation	500				
	Sumitomo Mitsui Trust Bank, Limited	300				
	The Senshu Ikeda Bank, Ltd.	200				
<b>Total</b>		<b>5,000</b>				

## List of Newly Acquired Assets

Property name	kotocross Hankyu Kawaramachi	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	(tentative name) MANDAI Gojo Nishikoji Store (site)	LIFE Shimoyamate Store (site)
Property type	Urban retail facilities	Community-based retail facilities	Community-based retail facilities	Community-based retail facilities
Location	Shimogyo-ku, Kyoto-shi	Kamigyo-ku, Kyoto-shi	Ukyo-ku, Kyoto-shi	Chuo-ku, Kobe-shi
Acquisition price	JPY 2,770 mn	JPY 3,100 mn	JPY 4,182 mn	JPY 1,421 mn
Appraisal value	JPY 2,960 mn	JPY 3,230 mn	JPY 4,220 mn	JPY 1,430 mn
NOI yield	5.5%	5.7%	5.3% (Note)	4.9%
NOI yield after depreciation	4.0%	5.7%	5.3% (Note)	4.9%
Acquisition method	Sponsor-owned property	On-balance bridge	On-balance bridge	On-balance bridge
Acquisition date	June 4, 2014	June 4, 2014	June 24, 2014	June 4, 2014
Lease contract type	Fixed-type master lease	Fixed-term land lease for business purposes	Fixed-term land lease for business purposes	Fixed-term land lease for business purposes
Lease contract start date	August 23, 2013	May 20, 2013	November 1, 2013	May 7, 2013
Lease contract period	5 years	20 years	21 years	21 years
Lease contract counterparty	Hankyu Corporation	Izumiya Co., Ltd.	MANDAI Co., Ltd.	Life Corporation
Acquired assets total / average	Acquisition price	Appraisal value	Average NOI yield	Average NOI yield after depreciation
	JPY 11,473 mn	JPY 11,840 mn	5.4% (Note)	5.0% (Note)

(Note) Assumes the rent from the day after the (tentative name) MANDAI Gojo Nishikoji Store (site) building completion date (scheduled to be completed in winter 2014) and therefore differs from the figure that assumes the rent up to the building completion date (30% of the rent after completion).



## Property Overview

Location	Shimogyo-ku, Kyoto-shi
Lot area	638.62m <sup>2</sup> (Note 1)
Leased area	4,400.13m <sup>2</sup>
Opening date	October 18, 2007
NOI yield (Note 2)	5.5%

(Note 1) Including 205.08m<sup>2</sup> of leased land.  
 (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

- Opened on October 18, 2007, the property faces the Shijo-Kawaramachi crossing of the Shijo-dori and Kawaramachi-dori streets where the traffic is largest in the Shijo-Kawaramachi area and the potential is high. The building enjoys extremely good visibility and features the characteristics of a landmark. The Shijo-dori street along which the property is located had a sales volume of around JPY 250 billion annually in 2007 and occupied more than 10% of the sales volume of Kyoto City. As such, the street constitutes the largest shopping area in Kyoto, with a concentration of street-level shops and large-scale retail facilities.
- The combined number of passengers getting on and off trains at Kawaramachi Station on the Hankyu Kyoto Line, the nearest station to the property, and at nearby Gion Shijo Station on the Keihan Main Line is approx. 112,000 (2011), while the combined number for Karasuma Station on the Hankyu Kyoto Line and the nearby Shijo Station on the Kyoto City Subway is approx. 172,000. In addition, the location is a through-point of many bus operation routes centering on Kyoto City Bus, and many people use busses as well as trains.





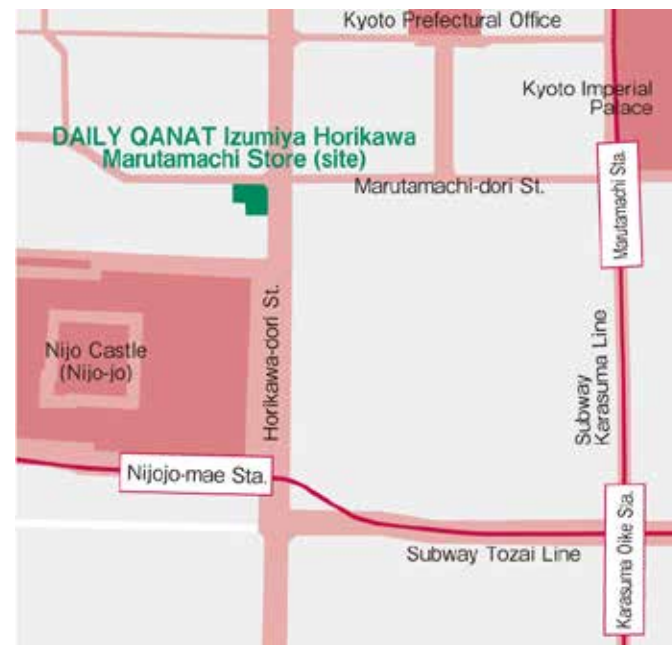
## Property Features

- The property is located in an urbanized area approx. 3km north of Kyoto Station on the JR lines, and situated at a corner of the crossing of the Horikawa-dori and Marutamachi-dori streets. The Horikawa-dori street that runs in the eastern side of the property's site travels down through the city area of Kyoto and functions as one of the city's major roads. As such, the location of the property has high scarcity value, featuring good vehicle access. According to the National Census in 2010, the population of the trade area by distance is approx. 10,000 within a 0.5km radius, approx. 42,000 within a 1km radius and approx. 167,000 within a 2km radius, representing a favorably large number of people. A comparison between 2005 and 2010 shows that the population increased for each distance zone, causing no worry about deterioration of the consumption ability of the market.
- DAILY QANAT Izumiya Horikawa Marutamachi Store that stands on the property was opened on December 14, 2013, and houses MOS Burger, a dry cleaning agency and an ATM corner as sublease tenants, as well as the portions directly operated by Izumiya. The shop floors has a composition like that of a small general merchandising store (GMS), as foodstuff is sold on the first floor while clothes, daily necessities and interior goods are sold on the second floor along with a shop floor for drugs and cosmetics. Izumiya, the tenant, whose main business format is GMS, operates 93 stores centering on the Kansai area (as of the end of February 2014), offering abundant lineups of bakery and prepared foods as well as perishable foods.

## Property Overview

Location	Kamigyo-ku, Kyoto-shi
Lot area	3,776.15m <sup>2</sup>
Leased area	3,776.15m <sup>2</sup>
Opening date	December 14, 2013
NOI yield (Note)	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 at the time of acquisition by the acquisition price.





(Note) The image above is a rendering of the building scheduled to be completed and may be different from the actual conditions after completion.

## Property Features

- Approx. 3km to the northwest of Kyoto Station on the JR lines, the property is located at the southern edge of Ukyo Ward, Kyoto City, and at the periphery of the central urban areas. It is approx. 0.8km to Nishi-Kyogoku Station on the Hankyu Kyoto Line, the nearest station. The property is in an existing urban area with a mixture of working and residential places, dotted with small factories in a spreading old residential district. According to the National Census in 2010, the population of the trade area is approx. 9,000 within a 0.5km radius, approx. 39,000 within a 1km radius and approx. 146,000 within a 2km radius. As such, the current trade area constitutes a highly-dense rich market that has a population within a 0.5km radius large enough to allow a food supermarket to operate.
- The building is under construction and is scheduled to open in the winter of 2014. MANDAI, the tenant, is a company that operates 150 supermarkets (as of the end of May 2013) primarily in the Osaka area. Many of the stores have strong promotion ability and pricing appeal of the three perishable foodstuffs (fish, meat and vegetable), and generate good results with a high efficiency by tsubo. Accordingly, MANDAI stores can be expected to attract strong support from customers.

## Property Overview

Location	Ukyo-ku, Kyoto-shi
Lot area	9,182.80m <sup>2</sup>
Leased area	9,182.80m <sup>2</sup>
Opening date	Winter 2014 (planned)
NOI yield (Note)	5.3%

(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 on the premise of assumes the rent from the day after the (tentative name) MANDAI Gojo Nishikoji Store (site) building completion date (scheduled to be completed in winter 2014).





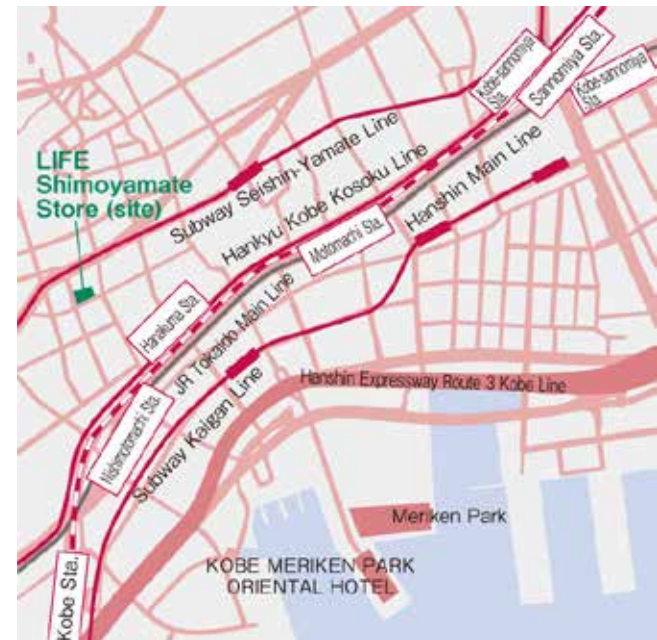
## Property Overview

Location	Chuo-ku, Kobe-shi
Lot area	2,397.83m <sup>2</sup>
Leased area	2,397.83m <sup>2</sup>
Opening date	January 29, 2014
NOI yield (Note)	4.9%

(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 at the time of acquisition by the acquisition price.

## Property Features

- The property is located in Chuo Ward, the central part of Kobe City, with Hanakuma Station on Hankyu Kobe Kosoku Line, the nearest station, approx. 0.4km to the south, Motomachi Station on the Hanshin Main Line and Kobe-Sannomiya Station on the Hankyu Kobe Line approx. 0.8km and approx. 1.7km to the east, respectively. The property is in an existing urban area where, although there are some detached houses, there are many middle- to high-rise condominiums and condominium development projects are under way even at present. According to the National Census in 2010, the population of the trade area by distance is approx. 13,000 within a 0.5km radius, approx. 38,000 within a 1km radius and approx. 104,000 within a 2km radius. As such, the population density of the current trade area is high for an urban district, posing a positive factor for neighborhood-type business formats like food supermarkets.
- Life Corporation, the tenant, is a supermarket chain centering on foodstuff that operates 240 stores in the two major trade areas of the Tokyo metropolitan area (Tokyo, Saitama, Kanagawa and Chiba Prefectures) and the Kinki area (Osaka, Hyogo, Kyoto and Nara Prefectures) as of the end of March 2014. The store on the property sells foodstuff on the first floor, and liquor, confectionery and daily necessities, etc. on the second floor, with almost all shop areas directly operated. As the building is equipped with a parking lot on the roof, it can expect many customers visiting on foot or by bicycle from the current highly-populated trade area.



### 3. External Growth Strategies





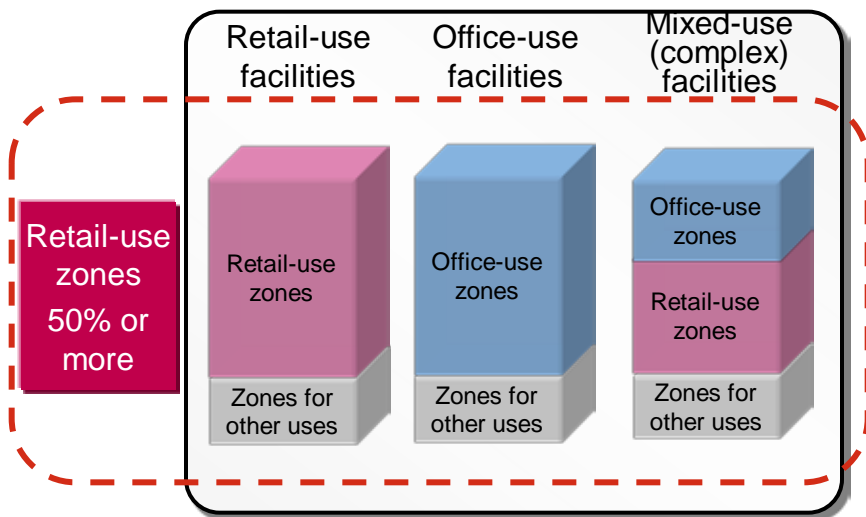


## Acquisition Strategy

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

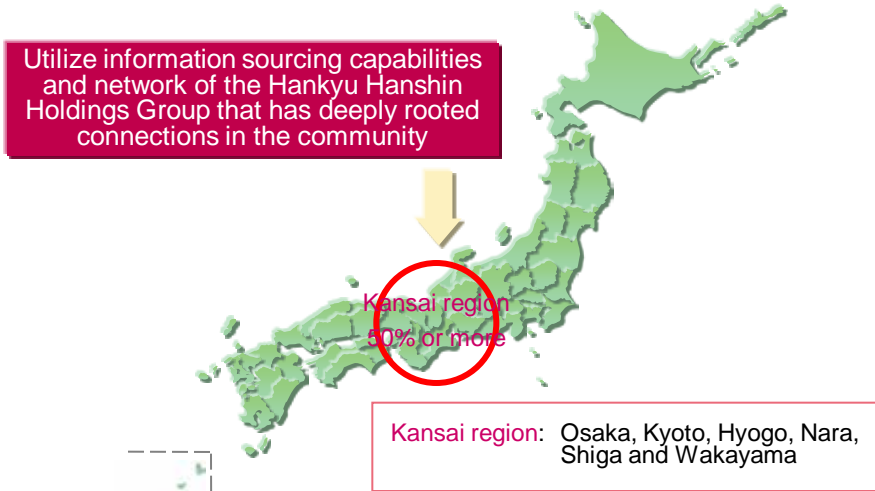
Target real estate with retail-use and office-use zones  
 Especially focus investment on retail-use zones



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

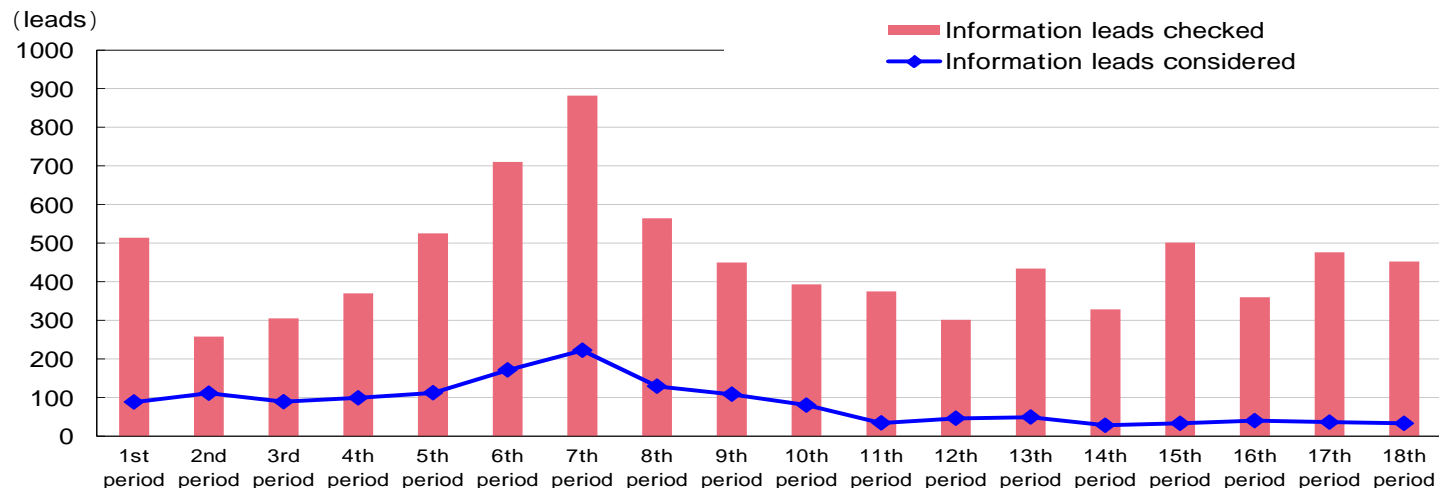
## Investment Target Areas

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





## Trends of Information Leads







## Diverse Property Acquisition Methods

Acquired assets in the 19th fiscal period

		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 KOSHIEEN (site) LAXA Osaka Namba-Hanshin Building HANKYU NISHINOMIYA GARDENS kotocross Hankyu Kawaramachi	Shiodome East Side Building Hotel Gracery Tamachi	MANDAI Toyonaka Honan Store (site) DAILY QANAT Izumiya Horikawa Marutamachi Store (site) (tentative name) MANDAI Gojo Nishikoji Store (site) LIFE Shimoyamate Store (site)	Hankyu Corporation Head Office Building Ueroku F Building Richmond Hotel Hamamatsu AEON MALL SAKAIKITAHANADA (site)	Takatsuki-Josai Shopping Center Kohnan Hiroshima Nakano-Higashi Store (site) Sphere Tower Tennoz Kita-Aoyama 3 cho-me Building

