

Hankyu REIT

Financial Results Briefing Materials
for the 21st Fiscal period ended
November 2015



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



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This material includes forward-looking statements based on present assumptions and future outlook. Actual results may differ from the forward-looking statement values due to various factors.

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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





	Issues	Results for 21st Fiscal Period
External Growth	<ul style="list-style-type: none"> How to acquire properties that will enable planning of target distributions amidst the heated competition for property acquisition 	<ul style="list-style-type: none"> Continued to implement initiatives such as searching and considering development-type properties through joint efforts with the sponsor group toward securing quality properties at the appropriate price Along with exercising appropriate property acquisition judgment accumulated through operational management, promoted expansion of property acquisition methods and property information sourcing channels
Internal Growth	<ul style="list-style-type: none"> Maintenance and improvement of competitiveness of properties held Leasing of Sphere Tower Tennozu 	<ul style="list-style-type: none"> Maintained high level of portfolio occupancy rate (end of 21st fiscal period: 98.8%) For Sphere Tower Tennozu, achieved expansion of floor area within the same property for 1 floor (occupancy rate: 39.0% → 42.8% (January 2016, 22nd fiscal period)) For HEP Five and Namba-Hanshin Building, implemented tenant replacement contributing to income increase
Financial Strategies	<ul style="list-style-type: none"> Implementation of LTV control Continuation of stable financial operations and diversification of fund procurement methods 	<ul style="list-style-type: none"> Lowered LTV through appraisal value rise, etc. (44.4% → 43.2% (end of 21st fiscal period)) Continued stable financial operations by striking a balance between reduction of debt financing costs, and extension of borrowing periods and diversification of debt repayment dates

Net assets per unit	JPY 122,552
Net assets per unit after reflecting unrealized income/loss	JPY 136,742

Results for 21st fiscal period (ended November 2015)
Distribution per unit JPY 2,620

Profitability of Portfolio

	End of 18th FP (End of May 2014)	End of 19th FP (End of Nov. 2014)	End of 20th FP (End of May 2015)	End of 21st FP (End of Nov. 2015)
Average NOI yield (Note)	4.7%	4.8%	4.8%	4.8%
Average NOI yield after depreciation (Note)	3.2%	3.4%	3.4%	3.4%
Unrealized income/loss (Note)	-JPY 0.9 bn	JPY 1.6 bn	JPY 4.7 bn	JPY 8.4 bn

Stability of Financial Foundation

	End of 18th FP (End of May 2014)	End of 19th FP (End of Nov. 2014)	End of 20th FP (End of May 2015)	End of 21st FP (End of Nov. 2015)
LTV (Note)	47.3%	45.4%	44.4%	43.2%
Interest-bearing debt ratio	43.4%	42.9%	42.9%	43.0%
Average debt financing costs (including investment corporation bonds)	1.23%	1.08%	1.07%	1.06%
Average remaining years on long-term loans payable and investment corporation bonds	2.7 years	3.6 years	5.1 years	4.8 years

(Note) Details of the calculation method for “Average NOI yield,” “Average NOI yield after depreciation,” “Unrealized income/loss” and “LTV” are presented on page 57.



Progress in Improving Leasing Environment

- Achieved expansion of floor area within the same property by an existing tenant (1 floor), boosting occupancy rate to 42.8% in January 2016
- As rents are on an upward trend due to decreased vacancy rate in the Tokyo metropolitan area, areas that can provide large space all at once at undervalued rent are becoming limited to pretty much just the bay area
- In addition to the described environment, property viewings have doubled from the previous year and concrete talks, too, are increasing as a result of engaging in finely-tuned leasing activities, such as showcasing building features, location and other strengths

Value-Enhancement Initiatives

- Implemented value-enhancement work on atrium and entrance in December 2014
- Subsequent measures also underway to enhance convenience and comfort for building occupants, such as implementing renovation work on underground entrance, 1F lounge, etc.



Example of maisonette floor utilization of exclusive-use portion (illustrative purposes only)



Underground entrance (B1F)



Lounge (back of 1F entrance)



Received Award for Local Green City Development Issued by City of Minato, Tokyo



<Recognition from City of Minato>

A program to commend private buildings for their environmental considerations and outstanding greening planning at the City of Minato, this year a total of 92 candidate buildings were screened, from which 4 buildings—including the Property—were chosen for the award. The Property was recognized for the following points:

- Provides contact with unique greenery through various aromas of citrus trees and other flowers

- The trees are well maintained, dramatically boosting the attractiveness of the neighborhood where many tasteful shops exist

<Future initiatives>

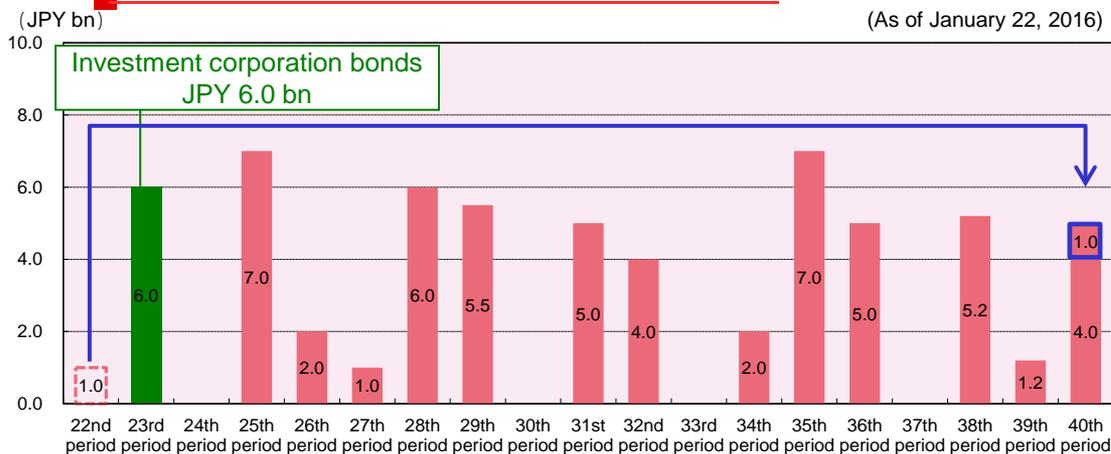
With Kita-Aoyama 3 cho-me Building receiving the award, not to mention HANKYU NISHINOMIYA GARDENS and HEP Five receiving “DBJ Green Building Certification” and such, high recognition has been received for convenience of tenant users, consideration for communities and other points.

Hankyu REIT will continue its pursuit to meet such social requirements while cooperating with property management companies in an aim to enhance the asset value of its portfolio.

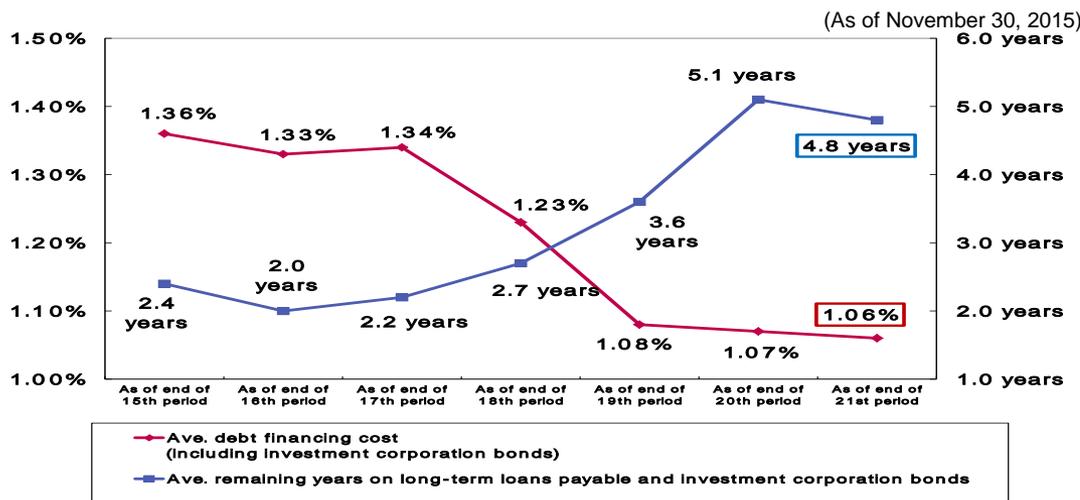


Continued stable financial operations
by striking a balance between reduction of debt financing costs, and
extension of borrowing periods and diversification of debt repayment dates