# 3-3. Information Leads and Leads Considered (18th Fiscal Period) Hankyu REIT

Use	Area								
	City center			Urban vicinity			Suburban		
Office	④	① 55	①⑥	①⑧	②⑩	④	①	②	①
Mixed (Complex)	①④	② 56	⑨	⑧	① 33	⑤	①	①	②
Retail	②③	② 19	①⑤	③ 17	④ 19	①⑨	③	②	③
Hotel	③	①②	①	⑤	①	①	①	①	①
Other	①⑪	② 33	③	⑦ 30	② 44	⑥	①	①	③

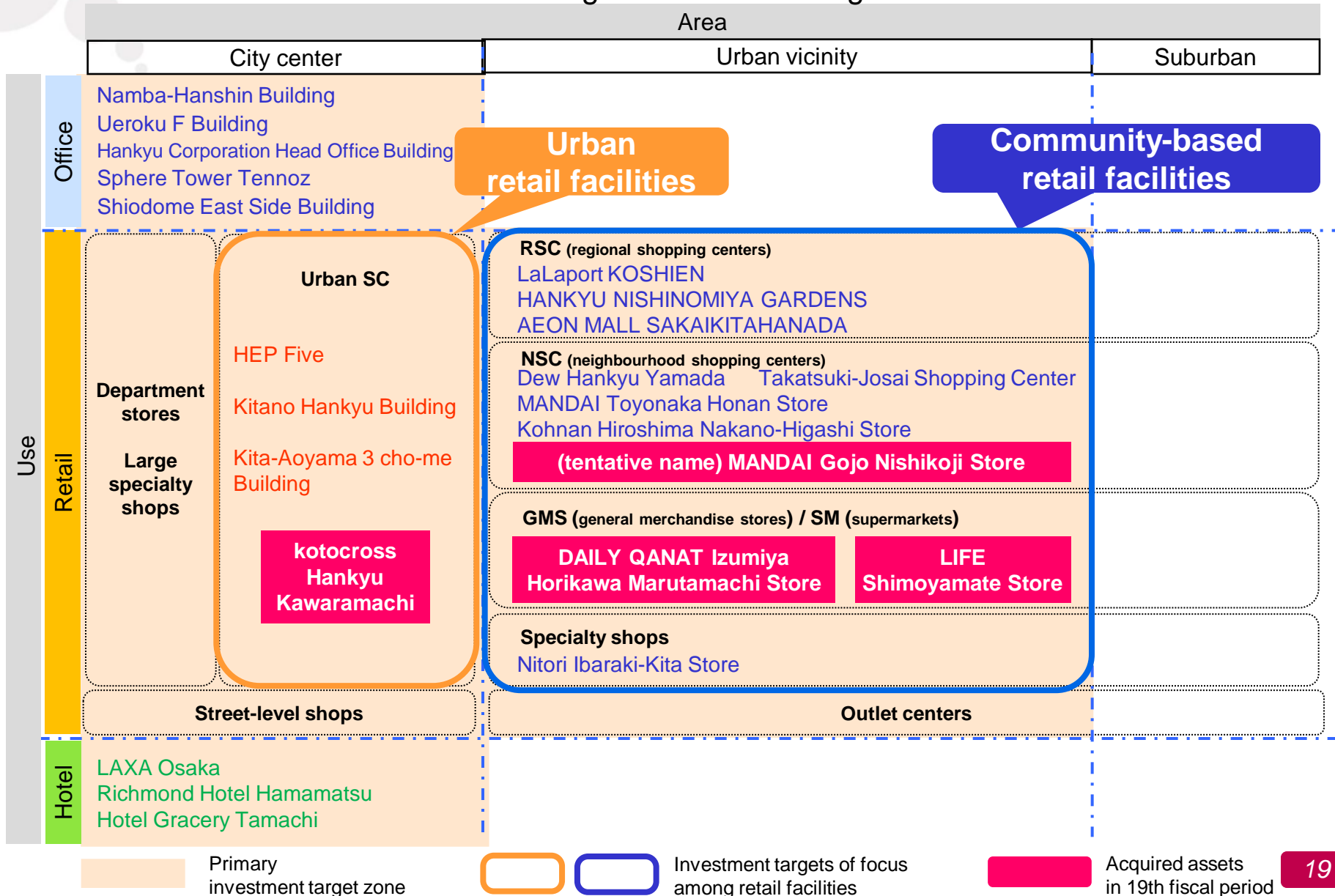
 Kansai region (Osaka, Kyoto, Hyogo, Nara, Shiga, Wakayama)
  Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, Chiba)
  Other areas
  Community-based retail facilities

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

Leads considered were primarily community-based retail facilities in the Kansai region, Tokyo metropolitan area and regional major cities, such as Nagoya, Fukuoka and Hiroshima



## Urban retail facilities and community-based retail facilities set as investment targets of focus among retail facilities





## Investment in community-based retail facilities and urban retail facilities

### Community-based retail facilities

Provides products and services to serve needs of daily life

Core area (Note 1)  
Excellent trade areas such as areas along Hankyu and Hanshin lines



(tentative name)  
MANDAI Gojo  
Nishikoji Store (site)  
(Note 2)



LIFE  
Shimoyamate  
Store  
(site)

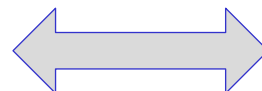
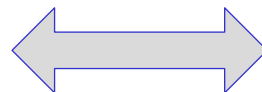
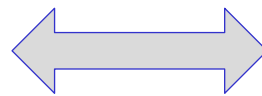
HANKYU NISHINOMIYA GARDENS,  
Dew Hankyu Yamada, etc.



DAILY QANAT  
Izumiya Horikawa  
Marutamachi Store  
(site)

Urban vicinity areas in the Kansai region

Other urban vicinity areas



Maximize opportunities to acquire quality properties by setting areas other than core areas as investment areas, too

Utilize the know-how of the sponsor group in not only the Umeda area and areas along Hankyu and Hanshin lines, but also areas centering on rail stations of major cities nationwide

### Urban retail facilities

Provides extraordinary urban entertainment space

Core area (Note 1)  
Umeda area

HEP Five Kitano Hankyu Building



kotocross  
Hankyu  
Kawaramachi

Rail terminals and other bustling areas in the Kansai region



Kita-Aoyama  
3 cho-me  
Building

Other bustling areas

(Note 1) "Core area" refers to an area that is currently a focus of investment considerations at Hankyu REIT.

(Note 2) The image above is a rendering of the building scheduled to be completed and may be different from the actual conditions after completion.



## Points to Investment Decisions and Management of Retail Facilities

### Community-based retail facilities

Excellent trade areas with strong consumer demand

Excellent trade areas such as areas along Hankyu and Hanshin lines where the population is increasing and where strong consumer demand can be expected in the medium to long term

Tenant compositions, products and services that match the features of the trade area

- Tenant compositions that match the population dynamics, family composition, household income and other features and needs of the trade area
- Provision of daily necessities, fresh foods and other products and services necessary for daily life

Adapt to change of needs of the trade area

Implementation of reviews of products, services and tenant compositions as well as renewals and such in order to adapt to any change of needs of the trade area

Oriented toward stable income

With trade areas believed to be excellent in the medium to long term as a base, secure ongoing income and stability through the operational management of the sponsor group



### Urban retail facilities

Competitive bustling areas

Competitive bustling areas concentrated around core stations, etc. where a certain number of incoming and outgoing passengers can be expected

Tenant compositions, products and services that match the target customer base

- Plan the concept and direction for retail facilities overall and tenant compositions through accurate targeting based on the flow of people
- Provide products and services that match the target customer base

Adapt to shift in preferences of the target customer base

- Promptly catch any shift in preferences of the target customer base and reflect in tenant compositions, products and services
- While retaining freshness by conducting sales promotions as appropriate, conduct renewals and other revitalization if there is any obsolescence

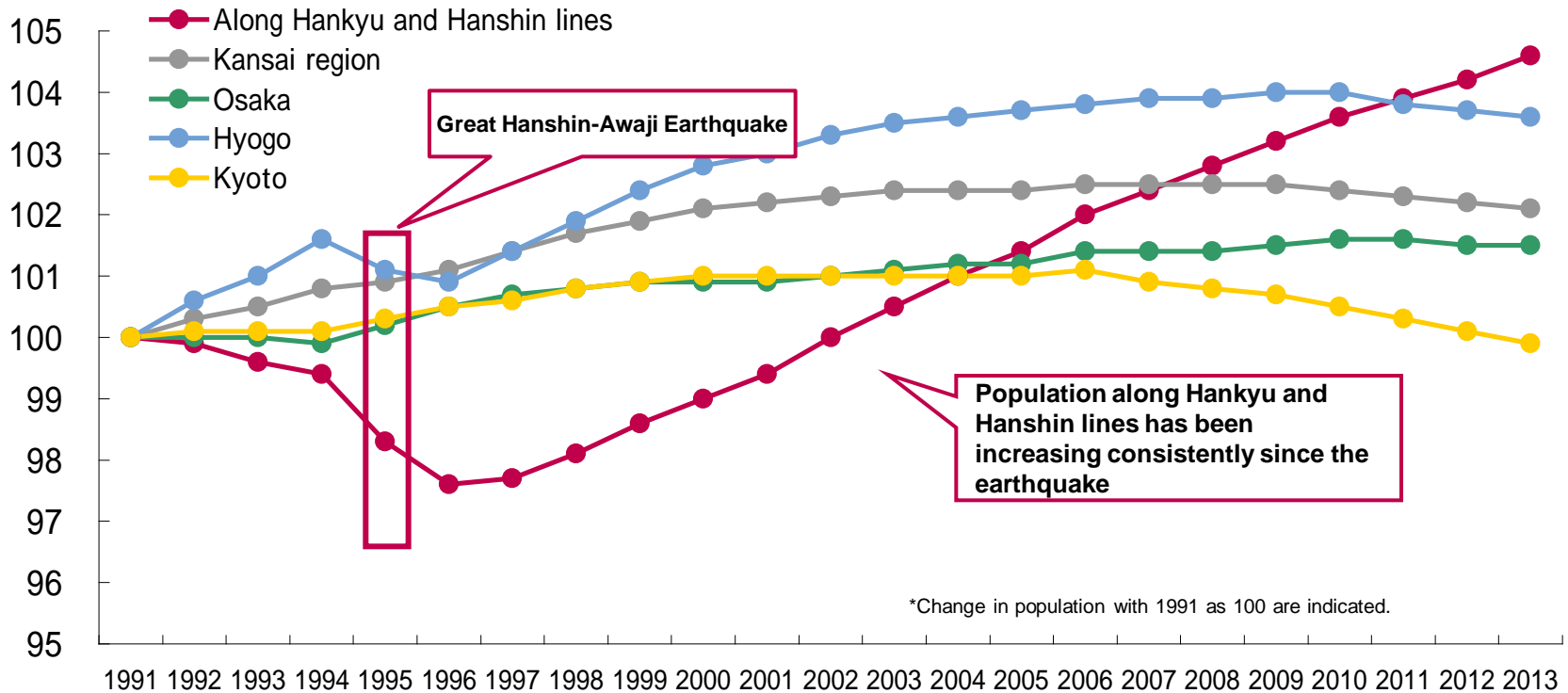
Seek upside rent

While consistently confirming the concept and direction for retail facilities overall, seek maximization of income through adequate business category and tenant compositions

(Note) This is not intended as a guarantee that all assets held by Hankyu REIT classified as community-based retail facilities or urban retail facilities feature the qualities above. Notably, there are assets among these that employ a fixed-type master lease method and, in the case of such assets, Hankyu REIT cannot receive upside rent. Urban retail facilities from which Hankyu REIT may be able to receive upside rent are limited to those that employ a pass-through-type master lease or direct lease method, those that employ a fixed-type master lease method but have introduced a certain level of variable rent, etc.



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.

## Policy for Handling of Site Properties

Hankyu REIT sees retailers to be headed toward increasing neighborhood shopping center, supermarket and other stores to city center and urban vicinity locations in the future amidst progress in the return of the population to highly-convenient regions, aging of the population, increase in one-person households, etc., and there will thus be an increase in site properties of such stores.

In addition, sites are becoming recognized as one of the common investment assets as contracts for fixed-term land lease for business purposes, which have no renewal of contract period, becomes widespread.

Hankyu REIT intends to continue considering acquisition, taking into consideration the balance with building-attached properties.

## Key Advantages of Site Properties

- ① No depreciation means a high level of contribution to distributions
- ② In general, tenant departure and risks at the time of departure are low compared to building-attached properties in the case of neighborhood shopping centers, supermarkets, etc.
  - Tenant owns the building: This means asset retirement and removal costs burden would be required of the tenant upon their departure, making departure highly difficult for the tenant
  - Site properties are returned as vacant land in principle: This means that, in addition to attracting replacement tenants, it would also be possible to consider disposition as vacant land (Retailers often demand buildings to be in their own specifications, making risks at the time of tenant departure high in the case of building-attached properties)

## Key Points to Keep in Mind and Hankyu REIT's Countermeasures for Site Properties

Points to keep in mind	Hankyu REIT's countermeasures
No depreciation means no internal reserve can be made, and unrealized losses may possibly be incurred when land prices drop because the carrying amount does not decrease	Acquire at the appropriate price, taking into consideration the land/building ratio balance, as well as conducting studies from various aspects that include stress simulations of rent, etc. in the property acquisition stage
In general, substitutability and liquidity are low in the event of tenant departure	In the property acquisition stage, examine the possibility of attracting replacement tenants and the possibility of disposition of the property as vacant land





## Profitability Improvement Potential of Hotel Properties

### I Increase in Inbound Tourists

With the Japanese government's tourism nation policy and depreciation of the yen, inbound tourists (foreign tourists visiting Japan) are increasing. Tokyo hosting the Olympic Games in 2020 is building the momentum for further increase ahead.

### I Steady Growth of Business Demand and Increase in Urban Tourism Demand

With business sentiment being favorable and preferences of domestic travelers diversifying, business demand and urban tourism demand is growing and the number of overnight travelers in urban areas is strong.

## Status of Hotels in Hankyu REIT's Portfolio (Note)

Room occupancy rate is at a high level and average daily rate (ADR) is also in an upward phase for hotels in Hankyu REIT's portfolio.

As a result, revenue per available room (RevPAR), which is directly linked to income, is also going strong with it being on the rise.

The investment ratio of hotel properties is currently 9.4% of Hankyu REIT's entire portfolio.

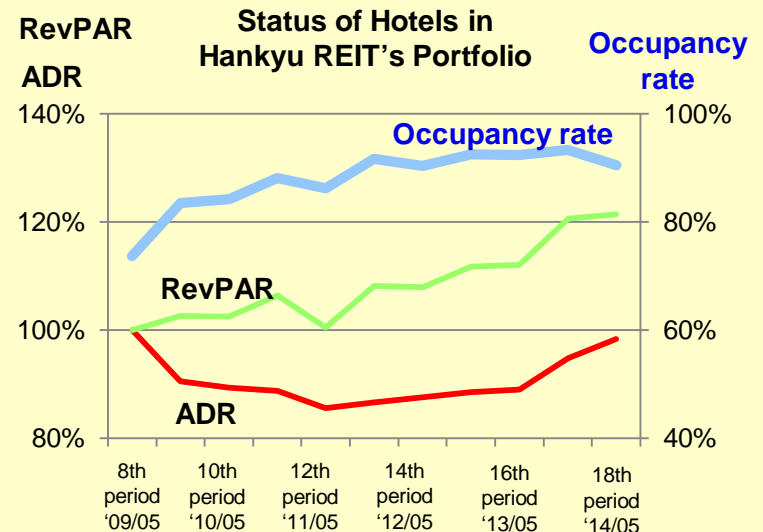
[Graph]

The figures (averages) of the 4 properties listed in the note are illustrated in graph form as follows:

Occupancy rate: Graph of the averages of the 4 properties (left axis)

RevPAR and ADR: Graph based on the averages of the 4 properties in the 8th fiscal period (ended May 2009) set as 100% (right axis)

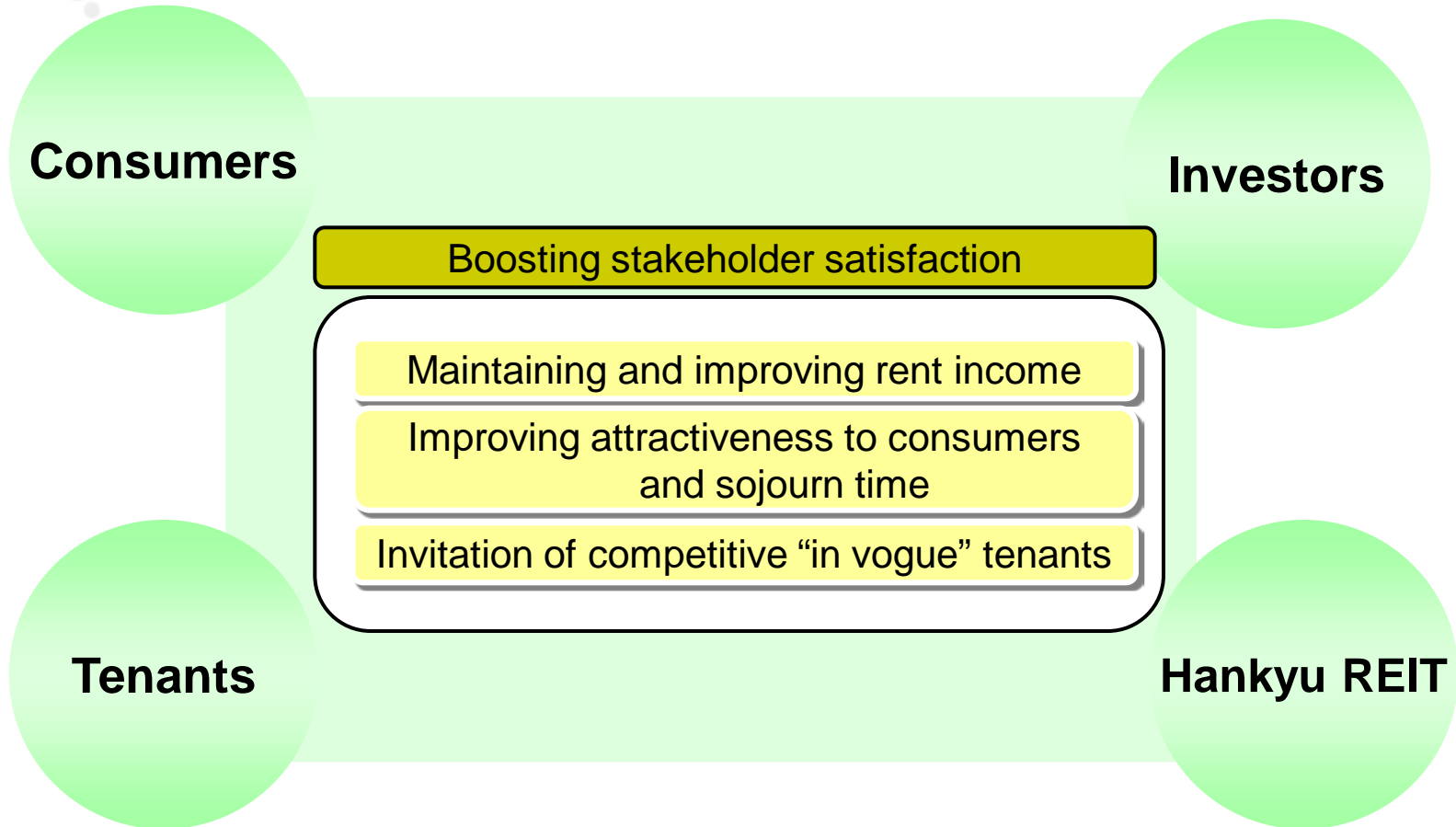
(Note) Hotel New Hankyu Annex (long-term fixed contract), LAXA Osaka (Hanshin Electric Railway Co., Ltd. has sublease contract with Hotel Hanshin), Hotel Gracery Tamachi (long-term fixed contract) and Richmond Hotel Hamamatsu (fixed-type master lease contract)



# Conduct review of future direction of hotel investment (investment ratio, category, etc.)

## 4. Internal Growth Strategies

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

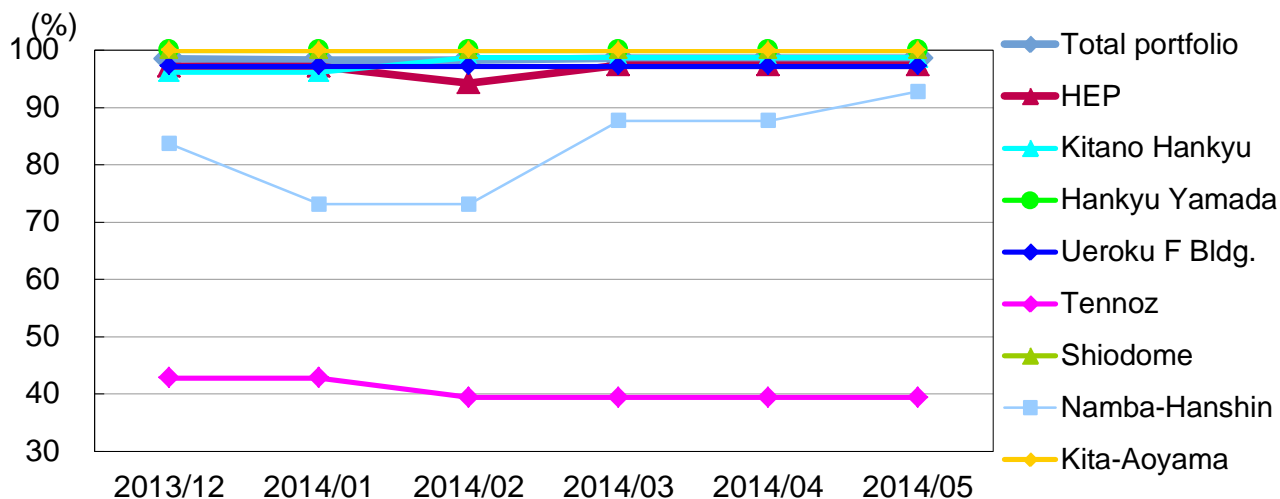




# 4-2. Occupancy Rate for Individual Properties (Occupancy by End-Tenants) **Hankyu REIT**

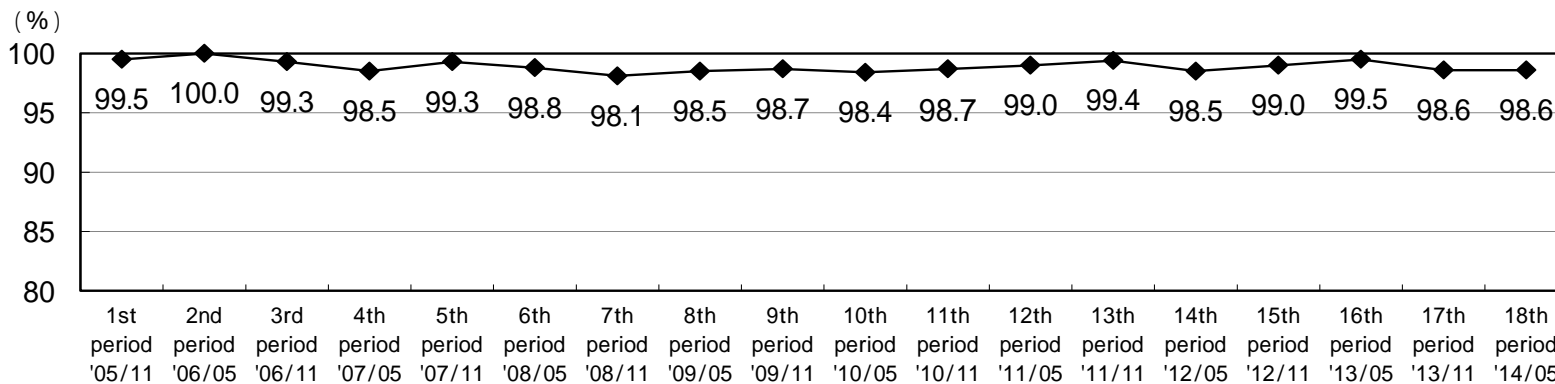
**Total portfolio occupancy rate of 98.6% (end of 18th fiscal period)**

The graph excludes the 11 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.



## <Namba-Hanshin Building>

### Restored occupancy rate

The occupancy rate at the end of January 2014 fell to 73.1% due to contract cancellation of 3 tenants during the 18th fiscal period. However, cleaning work on elevator hall and other common-use portions (conducted in November 2013) (pictured), door-to-door marketing by an agent, etc. led to new contracts being concluded with 3 new tenants. The occupancy rate at the end of the 18th fiscal period improved to 92.8%.



Elevator hall of each floor



Common hallway

## <Dew Hankyu Yamada>

### Remained strong

With tenant replacement in May 2014, newly attracted a restaurant (café business category) to the 2F. Toys“R”Us, where the sales-based overage rent system has been introduced, continued to show strong sales performance at the attached Babies“R”Us.

## <HANKYU NISHINOMIYA GARDENS>

### Conducted renewal work

Conducted a renewal of 80 shops, which accounts for approximately 30% of all stores, in March 2014 (48 new shops and 32 renovated shops). Due in part to the renewal, sales in April and May following the consumption tax hike was a strong showing, increasing 108.4% year-on-year on average for the 2 months.



## <Sphere Tower Tennoz>

### Implemented measures for early restoration of occupancy rate

- Leasing policy  
Working on mainly (foreign-affiliated / IT) tenants that can lease a large number of floors (5 floors or more)
- Strengthening of leasing structure  
Promoted strengthening of the leasing structure, such as changing the PM company to Jones Lang LaSalle, which has strengths in leasing with foreign-affiliated companies, and establishing a team specializing in leasing with the cooperation of a broker
- Implementation of value-enhancement work  
Planning renovation of entrance, elevator hall and other common-use portions, strengthening of flow of people and signs, etc. by utilizing design consulting. Construction slated for completion around November 2014.



Sub entrance atrium



Sub entrance atrium



Office entrance lobby

\* The perspective views above are a rendering of the building scheduled to be completed and may be different from the actual conditions after completion.



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

Property name	Main rent system	Present conditions
HEP Five Specialty shop building (urban SC)	Overage (fixed + variable)	Introduced a cash rewards program starting from April 2014. Aiming to attract visitors and improve sales through customer retention.

<Properties mainly using the fixed-rent system>

Property name	Main rent system	Present conditions
Kitano Hankyu Building Specialty shop building (urban SC)	Long-term, fixed (partly overage)	The occupancy rate at the end of the fiscal period was 98.7%, improving 2.5 points from the end of the previous fiscal period (17th fiscal period). With leasing activities for vacant spaces being conducted for tenants that will have synergistic effects with existing tenants and for tenants that will serve to revitalize the facility, newly attracted restaurants to the B1F and 2F portions and thereby improved the occupancy rate. Efforts continue to be underway to improve attractiveness to customers by revitalizing the facility and holding events in conjunction with local events, etc.
Dew Hankyu Yamada NSC (neighborhood shopping center)	Long-term, fixed (partly overage)	With tenant replacement in May 2014, newly attracted a restaurant (café business category) to the 2F. Toys“R”Us, where the sales-based overage rent system has been introduced, continued to show strong sales performance at the attached Babies“R”Us.



Event at HEP Five



Event at Dew Hankyu Yamada



<Properties mainly using the long-term, fixed-rent system>

Property name	Main rent system	Present conditions
HANKYU NISHINOMIYA GARDENS RSC (regional shopping center)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note) with Hankyu Corporation. Conducted a renewal of 80 shops, which accounts for approximately 30% of all stores, in March 2014 (48 new shops and 32 renovated shops). Due in part to the renewal, sales in April and May following the consumption tax hike was a strong showing, increasing 108.4% year-on-year on average for the 2 months. Tenants are performing well, as evident by sales increasing for five consecutive years since opening in 2008 to reach JPY 75.1 billion in fiscal 2013, etc.
Takatsuki-Josai Shopping Center NSC (neighborhood shopping center)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note) with Kohnan Shoji Co., Ltd. The contract ended for the leased land in January 2014, but an agreement to conclude a new land lease contract for 30 years was made.
Hankyu Corporation Head Office Building Office	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note) with Hankyu Corporation. The main base of Hankyu Hanshin Holdings Group, and Hankyu Corporation uses it as its head office building.
Nitori Ibaraki-Kita Store (site) Specialty shop	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with Nitori Holdings Co., Ltd.

(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



Event at HANKYU NISHINOMIYA GARDENS



<Properties mainly using the long-term, fixed-rent system>

Property name	Main rent system	Present conditions
LaLaport KOSHIEN (site) RSC (regional shopping center)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with Mitsui Fudosan Co., Ltd. Conducted a renewal of 24 shops in February 2014 (16 new shops and 8 renovated/relocated shops).
LAXA Osaka Hotel	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note) with Hanshin Electric Railway Co., Ltd. The room occupancy rate of Hotel Hanshin, which is under a sublease contract, remains at a high level.
Hotel Gracery Tamachi Hotel	Long-term, fixed	Rent income is stable based on a contract for long-term lease with Fujita Kanko Inc. The room occupancy rate has been stable at a high level and continued to be at a high level of 94.5% on average in the 18th fiscal period. Listed in "MICHELIN Guide Tokyo Yokohama Shonan 2014" for the 3rd consecutive year and this was utilized in launching sales promotions, etc.
Kohnan Hiroshima Nakano-Higashi Store (site) NSC (neighborhood shopping center)	Long-term, fixed	Based on a contract for fixed-term land lease for business purposes with Kohnan Shoji Co., Ltd. Although this retail facility offers high transportation convenience with a home center and a grocery store as tenants, the tenant's management balance sheet is in a tough situation and thus joint efforts will continue to be underway for balance improvement, such as reduction of costs and effective utilization (subleasing) of parking space.
Richmond Hotel Hamamatsu Hotel	Long-term, fixed	Rent income is stable based on a 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 and meeting rooms, and providing a wide range of accommodation plans, the occupancy rate remains at a high level for the area.
AEON MALL SAKAIKITAHANADA (site) RSC (regional shopping center)	Long-term, fixed	Rent income is stable based on a contract for general fixed-term land lease for the shopping center land with land leasehold right, which occupies most of the site. Boasts favorable market potential and formed as a mall of specialty shops that houses about 160 shops with AEON and Hankyu Department Store as the core tenants.
MANDAI Toyonaka Honan Store (site) NSC (neighborhood shopping center)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with MANDAI Co., Ltd. The tenant has reported sales to be strong since the property's opening in October 2013. As a community-based store, it houses shops closely related to daily life such as a grocery store, drugstore and dry cleaner.