Diversification of Debt Repayment Dates



Trends of Debt Financing Costs and Average Remaining Years



Overview of Refinancing

Date of refinance	Amount of debt financing (JPY mn)	Borrowing period	Variable/Fixed
Sep. 30, 2015	1,200	9 years	Variable
Jan. 21, 2016	1,000	9 years	Variable

Long-Term Debt Ratio and Fixed Debt Ratio

Date	Long-term debt ratio	Fixed debt ratio
End of 21st FP (Nov. 30, 2015)	100%	91.6%
Jan. 22, 2016	100%	90.0%

Status of Ratings

Rating agency	Rating
JCR (Japan Credit Rating Agency, Ltd.)	AA- (Stable)
R&I (Rating and Investment Information, Inc.)	A+ (Stable)

External Growth

Expand Opportunities to Acquire Properties through Joint Efforts with the Sponsor Group, and Enhance Portfolio Quality

- Utilize real estate networks and warehousing functions of the sponsor group
- Consider acquisition of properties utilizing the real estate development capabilities coming from the sponsor group in an aim to acquire properties at appropriate prices
- Continue to consider measures for enhancement of portfolio quality with the Investment Planning Office, which was newly established in the 20th fiscal period, at the core

Internal Growth

Maintain and Improve High Level of Portfolio Occupancy Rate

- Aim to maintain and improve rent through measures based on the competitiveness of each property while establishing favorable relationship with tenants
- For Sphere Tower Tennozu, work toward early improvement of occupancy rate and distributions by promoting leasing activities based on location and building features while showcasing value-enhancement work on common-use portions, etc.

Financial Strategies

Continue Stable Financial Operations and Improve Distributions

- Realize equity financing that enables both distributions to be improved and LTV to be maintained
- Make progress in considering diversifying fund procurement methods while continuing stable financial operations through cooperation with financial institutions

Forecast for 22nd fiscal period (ending May 2016)
Distribution per unit

JPY 2,600

Aim to be poised for stable distributions of JPY 2,600 level

2. Summary of Kansai Area





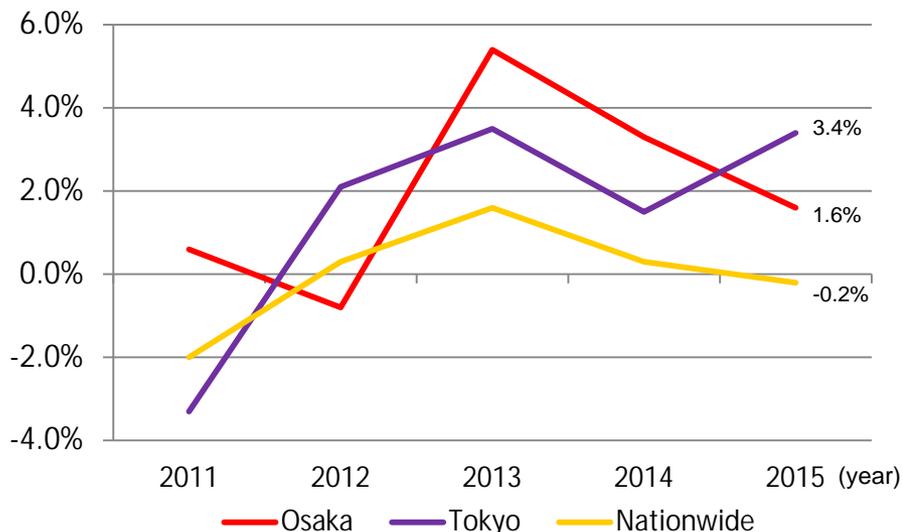
Sales of Department Stores, Supermarkets, Etc. Going Strong

- Sales of supermarkets in central areas and department stores are on an increasing trend due to increase in inbound tourists and return of the population to central city, and the outlook is that this trend will continue into the future
- Population increase/decrease is becoming clearer in certain areas, leading to a state of progress in polarization

- Sales of department stores in Osaka increased by 1.6% over the previous year
- Duty-free sales of department stores in the Kansai region (first half of fiscal 2015) significantly increased, approximately quadrupling over the same period of the previous year (Note 1)

- Sales of supermarkets in Osaka City significantly surpassed nationwide and Tokyo's increase over the same month of the previous year to maintain strong sales
- Number of stores: 5.5% increase (Tokyo: 1.6% increase) (rate of increase attributable to new openings in fiscal 2014) (Note 2)
- Same-store sales: 6.2% increase (Tokyo: 4.0% increase) (change in first half of fiscal 2015 over the same period of the previous year) (Note 3)

Sales of Department Stores by District (change over the previous year)



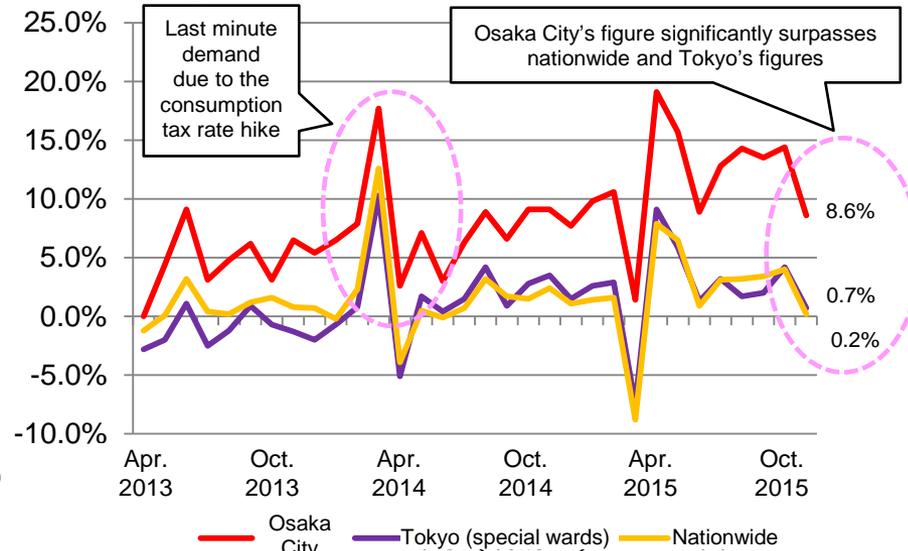
(Source) Japan Department Stores Association

(Note 1) Source: Bank of Japan Osaka Branch "Department Store Duty-Free Sales (Kansai Region)"

(Note 2) Source: Calculated by Hankyu REIT Asset Management, Inc. (December 2015)

(Note 3) Source: Ministry of Economy, Trade and Industry "Current Survey of Commerce"

Sales of Supermarkets by District (change over the same month of the previous year)