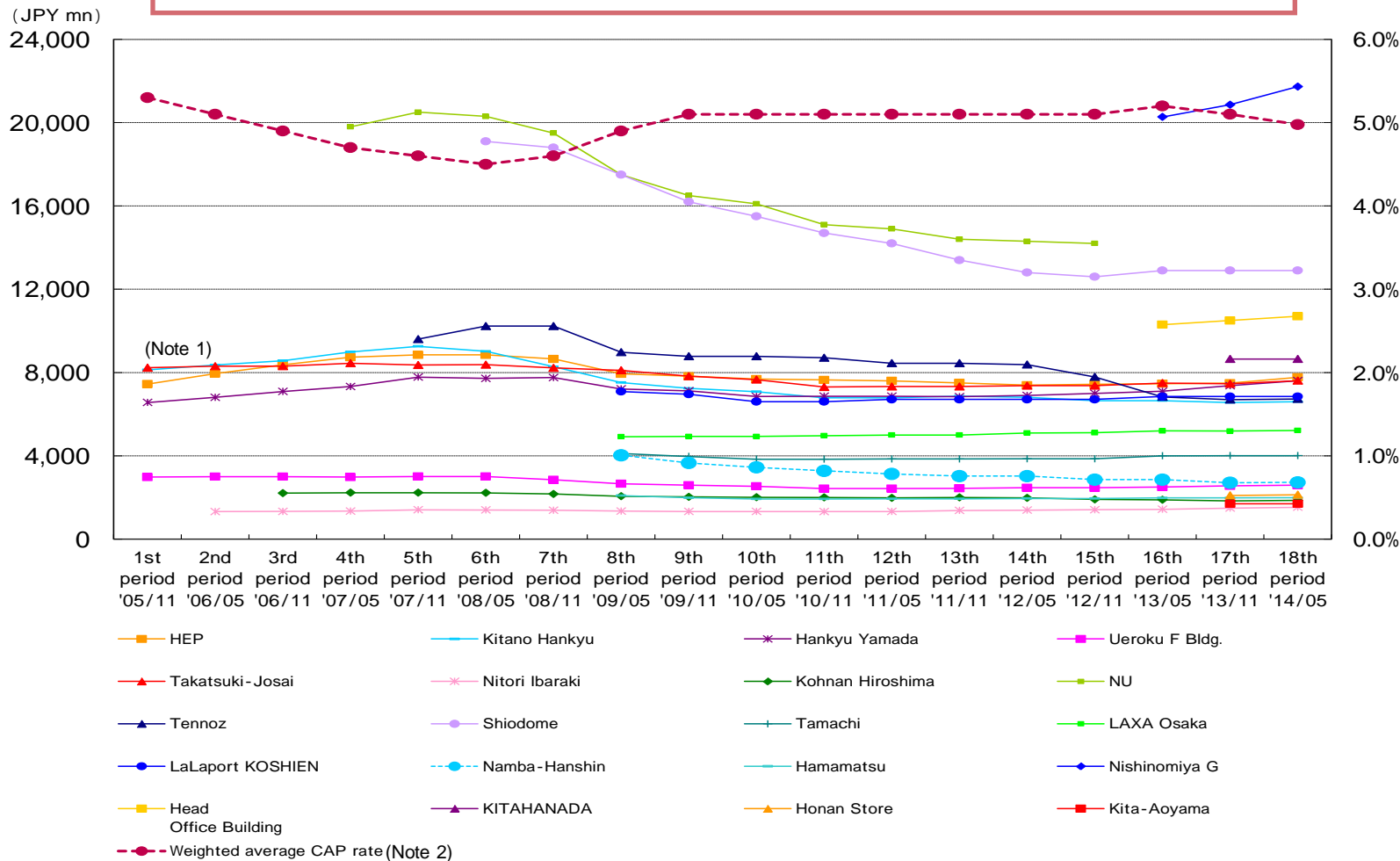
(Note) Fixed-type master lease method: Hankyu REIT receives rent income from the master lessee (sublessor).  
The amount received is fixed irrespective of the rent received by sublessor from end-tenants.

<Properties using the fixed-rent system>

Property name	Main rent system	Present conditions
Kita-Aoyama 3 cho-me Building Urban retail facility + Office	Fixed	The property was completed in September 2013 and acquired during the 17th fiscal period. The occupancy rate at the end of the fiscal period was 100%. The current tenant is THREE AOYAMA.
Shiodome East Side Building Office	Fixed	Achieved reduction of risks of contract cancellation by renewing a long-term contract with a large tenant that leases 2.5 floors. The occupancy rate continued to be 100%. Will continue to minimize risks of relocation through promoting tenant relations while reducing costs through preventive building maintenance efforts by drawing on the strengths of having a resident PM company.
Sphere Tower Tennoz Office	Fixed	The occupancy rate was 39.4%. Adopted the leasing policy of working on mainly (foreign-affiliated / IT) tenants that can lease a large number of floors (5 floors or more) and taking the following measures. <ul style="list-style-type: none"> <li>• Strengthening of leasing structure Promoted strengthening of the leasing structure, such as changing the PM company to Jones Lang LaSalle, which has strengths in leasing with foreign-affiliated companies, and establishing a team specializing in leasing with the cooperation of a broker</li> <li>• Implementation of value-enhancement work Planning renovation of entrance, elevator hall and other common-use portions, strengthening of flow of people and signs, etc. by utilizing design consulting. Construction slated for completion around November 2014.</li> </ul>
Namba-Hanshin Building Office	Fixed	The occupancy rate at the end of January 2014 fell to 73.1% due to contract cancellation of 3 tenants during the 18th fiscal period. However, cleaning work on elevator hall and other common-use portions, door-to-door marketing by an agent, etc. led to new contracts being concluded with 3 new tenants. The occupancy rate at the end of the 18th fiscal period improved to 92.8%.
Ueroku F Building Office	Fixed	The occupancy rate at the end of the fiscal period was 97.1%, a stable level unchanged from the end of the previous fiscal period (17th fiscal period). For vacant spaces, continued to conduct leasing activities centering on needs for expansion of floor area within the same property. For the existing tenants, tenant relations will be strengthened to avoid the risks of relocation and decrease of rent.



Appraisal value increases by 2.5%  
Cap rate decreases for 13 properties out of 19 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.



# 4-6. List of Appraisal Values

(Unit : JPY mn)

	Acquisition price	End of previous period (17th fiscal period-end)	Cap rate (Note)	◎ End of current period (18th fiscal period-end)	Cap rate (Note)	Change (◎-①)	Change (◎-①)/①	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	7,490	4.4%	7,770	4.2%	280	3.7%	5,776	1,993	134.5%
Kitano Hankyu Building	7,740	6,560	5.4%	6,600	5.2%	40	0.6%	7,698	-1,098	85.7%
Dew Hankyu Yamada	6,930	7,370	5.3%	7,610	5.1%	240	3.3%	5,850	1,759	130.1%
Takatsuki-Josai Shopping Center	8,600	7,460	5.7%	7,609	5.6%	149	2.0%	7,507	101	101.4%
Ueroku F Building	2,980	2,560	5.9%	2,590	5.8%	30	1.2%	2,771	-181	93.5%
Nitori Ibaraki-Kita Store (Site)	1,318	1,488	6.2%	1,530	5.9%	42	2.8%	1,340	189	114.1%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,840	6.5%	1,860	6.3%	20	1.1%	2,280	-420	81.6%
Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,699	4.7%	6,732	4.7%	33	0.5%	8,721	-1,989	77.2%
Shiodome East Side Bldg.	19,025	12,900	4.7%	12,900	4.6%	0	0.0%	17,955	-5,055	71.8%
Hotel Gracery Tamachi	4,160	4,010	5.2%	4,010	5.2%	0	0.0%	3,887	122	103.2%
LAXA Osaka	5,122	5,190	5.7%	5,220	5.5%	30	0.6%	4,553	666	114.6%
LaLaport KOSHIEEN (site)	7,350	6,850	4.9%	6,850	4.9%	0	0.0%	7,748	-898	88.4%
Namba-Hanshin Building	4,310	2,710	5.4%	2,730	5.3%	20	0.7%	3,995	-1,265	68.3%
Richmond Hotel Hamamatsu	2,100	1,982	6.2%	1,988	6.2%	6	0.3%	1,641	346	121.1%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	20,860	5.1%	21,728	4.9%	868	4.2%	18,245	3,482	119.1%
Hankyu Corporation Head Office Building	10,200	10,500	4.8%	10,700	4.7%	200	1.9%	10,095	604	106.0%
AEON MALL SAKAIKITAHANADA (site)	8,100	8,650	4.9%	8,650	4.9%	0	0.0%	8,189	460	105.6%
MANDAI Toyonaka Honan store (site)	1,870	2,100	5.1%	2,130	5.0%	30	1.4%	1,889	240	112.8%
Kita-Aoyama 3 cho-me Buiding	1,680	1,700	4.1%	1,700	4.1%	0	0.0%	1,751	-51	97.0%
<b>Total</b>	<b>127,834</b>	<b>118,919</b>	<b>5.1%</b>	<b>120,907</b>	<b>5.0%</b>	<b>1,988</b>	<b>1.7%</b>	<b>121,900</b>	<b>-993</b>	<b>99.2%</b>

(Note) 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) , LaLaport KOSHIEEN (site) and AEON MALL SAKAIKITAHANADA (site) are allocated a discount rate using the DCF method.) and the total is the weighted average cap rate based on appraisal values.

## 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)

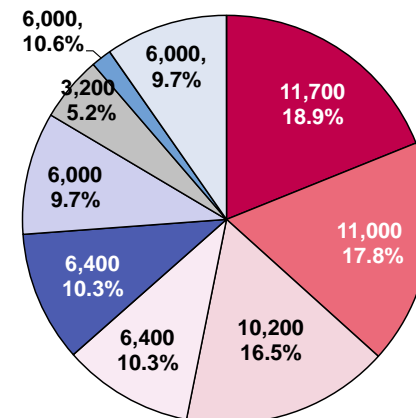
	As of end of 17th period	As of end of 18th period	After 3rd PO
Interest-bearing debt	JPY 56.9 bn	JPY 56.9 bn	JPY 61.9 bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	1.27%	1.19%	1.13% (Note 2)
Avg. debt financing cost (including investment corporation bonds)	1.34%	1.23%	1.18%
Avg. remaining years on long-term loans payable and investment corporation bonds	2.2years	2.7years	2.6years
Long-term debt ratio	98.2%	100.0%	91.9%
Fixed debt ratio	78.6%	80.3%	73.8%
LTV	48.6%	47.3%	47.0% (Note 2)
Interest-bearing debt ratio	43.2%	43.4%	43.2% (Note 2)
Investment corporation bonds	JPY 6 bn	JPY 6 bn	JPY 6 bn
Investor rating(R&I)	A+ (stable)	A+ (stable)	A+ (stable)
Investor rating(JCR) (newly acquired in the 18th fiscal period)		AA- (stable)	AA- (stable)

(Note 1) Details of the calculation method for “average funding cost”, “average borrowing cost”, “LTV” and “Interest-bearing debt ratio” are presented on P67.

(Note 2) The figure includes the expected amount and may differ from actual results.

## Debt Outstanding by Lender (JPY mn)

As of June 27, 2014



- 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.
- Mizuho Trust and Banking Co., Ltd
- Investment corporate bonds

**Total JPY 61.9 bn**

### Registration for Issuance of Investment Corporation Bonds

Planned value of issuance (upper limit):

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)

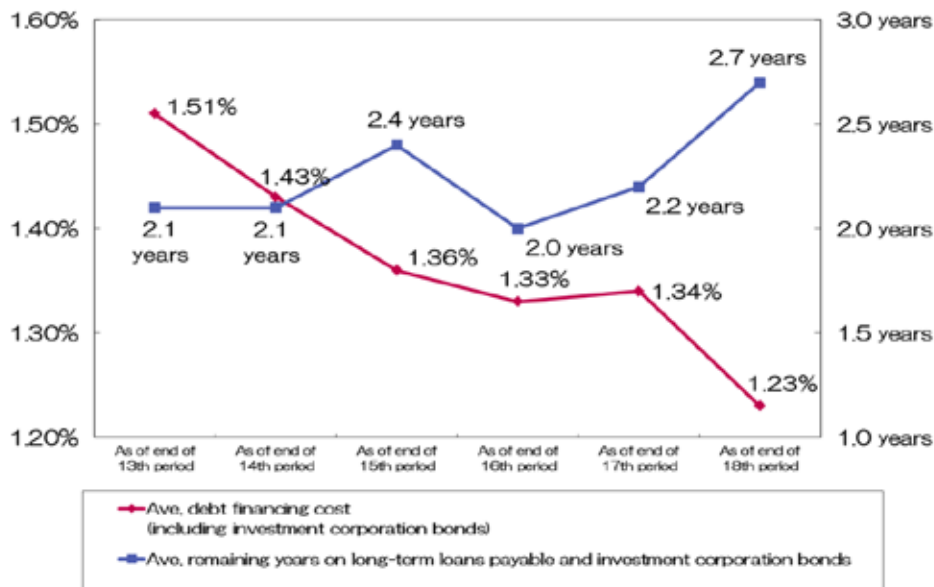
Rating agency	Rating category	Rating
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A A - (Outlook of rating: Stable)

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 costs, and diversification of fund procurement methods with a close collaboration with financial institutions aiming for stable financial management.

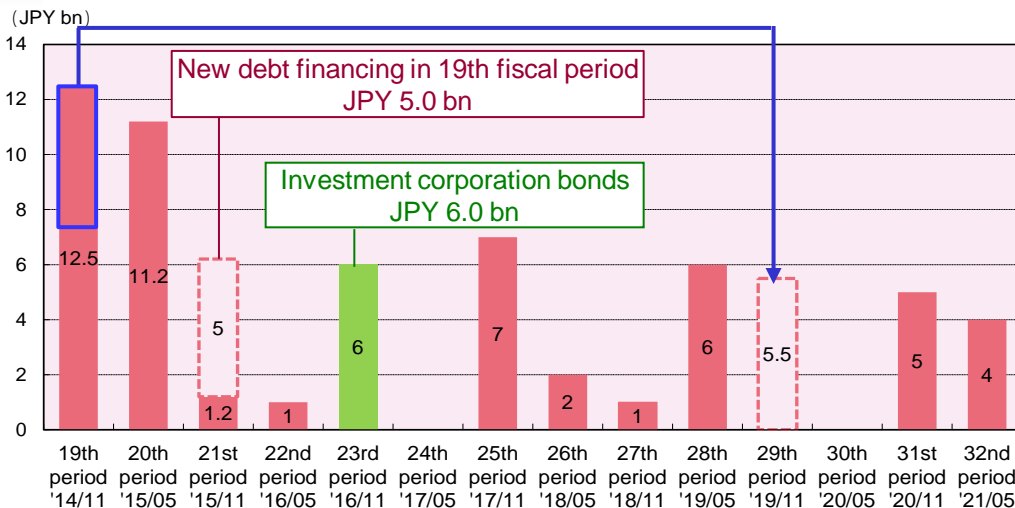


## Trends of Debt Financing Costs and Average Remaining Years



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

## Diversification of Repayment Dates

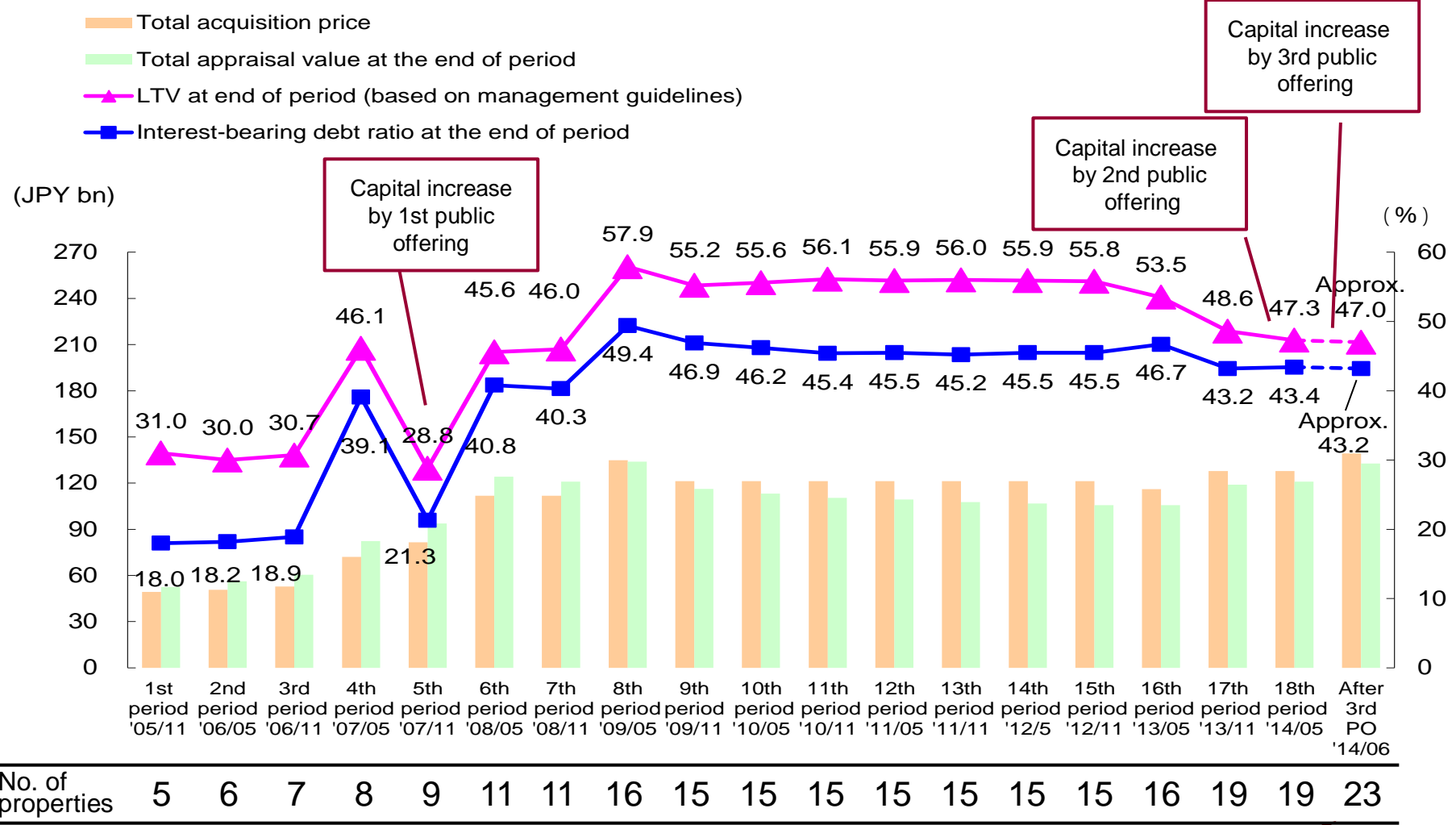


- Newly borrowed JPY 5.0 bn in short-term loans (1 year) on June 23, 2014
- Plan to refinance JPY 5.5 bn in long-term loans maturing on July 22, 2014 with long-term loans (5 years)





# 5-4. Asset Scale and LTV (Loan to Value)



Increase in appraisal value, capital increase through 3rd public offering, etc. led to LTV slightly improving



## 6. Overview of Financial Results for 18th Fiscal Period

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(Unit:JPY mn)

Item	Forecast for 18th Fiscal Period (Dec. 1, 2013 to May 31, 2014)	Results for 18th Fiscal Period (Dec. 1, 2013 to May 31, 2014)	Change -
Operation period (days)	182	182	—
Operating revenues	4,445	4,460	15
Operating income	1,708	1,750	41
Ordinary income	1,295	1,312	16
Net income	1,293	1,311	17
Number of outstanding investment units at end of fiscal period (units)	105,200	105,200	—
Distribution per unit (JPY)	12,300	12,462	162
FFO per unit (JPY)	21,315	21,467	152

### (Main factors for increase/decrease)

① Kitano Hankyu Building +JPY 5 mn  
Sphere Tower Tennoz +JPY 4 mn

② Decrease of repairing cost +JPY 10 mn  
Decrease of advertising and promotion +JPY 4 mn

③ Investment unit issue costs -JPY 36 mn



Forecast for the 19th fiscal period

Distribution per unit forecast

JPY 12,400

[Main factors for increase/decrease from 18th FP]

- Contribution to lease operating income of acquired properties +221 (Marutamachi +91, kotocross +64, Shimoyamate +36, Nishikoji +29, etc.)
- Decrease of Advertising and promotion +61 (Ueroku F Building +27, Namba-Hanshin Building +20, etc.)
- Expensed tax and public dues of properties acquired in 16th and 17th -109 (Nishinomiya G -40, Hankyu Corporation Head Office Building -32, Kitahanada -28, etc.)

(Unit: JPY mn)

Item	Results for 18th Fiscal Period (Dec. 1, 2013 to May 31, 2014)	Forecast for 19th Fiscal Period (Jun. 1, 2014 to Nov. 30, 2014)	Change -	Results for 17th Fiscal Period (Jun. 1, 2013 to Nov. 30, 2013)	Change -
Operation period (days)	182	183	1	183	—
Operating revenues	4,460	4,764	303	4,545	218
Operating income	1,750	1,905	155	1,812	92
Ordinary income	1,312	1,483	170	1,367	115
Net income	1,311	1,481	170	1,366	115
Number of outstanding investment units at end of period (units)	105,200	119,500	14,300	105,200	14,300
Distribution per unit (JPY)	12,462	12,400	-62	12,985	-585
FFO per unit (JPY)	21,467	20,541	-926	21,959	-1,417

[Main preconditions]

- There will be no transfer of portfolio properties from the presently held 23 properties
- There will be no additional issuance of investment units to the present 119,500 units until the end of the period



## Income statement

(Unit: JPY mn)

Item	17th Fiscal Period (Operation period:183 days) Jun. 1, 2013 to Nov. 30, 2013		18th Fiscal Period (Operation period:183 days) Dec. 1, 2013 to May. 31, 2014		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	4,545	100.0	4,460	
Lease operating revenues	4,536		4,460		
Distribution revenue of silent partnership	9		—		
2. Operating expenses	2,732	60.1	2,710	60.8	-21
Lease operating costs	2,353		2,305		
Asset management remuneration	285		299		
Officer remuneration	3		3		
Asset consignment remuneration	16		17		
Administrative agency remuneration	30		33		
Auditor remuneration	7		7		
Other operating expenses	36		45		
Operating income	1,812	39.9	1,750	39.2	-62
3. Non-operating revenues	2	0.0	1	0.0	-0
Interest earned	0		0		
Other non-operating revenues	1		1		
4. Non-operating expenses	447	9.8	439	9.8	-8
Interest expenses	344		318		
Loan related expense	39		38		
Interest due on investment corporation bonds	37		38		
Amortization of investment corporation bond issuance costs	3		3		
Investment unit issue costs	16		36		
Other expenses	5		4		
Ordinary income	1,367	30.1	1,312	29.4	-55
Pretax net income for current period	1,367		1,312		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	-0		0		
Net income for current period	1,366	30.1	1,311	29.4	-55
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,366		1,311		

## Cash distribution statement

(Unit: JPY thousand)

Item	17th Fiscal Period	18th Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,366,086	1,311,082	-55,004
Distributions	1,366,022	1,311,002	-55,019
(Distribution per unit (JPY))	(12,985)	(12,462)	(-523)
Retained earnings carried forward	64	79	14

### (Main factors for increase/decrease)

#### ① Decrease in operating revenues

Decrease in operating income of Sphere Tower Tennoz	-JPY 96 mn
Decrease in operating revenues of Namba-Hanshin Building	-JPY 37 mn
Decrease in operating income of Kitano Hankyu Building	-JPY 34 mn
Increase in operating revenues due to period-through contribution from properties acquired in 17th FP	+JPY 105 mn

#### ② Decrease of operating expenses

Decrease repair expense	-JPY 60 mn
Expensed tax and public dues of properties acquired in 16th and 17th FP	+JPY 51 mn

**Lease operating revenues / expenses**  
Breakdown: See pages 46 and 47



# 6-4. Balance Sheet

(Unit: JPY mn)

Item	17th Fiscal Period (as of Nov. 30, 2013)		18th Fiscal Period (as of May. 31, 2014)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
<b>Assets</b>					
<b>I Current assets total</b>	8,927	6.8	8,884	6.8	-42
Currency and demand deposit	2,078		1,856		
Currency and demand deposit in trust	6,648		6,731		
Operational income receivable	4		4		
Deposit paid	95		116		
Prepaid expense	87		174		
Deferred income tax assets	12		0		
<b>II Fixed assets total</b>	122,712	93.2	122,183	93.2	-529
<b>1. Tangible fixed assets</b>					
Buildings	2,247		2,182		
Structures	267		254		
Tools, furniture and fixtures	0		0		
Land	9,482		9,485		
Buildings in trust	31,148		30,556		
Structures in trust	639		620		
Machinery and equipment in trust	222		211		
Tools, furniture and fixtures in trust	66		76		
Land in trust	77,467		77,467		
Trust construction account	0		26		
Tangible fixed assets total	121,542	92.3	120,882	92.2	-660
<b>2. Intangible fixed assets</b>					
Land leasehold	957		957		
Others	89		86		
Intangible fixed assets total	1,047	0.8	1,043	0.8	-3
<b>3. Investments, other assets</b>					
Long-fiscal period prepaid expenses	112		246		
Guarantee money deposit	10		10		
Investment, other assets total	122	0.1	256	0.2	134
<b>III Total deferred assets</b>	18	0.0	15	0.0	-3
Investment corporation bond issuance costs	18		15		
<b>Assets total</b>	<b>131,658</b>	<b>100.0</b>	<b>131,083</b>	<b>100.0</b>	<b>-574</b>

(Unit: JPY mn)

Item	17th Fiscal Period (as of Nov. 30, 2013)		18th Fiscal Period (as of May. 31, 2014)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
<b>Liabilities</b>					
<b>I Current liabilities total</b>	24,416	18.5	25,118	19.2	702
Operating accounts payable	624		369		
Short term loans payable	1,000		-		
Long term loans payable (return within 1 year)	21,500		23,700		
Accrued dividend	10		12		
Accrued expenses	178		157		
Income taxes payable	1		1		
Accrued consumption tax	55		55		
Advance received	629		615		
Current deposit received	0		4		
Security deposits (return within 1 year)	415		202		
<b>II Total noncurrent liabilities</b>	41,560	31.6	40,338	30.8	-1,221
Investment corporation bonds	6,000		6,000		
Long term loans payable	28,400		27,200		
Security deposits	1,478		1,430		
Security deposits in trust	5,682		5,707		
<b>Liabilities total</b>	65,976	50.1	65,456	49.9	-519
<b>Net assets</b>					
<b>I Unitholders capital</b>	64,316	48.9	64,316	49.1	
<b>II Total surplus</b>	1,366	1.0	1,311	1.0	
Unappropriated income for current period	1,366		1,311		
<b>Net assets total</b>	65,682	49.9	65,627	50.1	-55
<b>Liabilities and net assets total</b>	<b>131,658</b>	<b>100.0</b>	<b>131,083</b>	<b>100.0</b>	<b>-574</b>

Interest-bearing liabilities  
JPY 56,900 mn

Total security deposits  
JPY 7,340 mn  
↓  
JPY 2,254 mn was allocated for property acquisitions



# 6-5. Income and Expenditure by Property

Hankyu REIT

(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 KOSHIEN (site)	Richmond Hotel Hamamatsu (Note 1)
Number of operating days of 18th fiscal period	182	182	182	182	182	182	182	182	182
Lease operating revenues total	303	537	387	284		68	121	257	
Income from lease	244	374	267	283		68	116	257	
Utilities expense income	15	111	50	—		—	—	—	
Other incomes	42	50	70	0		0	4	0	
Lease operating costs total	204	392	231	135		6	54	106	
Property/Facility management fees	45	112	74	9		0	1	1	
Utilities expense	24	143	54	0		—	—	—	
Rent paid	2	0	1	22		—	—	0	
Advertising and promotion expenses	39	1	5	—		—	—	—	
Repair expense	9	8	1	0		—	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	5	0		—	0	1	
Depreciation	51	72	62	75		—	36	0	
Lease operating income	98	144	155	149		61	67	150	
NOI (Lease operating income + Depreciation)	150	216	218	224	60	61	103	150	65
Capital expenditure	7	62	10	—	—	—	—	—	—

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

# 6-5. Income and Expenditure by Property

(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 18th fiscal period	182	182	182	182	182	182	182	182	182	182	—
Lease operating revenues total	618			407	359	137	120	254	108		4,460
Income from lease	617			382	359	118	87	254	91		4,017
Utilities expense income	—			23	—	10	12	—	7		232
Other incomes	0			2	—	7	20	—	10		210
Lease operating costs total	171			209	125	116	164	154	142		2,305
Property/Facility management fees	0			19	1	22	24	1	22		344
Utilities expense	—			28	—	11	44	—	15		324
Rent paid	6			0	—	—	—	15	—		50
Advertising and promotion expenses	—			—	—	—	—	—	—		45
Repair expense	1			15	—	31	8	1	25		103
Nonlife insurance premium	3			0	1	0	0	3	0		17
Tax and public dues	19			21	16	12	28	49	18		442
Other expenses	0			2	0	1	1	1	6		31
Depreciation	139			122	105	36	56	81	53		947
Lease operating income	447			197	233	21	-43	99	-33		2,155
NOI (Lease operating income + Depreciation)	587	239	56	320	339	57	12	181	19	35	3,103
Capital expenditure	66	—	—	0	—	6	72	3	24	—	254

## (Main capital expenditure)

Kitano Hankyu Building	Sphere Tower Tennoz
Renewal of air conditioners JPY 28 mn	Renewal work for central monitoring facilities JPY 61 mn
HANKYU NISHINOMIYA GARDENS	Namba Hanshin Building
Land readjustment work JPY 27 mn	Renewal work for emergency broadcasting system JPY 15 mn





Item	17th Fiscal Period	18th Fiscal Period	Remarks
Operation period	183	182	17th fiscal period: Jun. 1, 2013 to Nov. 30, 2013 18th fiscal period: Dec. 1, 2013 to May. 31, 2014
Return On Assets (ROA)	1.1%	1.0%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.2%	2.0%	Calculated from duration of operation
Return On Equity (ROE)	2.2%	2.0%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.5%	4.0%	Calculated from days of operation
Ratio of net assets at end of period	49.9%	50.1%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	48.6% (47.2%)	47.3% (46.9%)	(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	43.2%	43.4%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	7.0times	7.3times	Pre-interest and pre-depreciation net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY3,126 mn	JPY3,103 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY2,310 mn	JPY2,258 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate

## Investment unit price and net assets at the end of 18th FP

Investment unit price (closing price):	JPY 550,000
Net assets per unit:	JPY 623,831
Net assets per unit after reflecting unrealized income/loss:	JPY 614,392



# 7. APPENDIX



# 7-1. Portfolio List (As of End of 18th Fiscal Period) ① Hankyu REIT

As of May 31, 2014

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 5)	Cap rate (Note 6)
Retail-use Facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita Ward, Osaka City	Nov. 1998	15.6	6,337.37 (2,958.94)	100.0% (97.4%)	1 (131)	4.6%	Feb. 1, 2005	6,468	5.1%	7,770	4.2%
	R2(K)	Kitano Hankyu Bldg.	Kita Ward, Osaka City	Jun. 1985	29.0	28,194.15 (18,477.35)	100.0% (98.7%)	2 (24)	10.1%	Feb. 1, 2005	7,740	6.1%	6,600	5.2%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	10.7	13,027.28	100.0%	28	4.5%	Feb. 1, 2005	6,930	5.4%	7,610	5.1%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	11.2	31,451.81	100.0%	1	6.1%	Nov. 15, 2005	8,600	6.7%	7,609	5.6%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	1.0%	1,530	5.9%
	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	1.7%	1,860	6.3%
	R8	Hotel Gracery Tamachi	Minato Ward, Tokyo	Sep. 2008	5.7	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	11.7	6,995.33	100.0%	1	13.9%	Jan. 22, 2009	2,100	1.6%	1,988	6.2%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	5.7	65,372.41	100.0%	1	9.2%	Apr.16, 2013	18,300	14.3%	21,728	4.9%
	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%	2,130	5.0%
	Office-use facilities	O1	Shiodome East Side Bldg.	Chuo Ward, Tokyo	Aug. 2007	6.8	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	14.9%	12,900
O2(K)		Hankyu Corporation Head Office Building	Kita Ward, Osaka City	Sep. 1992	21.7	27,369.37	100.0%	1	3.7%	Apr.10 2013	10,200	8.0%	10,700	4.7%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	Chuo Ward, Osaka City	Sep. 1993	20.7	4,611.82	97.2%	12	3.2%	Nov. 1, 2005	2,980	2.3%	2,590	5.8%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa Ward, Tokyo	Apr. 1993 (Note 7)	21.2	8,807.71	39.4%	21	2.7%	Oct. 2, 2007	9,405	7.4%	6,732	4.7%
	M3(K)	LAXA Osaka	Fukushima Ward, Osaka City	Feb. 1999	15.3	30,339.91	100.0%	1	3.4%	Jan. 22, 2009	5,122	4.0%	5,220	5.5%
	M4(K)	Namba-Hanshin Building	Chuo Ward, Osaka City	Mar. 1992	22.2	9,959.01 (6,456.88)	100.0% (92.8%)	1 (18)	4.5%	Jan. 22, 2009	4,310	3.4%	2,730	5.3%
	M5	Kita-Aoyama 3 cho-me Building	Minato Ward, Tokyo	Sep. 2013	0.7	619.76	100.0%	2	7.4%	Nov. 12, 2013	1,680	1.3%	1,700	4.1%
Total(at the end of 18th fiscal period)					13.4	477,703.07 (461,105.71)	98.9% (98.6%)	85 (254)	3.5%	—	127,834	100.0%	120,907	5.0%



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 5)	Cap rate (Note 6)
Retail-use Facilities	R14(K)	DAILY QANAT Iuzumiya Horikawa Marutamachi Store (site)	Kamigyo ward, Kyoto city	—	—	3,776.15	100.0%	1	—	June 4, 2014	3,100	—	3,230	4.8%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo ward, Kyoto city	Oct. 2007	6.7	4,400.13	100.0%	1	2.6%	June 4, 2014	2,770	—	2,960	5.0%
	R16(K)	LIFE Shimoyamate Store (site)	Chuo ward, Kobe city	—	—	2,397.83	100.0%	1	—	June 4, 2014	1,421	—	1,430	5.0%
	R17(K)	(tentative name) MANDAI Gojo Nishikoji Store (site)	Ukyo-ku Kyoto city	—	—	9,182.80	100.0%	1	—	June 24, 2014	4,182	—	4,220	4.9%
Total (newly acquired Assets)					13.2	497,459.98 (480,862.62)	98.9% (98.7%)	89 (258)	3.5%		139,307	—	132,747	5.0%

(Note 1) The properties owned by Hankyu REIT are assigned codes classified by facility (type of use) and region.