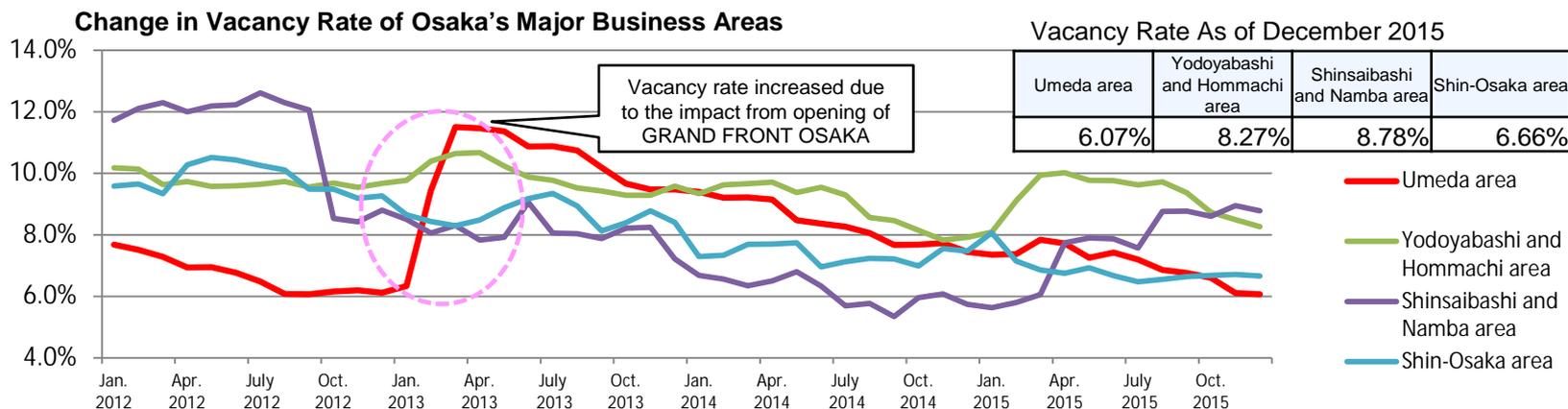
(Source) Ministry of Economy, Trade and Industry "Current Survey of Commerce"



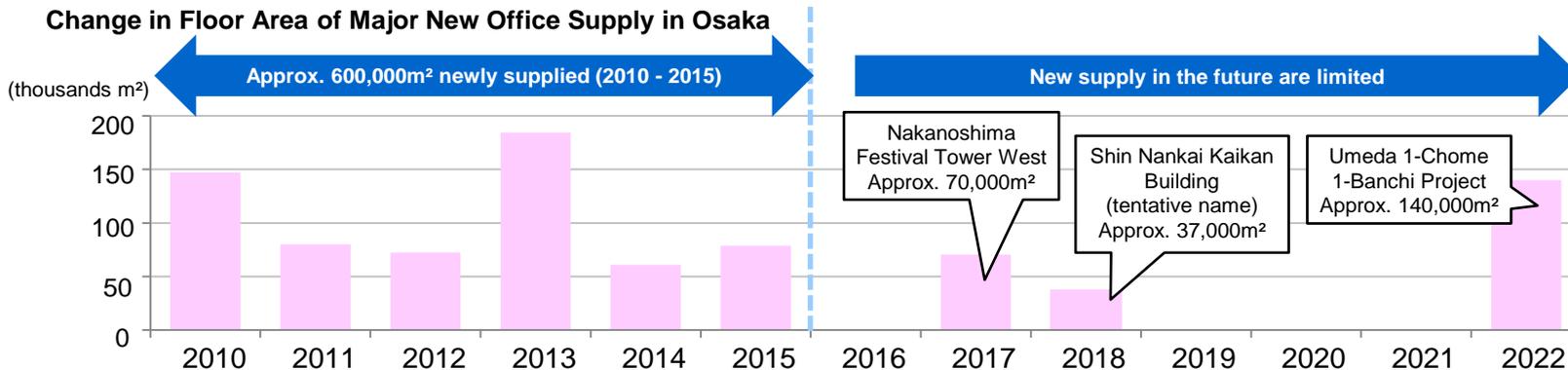
Decreasing Trend of Office Vacancy Rate Continuing in Osaka

- Metabolism of Osaka office market and concentration of city functions are advancing
- Outlook is that the decreasing trend of vacancy rate will continue
(Vacancy rate of Umeda area in December 2015 is the same level as that of Tokyo's business areas in August 2014 (6.02%))

- Relocation of offices from Yodoyabashi and Hommachi area, etc. into Umeda area, especially into high-spec buildings, is advancing
- New office supply in the future is limited



(Source) Miki Shoji Co., Ltd. "Office Data"



(Source) Calculated by Hankyu REIT Asset Management, Inc. based on materials from office brokerage companies (include some estimates) (December 2015)



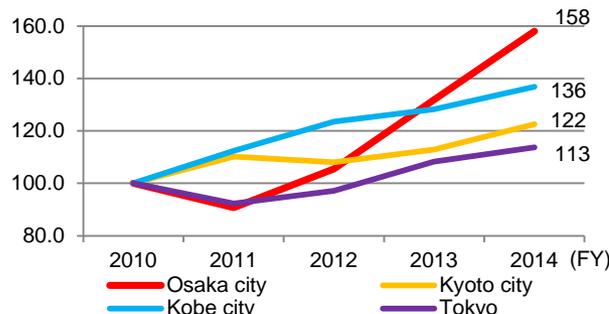
- Increase in inbound tourists is keeping Kansai region's hotel occupancy rate at a high level and the increase in guest room unit price is also gaining momentum
- With still strong hotel demand in Osaka Prefecture and Kyoto Prefecture, the outlook is that development projects will continue to be on an increasing trend

RevPAR in Kansai Region Continues to Rise

- Significant rise in RevPAR in Osaka City
- Guest room occupancy rate is a high level in Osaka Prefecture and Kyoto Prefecture, causing a state where accommodation facilities continue to be in shortage. Of all guests staying overnight in Osaka Prefecture, foreign tourists visiting Japan is accounting for a significantly increasing percentage in the past 3 years (14% → 32%) (Note 1)

(Note 1) Source: Japan Tourism Agency "Accommodation Survey"
Actual results for first half of fiscal 2015 and first half of fiscal 2012

Change in RevPAR



(Graph) Relative value based on fiscal 2010 set as 100
(Source) Ohta Publications Co., Ltd. "HOTERES"

Ranking of Business Hotel Guest Room Occupancy Rate (Note 2)

1	Osaka Prefecture (89.0%)
2	Tokyo Metropolis (86.4%)
3	Kyoto Prefecture (85.5%)
4	Hyogo Prefecture (83.6%)
5	Ishikawa Prefecture (82.5%)

(Note 2) Source: Japan Tourism Agency
Actual results for first half of fiscal 2015

Hotel Demand Exceeding Supply Continues

- In Osaka Prefecture and Kyoto Prefecture, the state is one where the number of guest rooms that needs to be newly supplied to meet the future increase in demand (number of rooms additionally required) far exceeds the number of guest rooms that is scheduled to be newly supplied (number of rooms in planning)

(Reference)

Number of Rooms in Existing Supply by Prefecture (As of End of Fiscal 2014)

Osaka Prefecture	Approx. 57,100 rooms
Kyoto Prefecture	Approx. 23,600 rooms
Hyogo Prefecture	Approx. 27,700 rooms

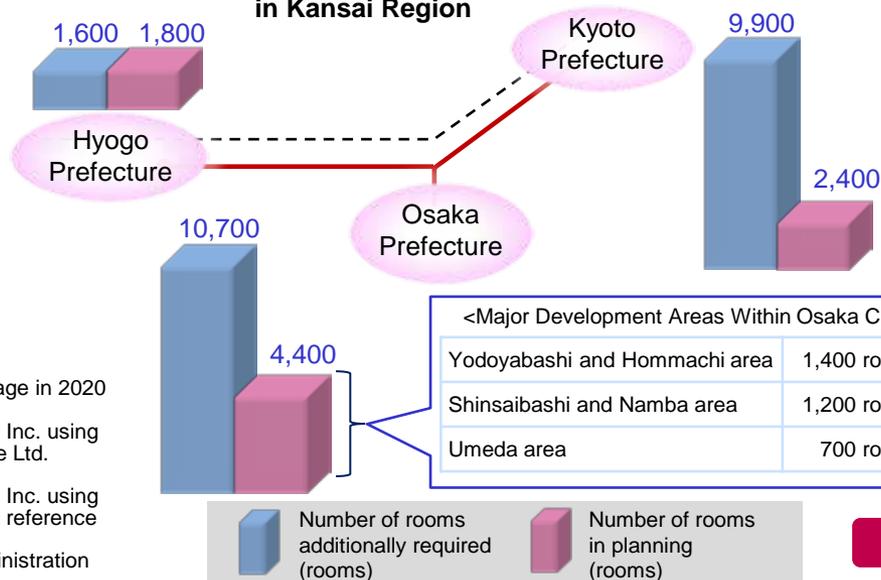
(Source)