The letters on the left represent the facility (type of use):

“R” is for retail-use facility, “O” is for office-use facility and “M” is for mixed-use (complex) facility.

The numerals are the numbers assigned to each facility in the chronological order of the acquisition.

The letter “K” in parentheses to the right of the numerals indicates that 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) Appraised value of newly acquired assets, kotocross Hankyu Kawaramachi, DAILY QANAT Izumiya Horikawa Marutamachi Store (site), (tentative name) MANDAI Gojo Nishikoji Store (site) and LIFE Shimoyamate Store (site) is written dated on April 1, 2014.

(Note 6) 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), AEON MALL SAKAIKITA HANADA (site) and Shimoyamate Store (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 7) The completion date for the office and store portions is indicated.



## Urban retail facilities

## Community-based retail facilities

HEP Five



HANKYU NISHINOMIYA GARDENS



Dew Hankyu Yamada



Kita-Aoyama 3 cho-me Building



Kitano Hankyu Building



AEON MALL SAKAIKITA HANADA (site)





## Community-based retail facilities

LaLaport KOSHIEN (site)



MANDAI Toyonaka Honan Store (site)



Takatsuki-Josai Shopping Center



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

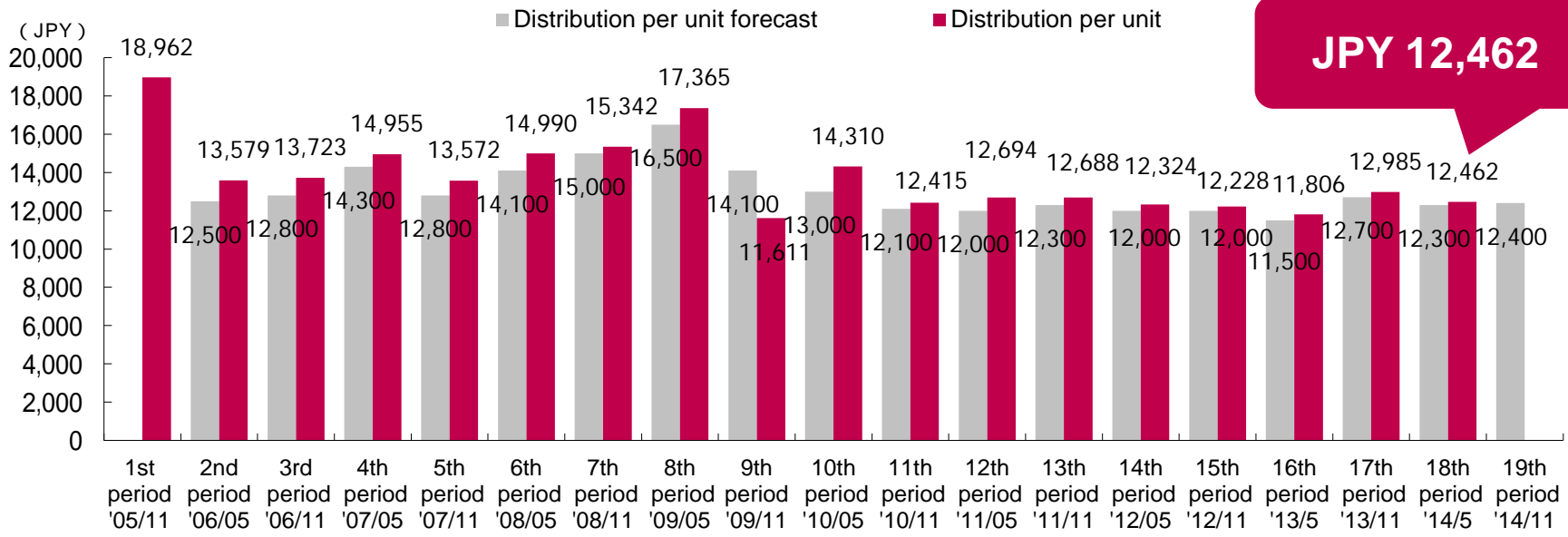


Sphere Tower Tennoz





# 7-3. Trends of Distribution per Unit



**JPY 12,462**

Irregular period (303 days)

(Compare with 18th FP forecast: +JPY 162 per unit, net income + JPY 17 mn)

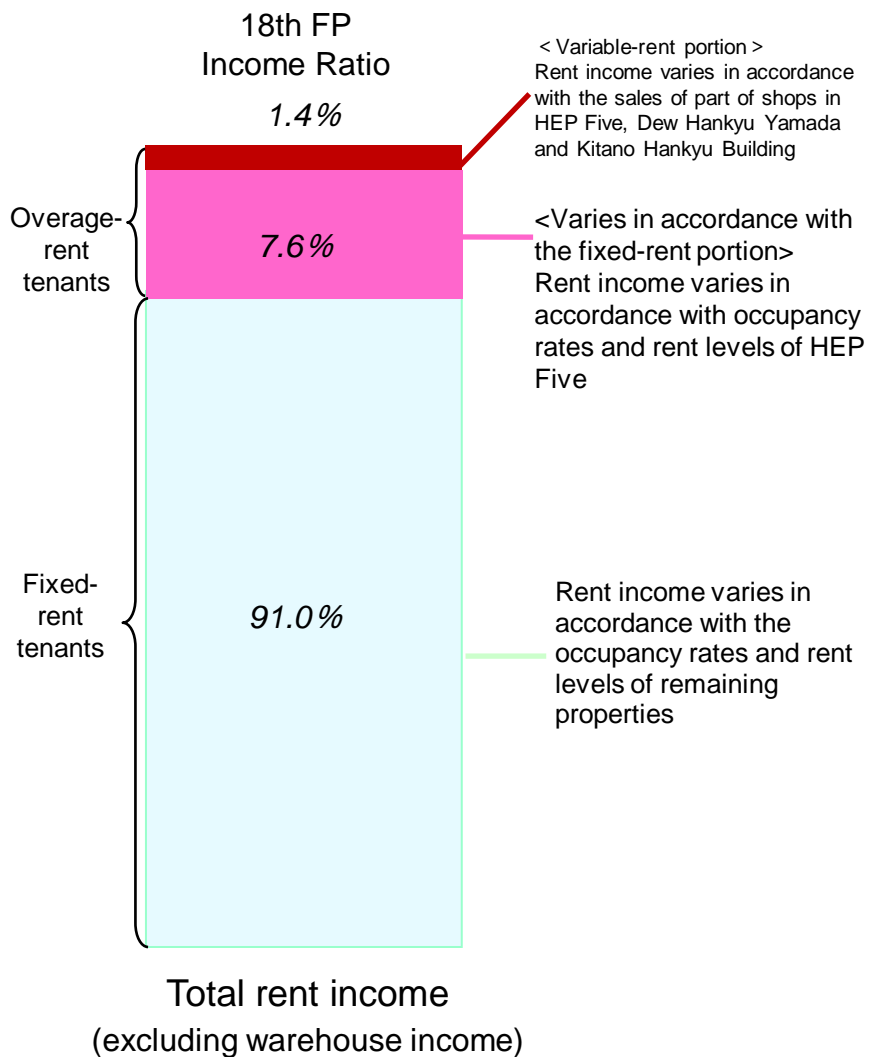
Increase in operating income	+JPY 41 mn
Decrease in non-operating expenses (Investment unit issue costs JPY 36 mn, etc.)	-JPY 26 mn

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

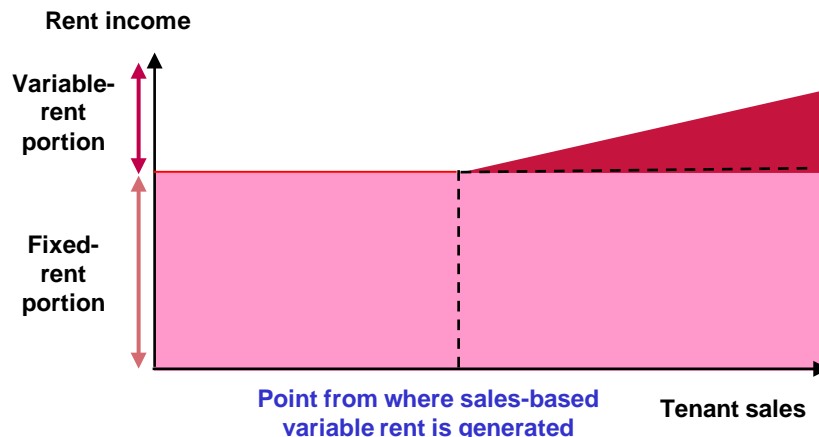




### Income Ratio by Rent Category and Variation Factors

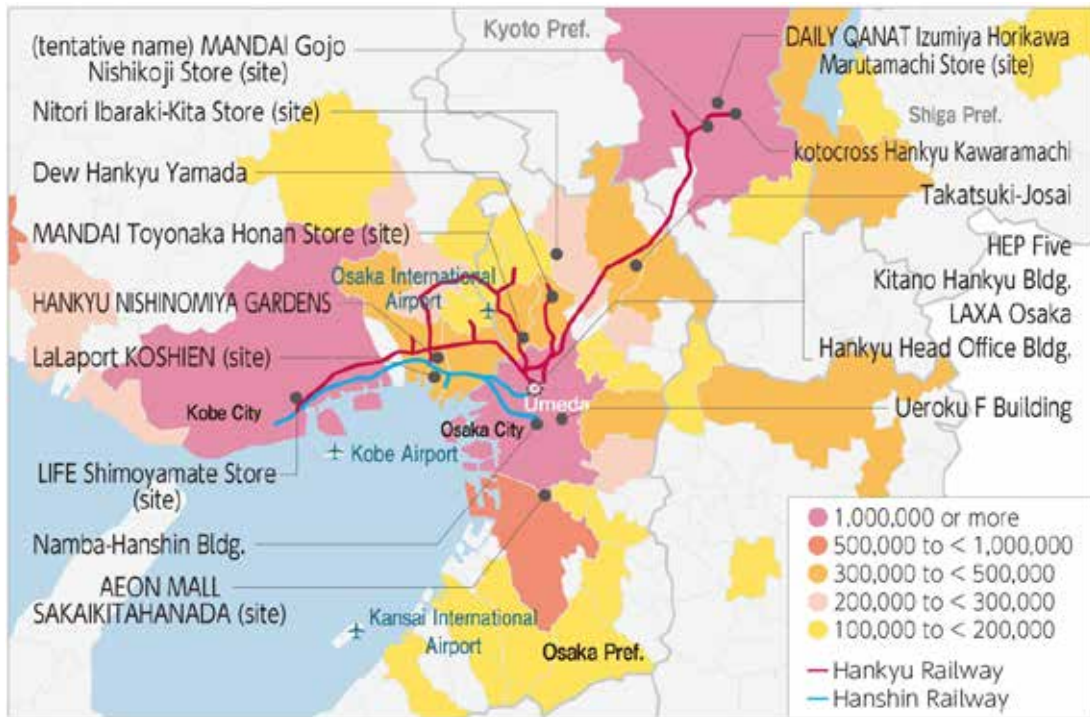


### Income Ratio by Rent Category and Variation Factors





- Concentration of population will heighten due to return of population to city center and urban vicinity
- Retail facilities 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

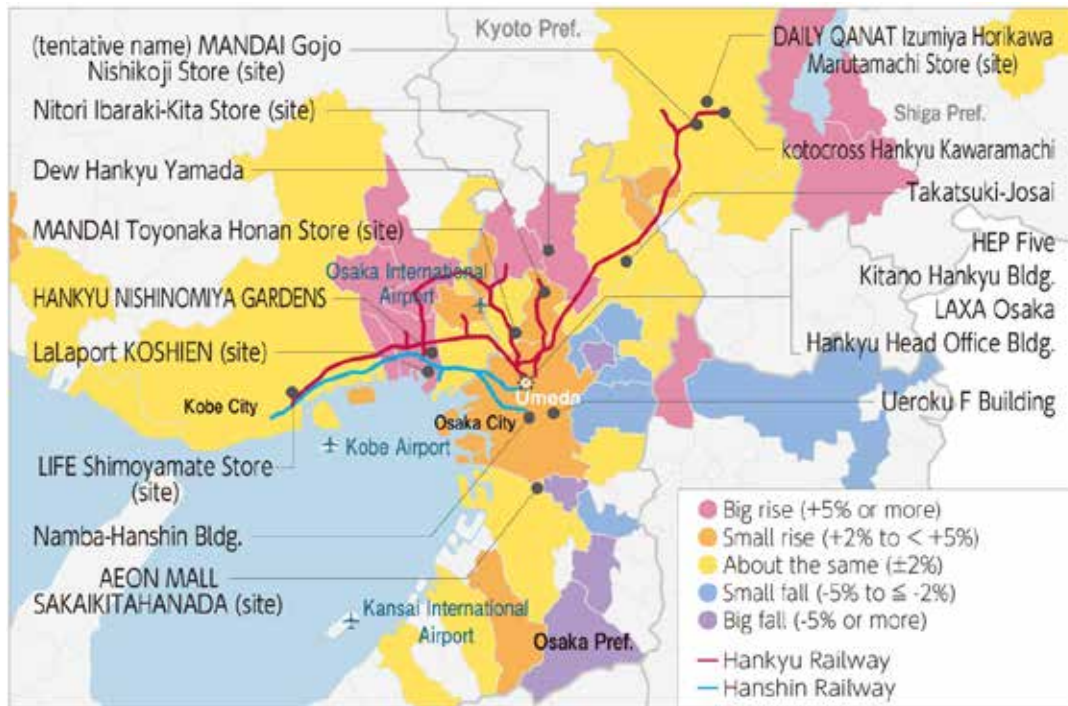
Hyogo Prefecture: approx. 5.56 million  
Of which, 68% reside in the top 7 municipal regions (population of 200,000 or more) including Kobe City

<Populations as of March 31, 2013 of municipal regions with populations of 100,000 or more>

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



- Population is clearly resurging in city center 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%)

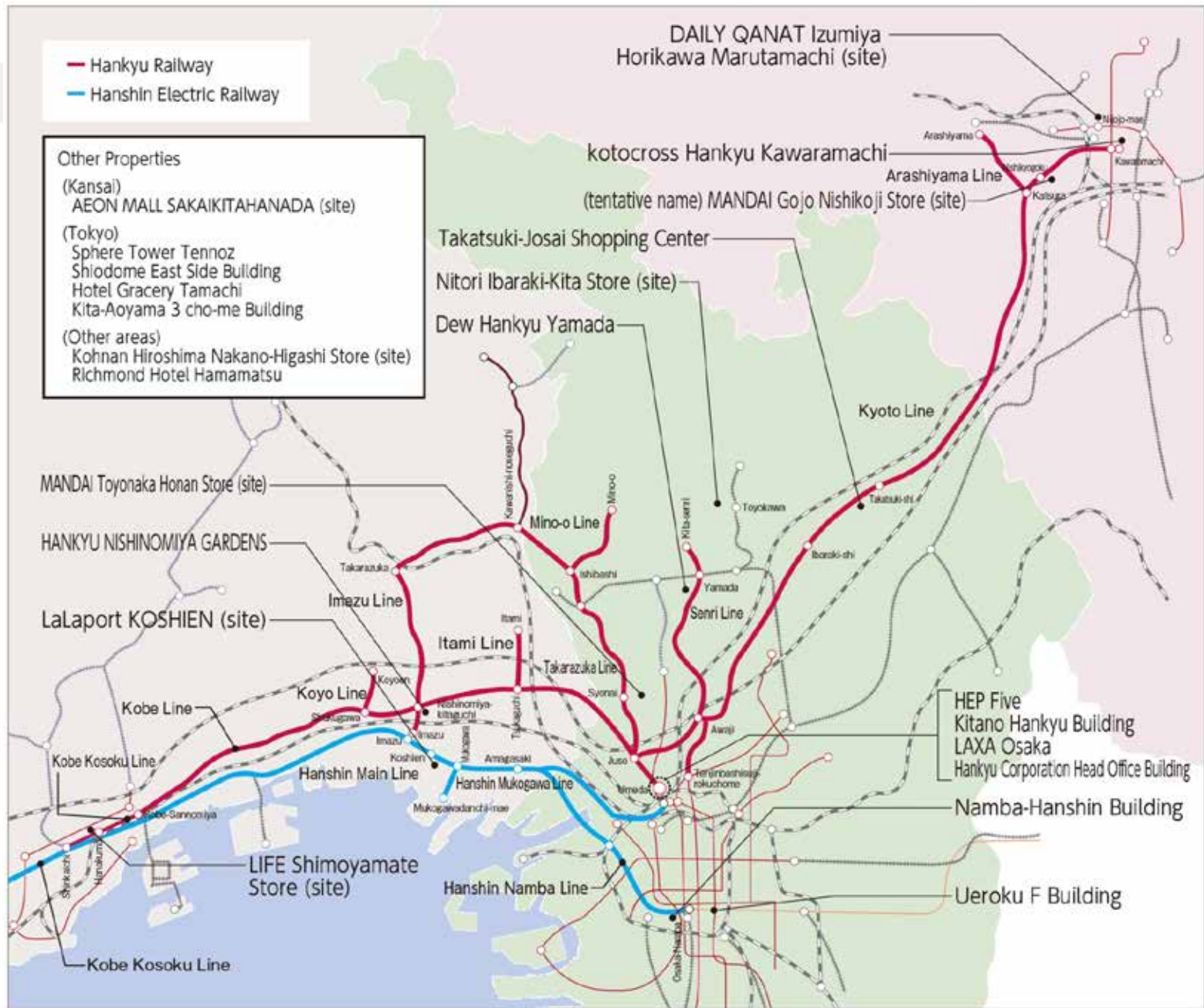
Reason for differentiation:

High transportation convenience and high concentration of city facilities

Positive factors to profitability and stability of Hankyu REIT

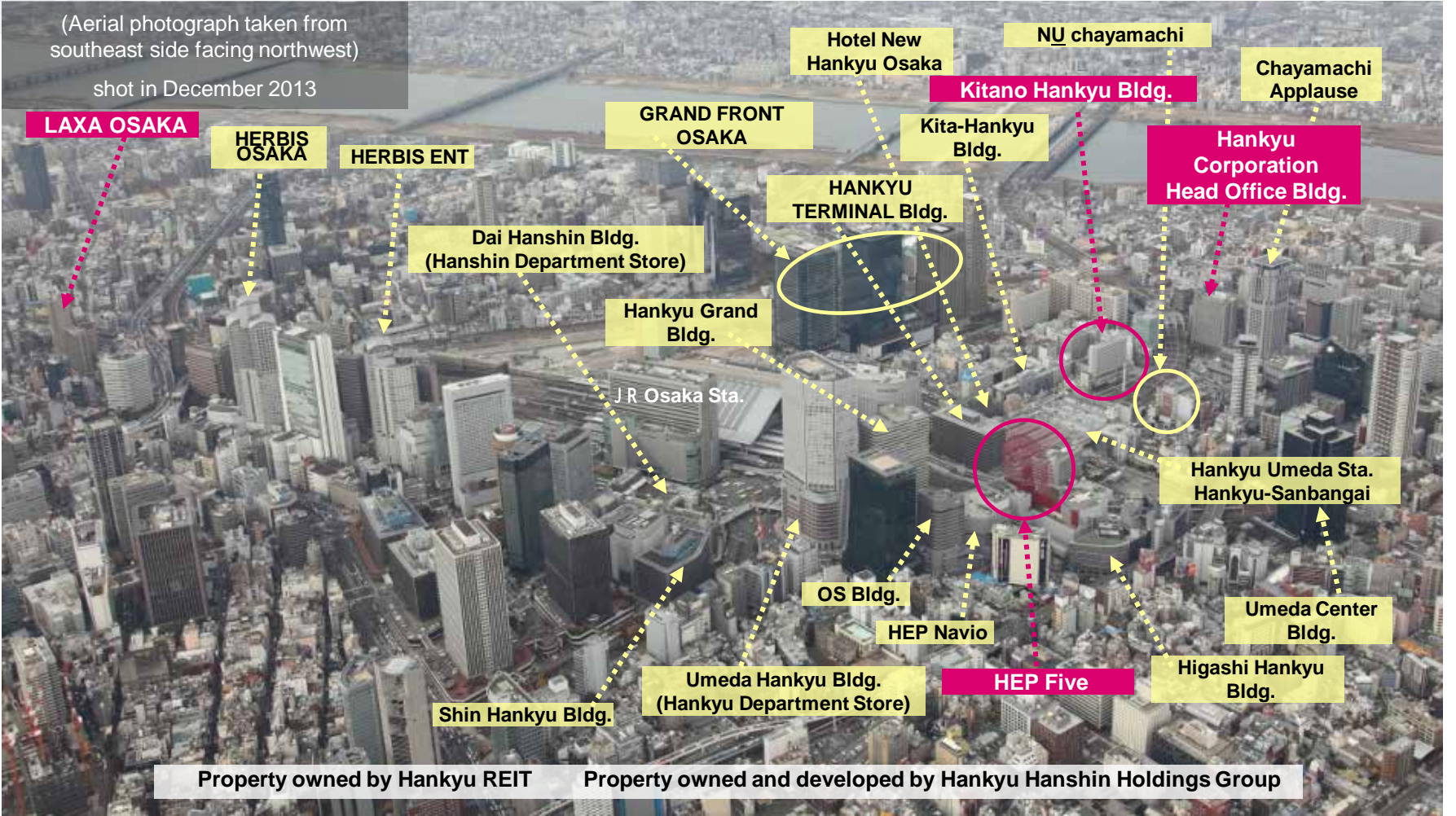
Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2003, 2013)

# 7-6. Hankyu/Hanshin Lines and Properties Held



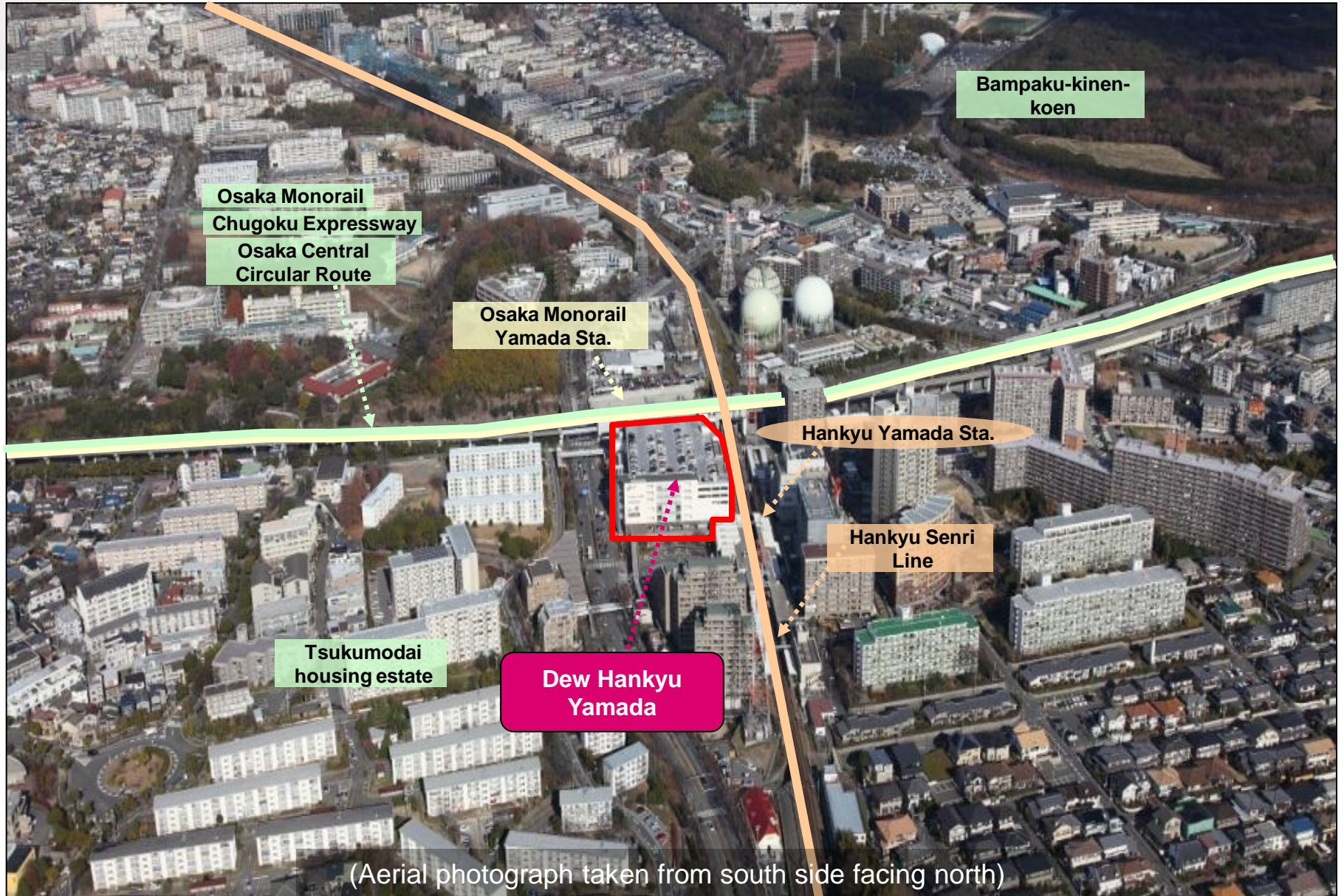


# 7-7. Main Investment Area of Hankyu REIT "Umeda"





(Aerial photograph taken from south side facing north)



(Aerial photograph taken from south side facing north)



(Aerial photograph taken from south side facing north)





(Aerial photograph taken from south side facing north)







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 results. However, for the properties acquired during the 19th fiscal period, the net operating income and operating expenses for the first fiscal year (Note) in the discounted cash flow (DCF) method recorded in the appraisal report is used except for depreciation of properties, and figures based on Hankyu 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) Assumes the rent for the second year of operating revenues and operating expenses from the day after the building completion date (scheduled to be completed in winter 2014) of (tentative name) MANDAI Gojo Nishikoji Store (site) and therefore differs from the figure that assumes the rent up to the building completion date (30% of rent after completion).

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

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, interest-bearing debt ratio, average borrowing cost and average funding cost after the public offering are calculated under the following assumptions:

- Security deposits and guarantees of newly acquired assets are added to the 18th fiscal period figure of security deposits and guarantees.
- It is assumed that there will be no change in the amount of matched money from the 18th fiscal period figure.
- Proceeds from the public offering and third-party allotment, security deposits and 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 18th fiscal period figure of total amount of assets.



As of May 31, 2014

Classification	Code	Name	PML
Retail-use facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	4.6%
	R2(K)	Kitano Hankyu Building	10.1%
	R3(K)	Dew Hankyu Yamada	4.5%
	R4(K)	Takatsuki-Josai Shopping Center	6.1%
	R5(K)	Nitori Ibaraki-Kita Store (site)	—
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	—
	R8	Hotel Gracery Tamachi	10.2%
	R9(K)	LaLaport KOSHIEN (site)	6.0%
	R10	Richmond Hotel Hamamatsu	13.9%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	9.2%
	R12(K)	AEON MALL SAKAIKITAHANADA (site)	—
	R13(K)	MANDAI Toyonaka Honan store (site)	—
	Office-use facilities	O1	Shiodome East Side Building
O2(K)		Hankyu Corporation Head Office Building	3.7%
Mixed-use (complex) facilities	M1(K)	Ueroku F Building	3.2%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	2.7%
	M3(K)	LAXA Osaka	3.4%
	M4(K)	Namba-Hanshin Building	4.5%
	M5	Kita-Aoyama 3 cho-me Building	7.4%
Total (at the end of 18th fiscal period)			3.5%

Retail-use facilities	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	—
	R15(K)	kotocross Hankyu Kawaramachi	2.6%
	R16(K)	LIFE Shimoyamate Store (site)	—
	R17(K)	(tentative name) MANDAI Gojo Nishikoji Store (site)	—
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%.

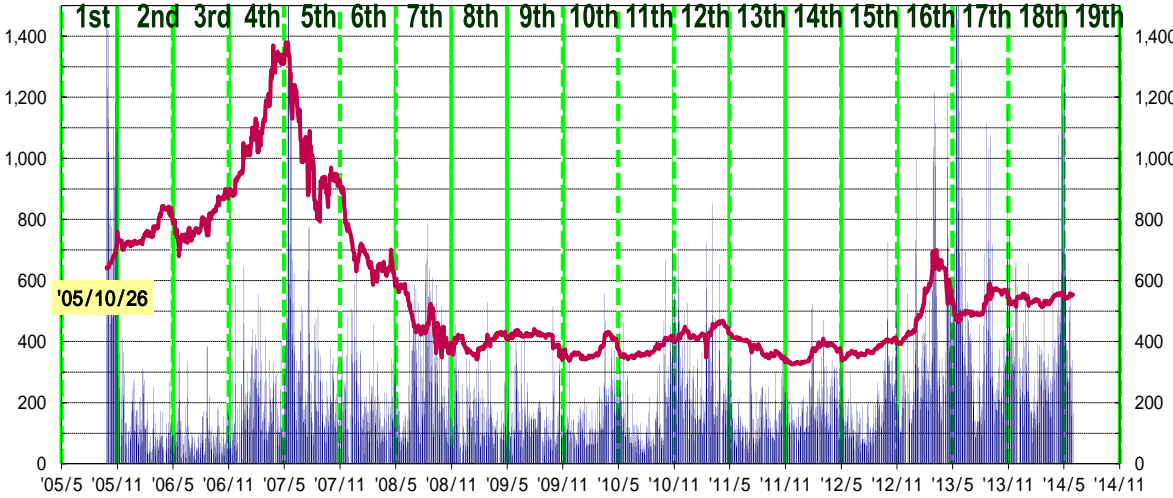
## Policy on earthquake insurance coverage

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)

(Unit: JPY thousand)