Number of rooms additionally required: Number of guest rooms expected to be in shortage in 2020 when Tokyo will be hosting the Olympic Games. Estimated by Hankyu REIT Asset Management, Inc. using materials prepared by Mizuho Research Institute Ltd. (August 2015) as reference (December 2015)

Number of rooms in planning: Estimated by Hankyu REIT Asset Management, Inc. using Ohta Publications Co., Ltd. "HOTERES," etc. as reference (December 2015)

Number of rooms in existing supply: Statistics Bureau "Report on Public Health Administration and Services FY2014"

Status of Number of Rooms in Planning and Number of Rooms Additionally Required in Kansai Region



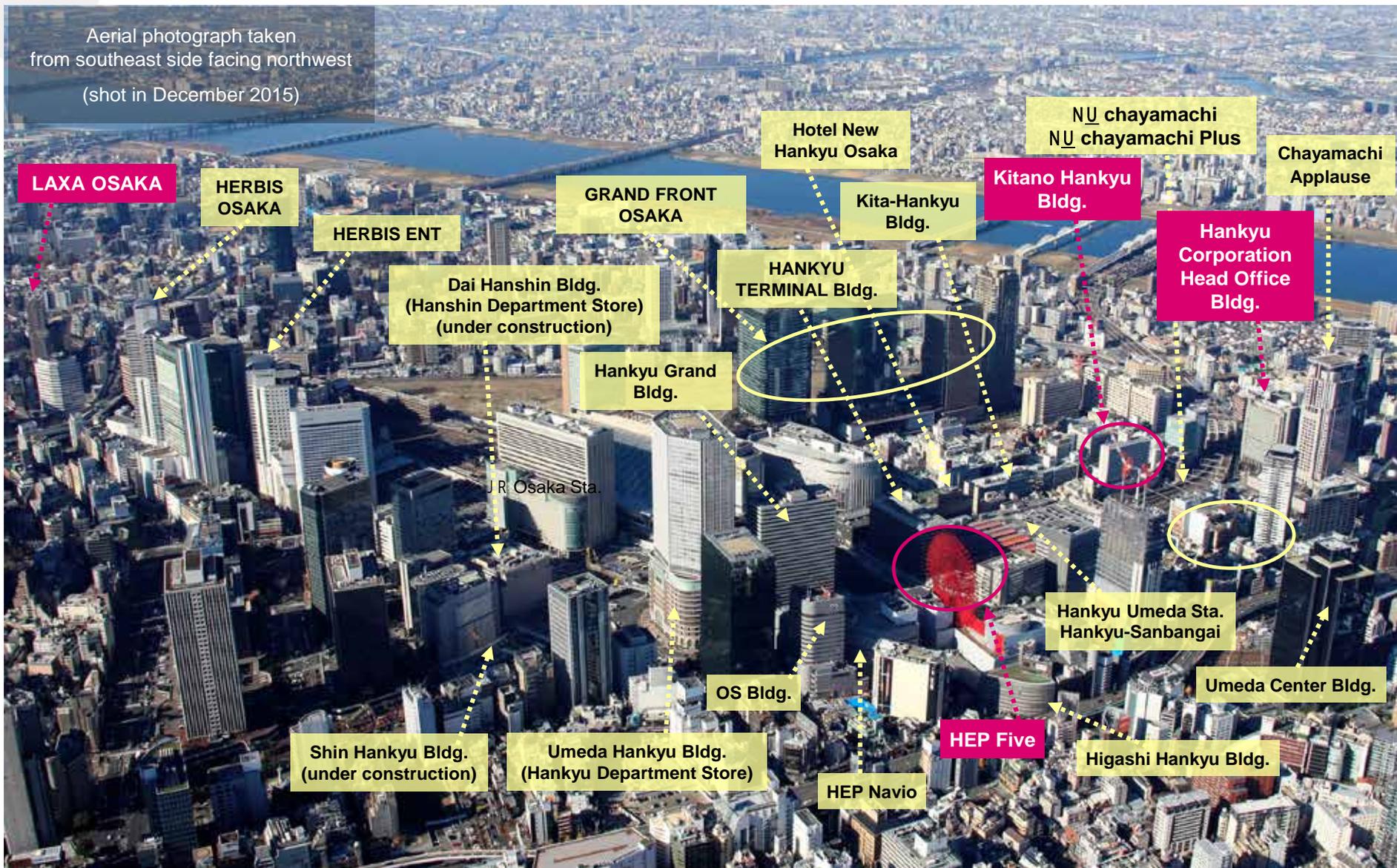
<Major Development Areas Within Osaka City>

Yodoyabashi and Hommachi area	1,400 rooms
Shinsaibashi and Namba area	1,200 rooms
Umeda area	700 rooms



2-4. Main Investment Area of Hankyu REIT "Umeda"

Aerial photograph taken from southeast side facing northwest (shot in December 2015)



Property owned by Hankyu REIT

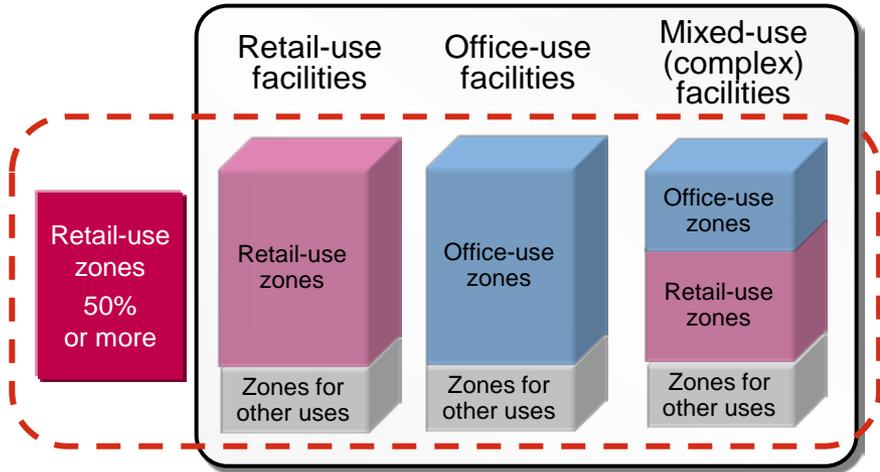
Property owned and developed by Hankyu Hanshin Holdings Group

3. External Growth Strategies



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 20% of all assets under management

Investment Target Areas

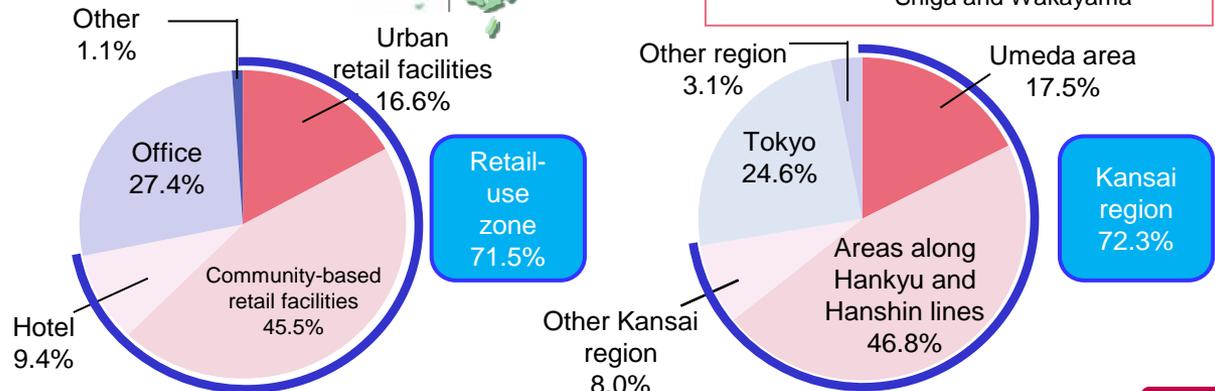
Target real estate across Japan
 Investment target areas are the Tokyo metropolitan area, government-ordinance-designated cities nationwide and other comparable major cities
 Of these, investment is focused on the Kansai region



Portfolio Status

Total acquisition price:
 JPY 139.3 bn

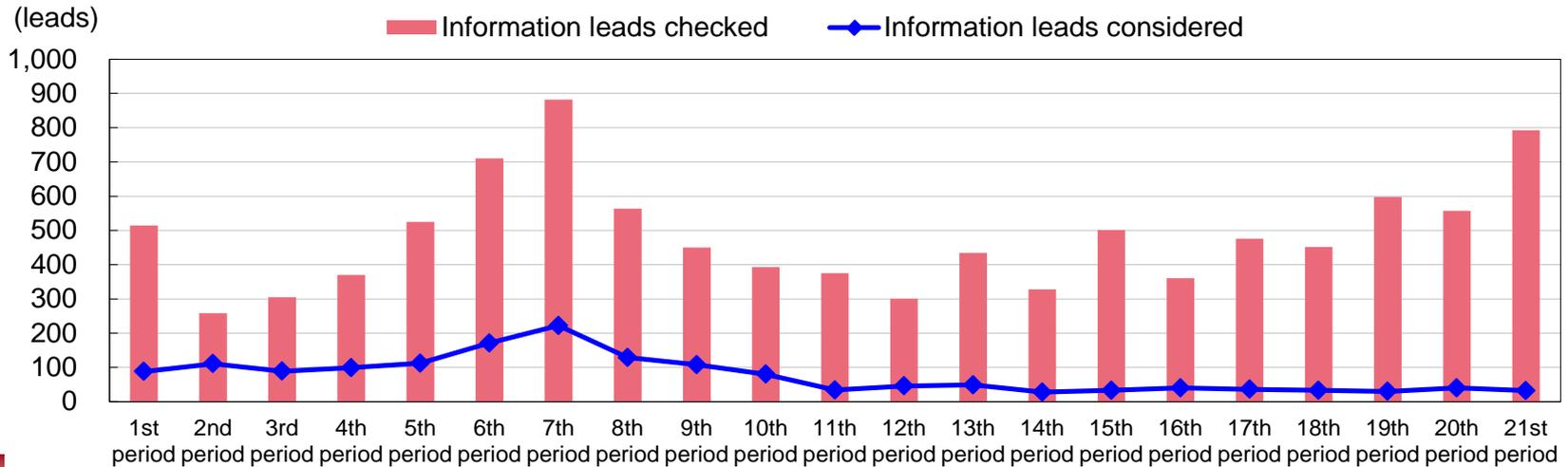
Total number of properties:
 23 properties



Status of Property Acquisition Activities

Promoting consideration of property acquisitions that can contribute to improvement of portfolio profitability and stability amidst the heated competition for property acquisition. Will keep obtaining quality property information utilizing the comprehensive strengths of the sponsor group through joint efforts, such as setting up a weekly forum for property information sharing and consideration with the sponsor group. In addition, will keep aiming for further expansion of also the asset management company's own property information sourcing channels.

Trends 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
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) MANDAI Gojo Nishikoji Store (site) LIFE Shimoyamate Store (site)	Hankyu Corporation Head Office Building Ueroku F Building Richmond Hotel Hamamatsu AEON MALL SAKAIKITA HANADA (site)	Takatsuki-Josai Shopping Center Kohnan Hiroshima Nakano-Higashi Store (site) Sphere Tower Tennozu Kita-Aoyama 3 cho-me Building



3-3. Information Leads and Leads Considered (21st Fiscal Period)

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

Use	City center			Urban vicinity			Suburban		
Office	¹ 15	² 102	11	7	42	6	0	0	0
Mixed (Complex)	¹ 21	³ 95	10	¹ 14	¹ 33	6	0	0	0
Retail	¹ 7	¹ 37	¹ 8	⁴ 31	² 20	6	2	0	3
Hotel	6	12	4	0	8	6	0	0	8
Other*	⁶ 42	¹ 63	¹ 30	⁵ 36	¹ 69	18	4	2	6

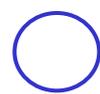
* Properties anticipating property development of the sponsor group such as at old buildings and former sites of factories, etc.



Kansai region (Osaka, Kyoto, Hyogo, Nara, Shiga, Wakayama)



Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, Chiba)



Other areas

Leads considered were primarily in the Kansai region, Tokyo metropolitan area and regional major cities, such as Nagoya, Fukuoka and Hiroshima, etc.



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)
Excellent trade areas such as areas along Hankyu and Hanshin lines



HANKYU NISHINOMIYA GARDENS



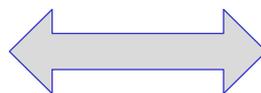
Dew Hankyu Yamada



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)
Umeda area



HEP Five

Rail terminals and other bustling areas in the Kansai region



Kita-Aoyama 3 cho-me Building

Other bustling areas

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



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

Utilizing real estate know-how and experience nurtured by the sponsor group over the years

1 Analysis of trade area and flow of people

+

2 Provision of products and services that match the trade area and flow of people

+

3 Operational management of the sponsor group

Aim for stable income and improvement of profitability in the medium to long term by making decisions on investment in retail facilities based on the analysis above