Source: QUICK



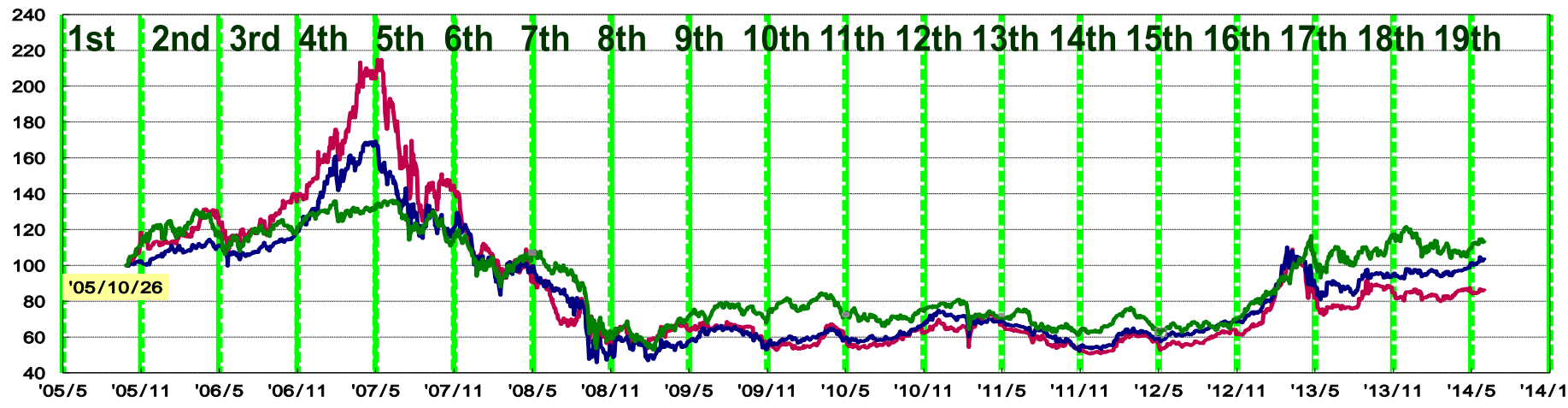
## Per Unit Trading Trends

(Oct 26, 2005-June 30, 2014)  
 High (closing price basis) JPY 1,380,000  
 (June 2007)  
 Low (closing price basis) JPY 325,000  
 (December 2011)

**During fiscal period**  
 (December 1, 2013–May 31, 2014)  
 High (closing price basis) JPY 562,000  
 (May 27, 2014)  
 Low (closing price basis) JPY 512,000  
 (March 20, 2014)

**Price on June 30, 2014(closing price basis)**  
 JPY 554,000

## Relative Price (closing price basis)



Source: QUICK, Tokyo Stock Exchange



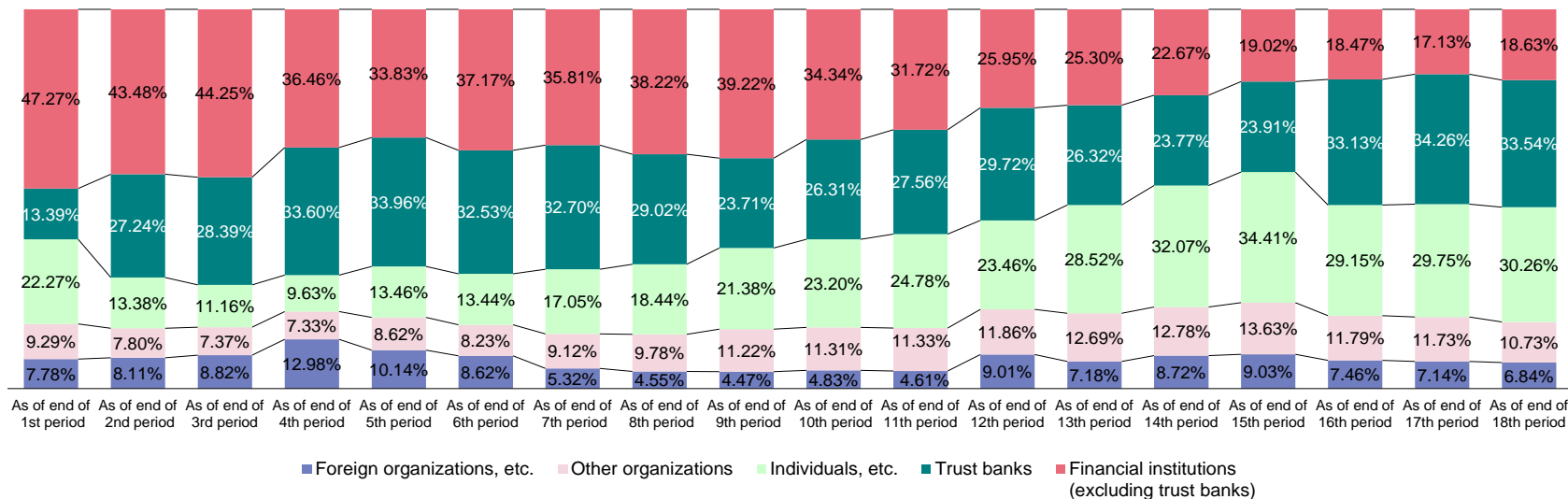
## Unitholder Composition

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)	74	0.70%	19,597	18.63%
Trust banks	10	0.09%	35,285	33.54%
Individuals, etc.	10,223	96.21%	31,829	30.26%
Other organizations	216	2.03%	11,289	10.73%
Foreign organizations, etc.	103	0.97%	7,200	6.84%
<b>Total</b>	<b>10,626</b>	<b>100%</b>	<b>105,200</b>	<b>100%</b>

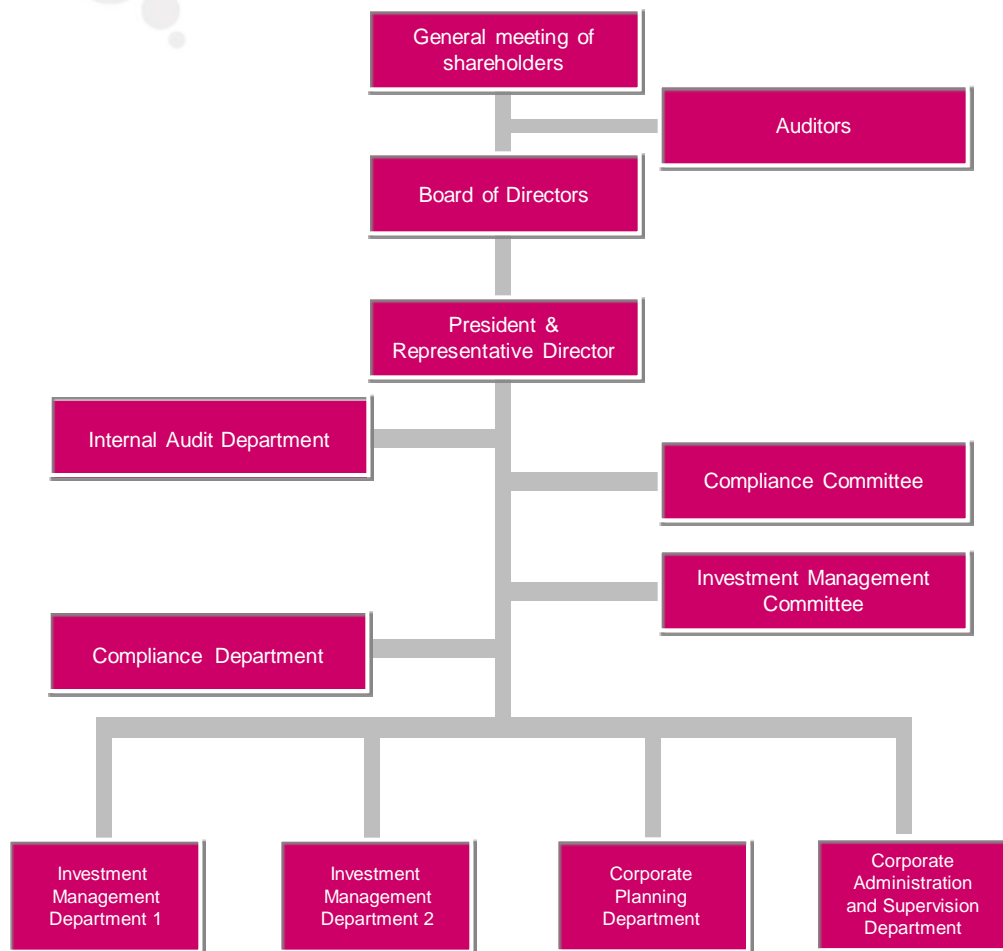
## Top 10 Unitholders

Unitholder name	Number of units held (units)	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	21,504	20.44%
The Master Trust Bank of Japan, Ltd. (Trust account)	6,381	6.07%
The Senshu Ikeda Bank, Ltd.	4,624	4.40%
Hankyu Corporation	4,200	3.99%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,588	3.41%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	2,940	2.79%
Fuji Fire And Marine Insurance Co., Ltd.	1,893	1.80%
Nippon Toshu Fukyu Co.,LTD.	1,241	1.18%
Bank of Kyoto, Ltd.	1,038	0.99%
Momiji Bank, Ltd.	959	0.91%
<b>Total investment</b>	<b>48,368</b>	<b>45.98%</b>
<b>Number of outstanding units</b>	<b>105,200</b>	<b>100%</b>

## Ratio of Units by Unitholder Category



(As of May 31, 2014)

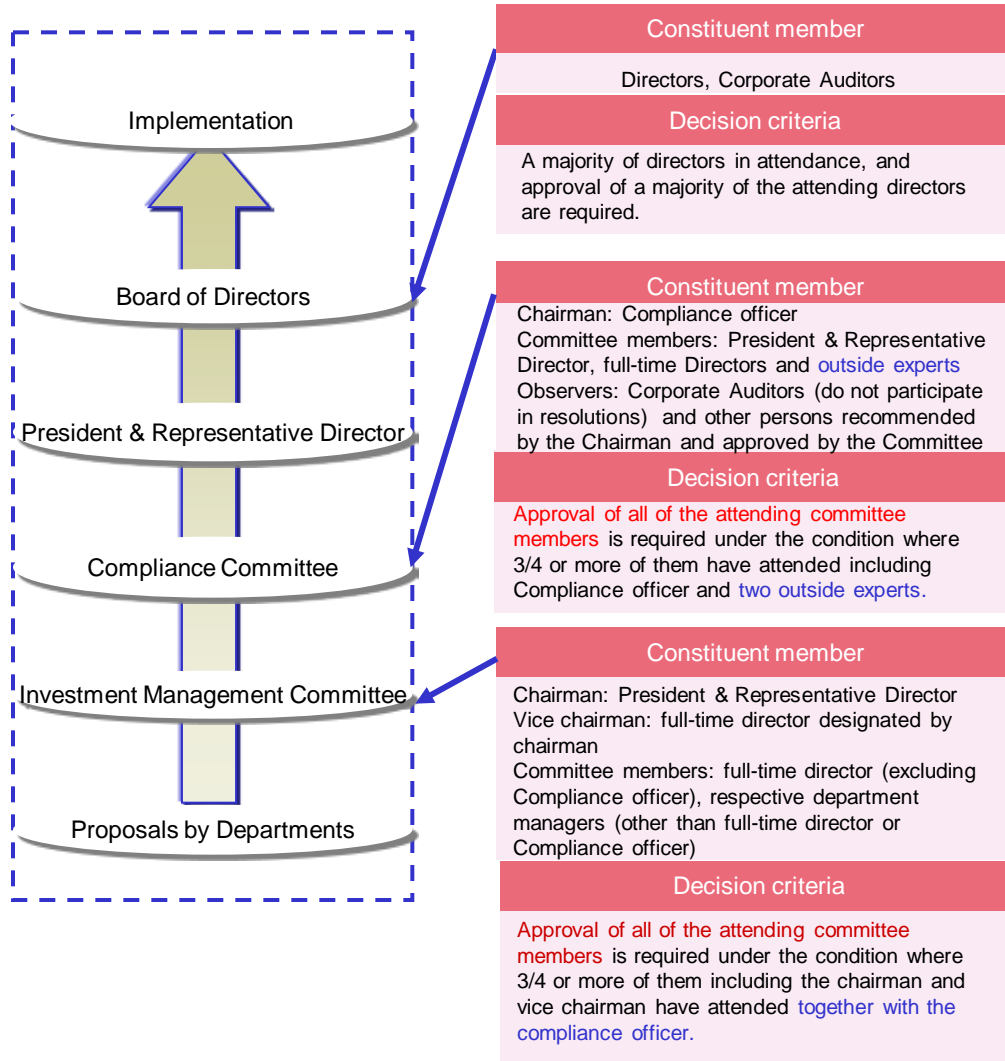


Corporate Data		
Trade name	Hankyu REIT Asset Management, Inc.	
Headquarters	19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan	
Established	March 15, 2004	
Paid-in capital	JPY 300 mn	
Shareholder	Hankyu Corporation (100%)	
Number of officers and employees	23	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Director	Toshinori Shoji
	Director	Yasuki Fukui
	Director	Hideo Natsuaki
	Director (part-time)	Toyoyuki Komori
	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 (3) 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

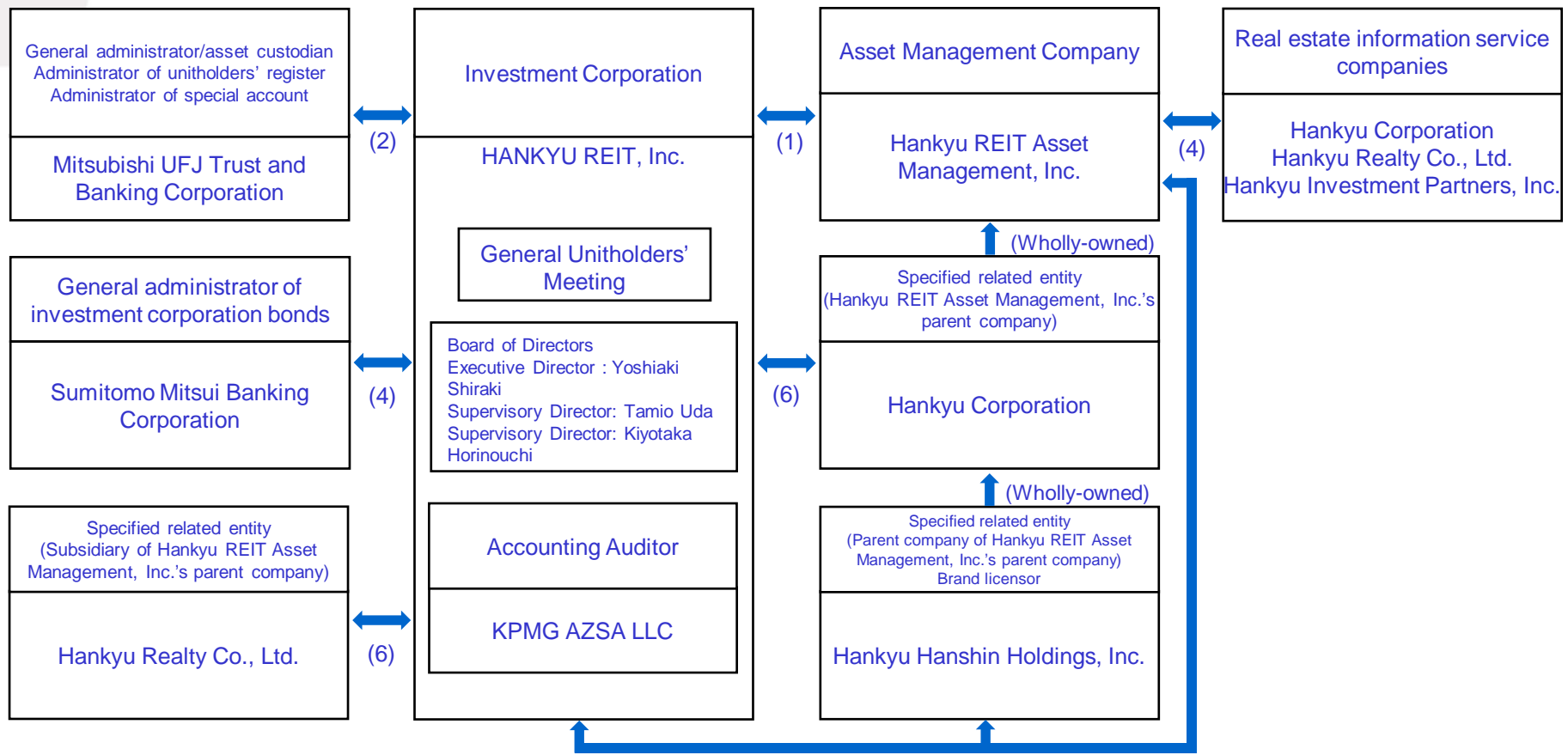
- Achieve comprehensive compliance by establishing a Compliance Department and a Compliance Officer.
- The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction with interested parties.
- The Compliance Officer attends the Investment Committee meeting and 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 May 31, 2014)



- (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) Financial agency agreement
- (6) Agreement to transfer part of the assets and lease 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.