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

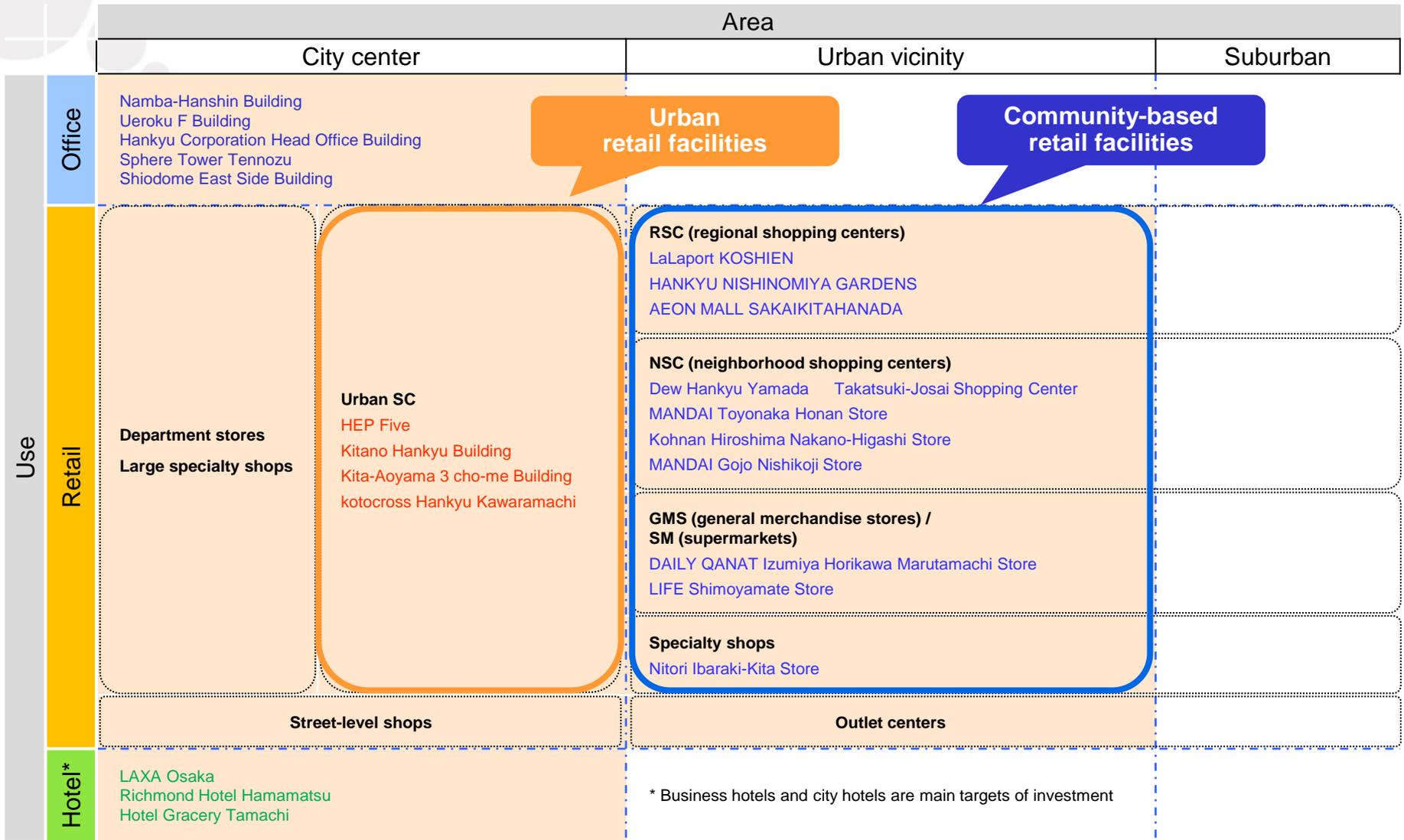
Adapt to shift in preferences of the target customer base

- 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. Community-based retail facilities or 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.



 Primary investment target zone

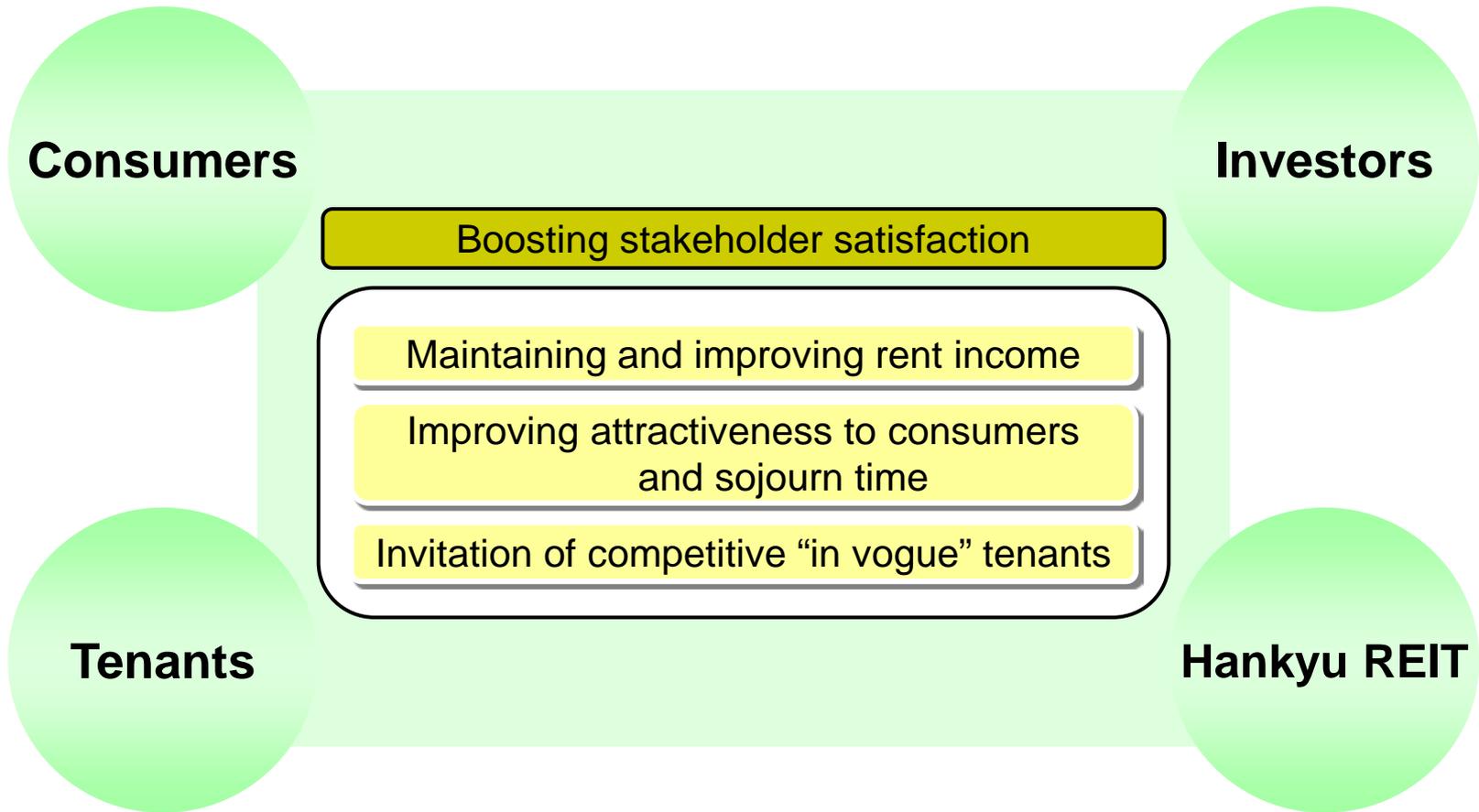
* Business hotels and city hotels are main targets of investment

4. Internal Growth Strategies



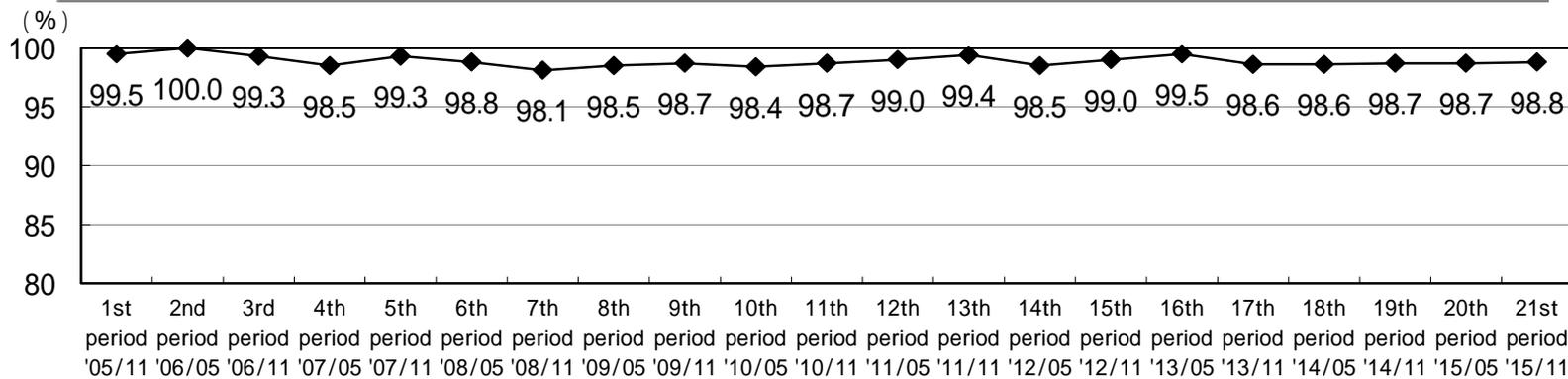


Achieving a WIN-WIN-WIN-WIN relationship in operations



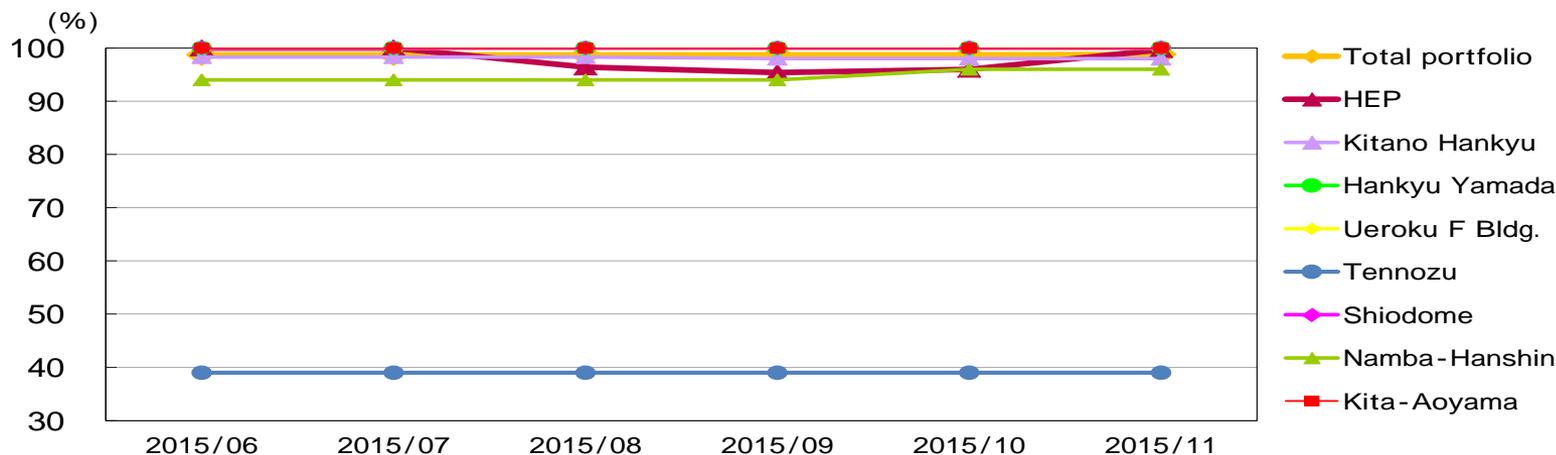


Stable Occupancy Rates Maintained Since 1st Fiscal Period



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

Total Portfolio Occupancy Rate of **98.8%** (end of 21st fiscal period)



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

The graph excludes the 15 properties (Takatsuki-Josai, Nitori Ibaraki, Kohnan Hiroshima, Tamachi, LaLaport KOSHIEN, LAXA Osaka, Hamamatsu, NISHINOMIYA GARDENS, Hankyu Corporation Head Office, SAKAIKITA HANADA, MANDAI Toyonaka Honan, Izumiya Horikawa Marutamachi, kotocross, LIFE Shimoyamate and MANDAI Gojo Nishikoji) leased to single tenants (occupancy rates of 100%).



HEP Five

Attracted tenants serving to revitalize the facility

- Initiatives underway to attract tenants that are suitable as the fashion trendsetter in Kansai.
Attracted fashion retail shops targeting teens and those in their 20s, which are the core targets, to the 2F large space through tenant replacement.
Along with contributing to income increase, advanced revitalization of the facility.
- Increase in inbound tourist users increased the number of Ferris wheel riders by 50% year-on-year, which contributed to income.



New tenants on 2F

Namba-Hanshin Building

Attracted tenant leading to asset value enhancement

- Attracted a convenience store to the 1F store portion through tenant replacement.
Along with contributing to income increase, heightening convenience for building occupants led to the property's asset value enhancement.



New tenant on 1F (currently under construction)

Initiatives to Maintain and Improve Asset Value

Proceeded with adequate maintenance, repair and renewal of properties held in order to secure stable income over the medium to long term and maintain and improve the profitability of portfolio properties overall.

Will keep steadily implementing renovation work based on maintenance and repair plans to improve the physical and functional value of properties held.

Case Examples of Initiatives Implemented in 21st Fiscal Period

<Kitano Hankyu Building>

Implemented elevator modernization work



Car interior (perspective view) Winch

In addition to implementing beautification work on elevator doors, car interior, etc., also replaced winch, control panel, etc. Transformed car interior into a modern design with stainless steel finish.

<Dew Hankyu Yamada>

Switched to LED lighting in common-use portions



Managed to keep utilities expense down through energy efficiency by switching to LED lighting for passages in common-use portions. Planning work to switch to LED lighting for perimeter passages outside the building in the 22nd fiscal period.

<Namba-Hanshin Building>

Completed exterior wall repair work



Implemented repair work on exterior walls in 3 phases. In this phase, implemented repair of window seals, painting of wall surfaces, etc. on the south-facing and west-facing exterior walls.

Properties Mainly Using the Fixed-rent System

Property name	Main rent system	Present conditions
HANKYU NISHINOMIYA GARDENS RSC (Note 1)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note 2) with Hankyu Corporation. Due in part to the renewal implemented in March 2014, sales increased for the sixth consecutive year since opening in 2008 to reach JPY 79.0 billion in fiscal 2014. Sales in fiscal 2015, too, are going strong.
Dew Hankyu Yamada NSC (Note 1)	Long-term, fixed (partly overage)	Period-end occupancy rate performance is stable at 100%. As measures against LaLaport EXPOCITY that opened in November 2015, implementing measures to retain local daily customers, such as selling premium cash vouchers and holding events in which customers can earn bonus loyalty program points.
Kitano Hankyu Building Specialty shop building (urban SC)	Fixed (partly overage)	Period-end occupancy rate was 98.0%, maintaining the same level from the end of the previous period (20th fiscal period). A 30th anniversary event was held in October 2015. Along with continuously advancing leasing activities for tenants that will have synergistic effects with existing tenants and for tenants that will serve to revitalize the facility, continuing to focus efforts on improving attractiveness to customers, such as holding events in conjunction with local events, etc.



30th anniversary event at Kitano Hankyu Building



Event at HANKYU NISHINOMIYA GARDENS

(Note 1) RSC: Regional Shopping Center; NSC: Neighborhood Shopping Center

(Note 2) 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 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)	Attracted fashion retail shops targeting teens and those in their 20s, which are the core targets, to the 2F large space through tenant replacement. Along with contributing to income increase, advanced revitalization of the facility. Increase in inbound tourist users increased the number of Ferris wheel riders by 50% year-on-year, which contributed to income.

Properties Using the Fixed-rent System

Property name	Main rent system	Present conditions
Kita-Aoyama 3 cho-me Building Urban retail facility	Fixed	Period-end occupancy rate was 100%. Occupied by THREE AOYAMA, the flagship store of THREE, a natural cosmetics brand operated by an affiliate of Pola Orbis Holdings Inc. In October 2015, received an award for local green city development issued by the City of Minato, Tokyo.
kotocross Hankyu Kawaramachi Specialty shop building (urban SC)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note 2) with Hankyu Corporation. As a retail facility that features the characteristics of a landmark, facing the Shijo-Kawaramachi crossing, it houses merchandise shops, restaurants and service shops.
Takatsuki-Josai Shopping Center NSC (Note 1)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note 2) with Kohnan Shoji Co., Ltd. As a community-based store, it houses shops that fulfill the needs of nearby residents, such as a home center, grocery store, electronics store and sporting goods shop.



Event at HEP Five



Christmas light display at Kita-Aoyama 3 cho-me Building

(Note 1) NSC: Neighborhood Shopping Center

(Note 2) 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 Mainly Using the Fixed-rent System

Property name	Main rent system	Present conditions
Ueroku F Building Office	Fixed	Period-end occupancy rate is being maintained at 100%. Continue striving to strengthen tenant relations through cooperation with the property management company.
Sphere Tower Tennozu Office	Fixed	Achieved expansion of floor area within the same property (1 floor), boosting occupancy rate to 42.8% in January 2016. Continue to work toward early improvement of occupancy rate and distributions by promoting leasing activities based on location and building features.
Shiodome East Side Building Office	Fixed	With a tenant reaching the end of a contract for fixed-term building lease, achieved contract renewal at a higher amount of rent. Occupancy rate continues to be 100%. Continue to promote strengthening relations with existing tenants.
Namba-Hanshin Building Office	Fixed	Attracted a convenience store to the 1F store portion through tenant replacement. Along with contributing to income increase, heightening convenience for building occupants led to the property's asset value enhancement. Period-end occupancy rate was 96.0%, maintaining the same level from the end of the previous period (20th fiscal period).
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.
Hotel Gracery Tamachi Hotel	Long-term, fixed	Based on a contract for long-term and fixed lease with Fujita Kanko Inc. As guest room occupancy rate remains at a high level and guest room unit price is also increasing, the tenant's profitability is improving. Fujita Kanko Inc., the lessee, filed an action for reduction in the amount of rent against Hankyu REIT in October 2014, but Hankyu REIT has filed a counterclaim in July 2015 for increase in the amount of rent.
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. Guest room occupancy rate of Hotel Hanshin, which is under a sublease contract, remains at a high level and guest room unit price is also increasing.
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.). Maintaining strong performance even after the large-scale renewal implemented in February 2015.

(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.

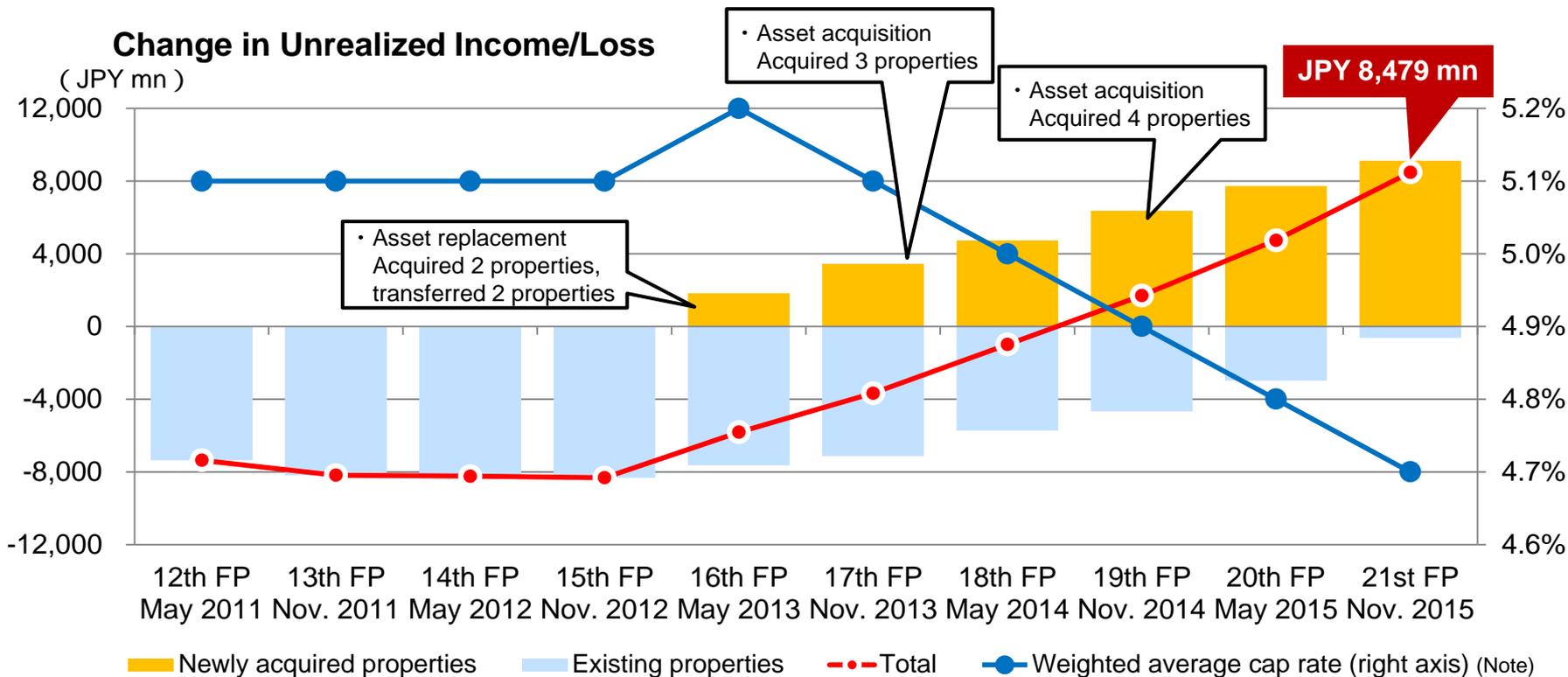
Properties mainly using the fixed-rent system

Property name	Main rent system	Present conditions
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. Development of residential land is underway nearby and the trade area population is increasing. The tenant is also maintaining strong performance.
Kohnan Hiroshima Nakano-Higashi Store (site) NSC (Note)	Long-term, fixed	Based on a contract for fixed-term land lease for business purposes with Kohnan Shoji Co., Ltd. This retail facility offers high transportation convenience, and has a home center and a grocery store as tenants. Joint efforts will continue to be made for reduction of costs, effective utilization of parking space, etc. in order to improve tenants' management balance sheet.
LaLaport KOSHIEEN (site) RSC (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with Mitsui Fudosan Co., Ltd. Improvement work on Hanshin Railway Koshien Station, the nearest station, is underway. With the east ticket gate (east side station building) entering service in August 2015, convenience improved for visitors who use the station.
AEON MALL SAKAIKITA HANADA (site) RSC (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for the shopping center land with land leasehold right, which occupies most of the site. Boasts favorable market potential, and houses AEON and Hankyu Department Store as anchor tenants and about 160 shops forming a mall of specialty shops.
MANDAI Toyonaka Honan Store (site) NSC (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with MANDAI Co., Ltd. Sales have been 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 100 yen shop.
DAILY QANAT Izumiya Horikawa Marutamachi Store (site) SM (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with Izumiya Co., Ltd. Opened in December 2013. The store is becoming more well-known and sales are steadily increasing. With the increase in inbound tourists, tax-free shopping has been made available.
MANDAI Gojo Nishikoji Store (site) NSC (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with MANDAI Co., Ltd. It opened in December 2014. As a community-based store, it houses shops closely related to daily life, such as a grocery store, clothing shop, drugstore and 100 yen shop.
LIFE Shimoyamate Store (site) SM (Note)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with Life Corporation. Opened in January 2014. Sales have been strong since it is becoming more well-known among the neighboring areas along with its efforts, including personal delivery service, being highly evaluated.

(Note)RSC: Regional Shopping Center; NSC: Neighborhood Shopping Center; SM: Supermarket



Appraisal value increases by 2.1% and unrealized income is JPY 8,479 mn
 Cap rate decreases for 22 properties out of 23 properties



(Note) 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 (20th fiscal period-end)		End of current period (21st fiscal period-end)		Change (-)	Change (-) /	Value recorded on the balance sheet at end of current period	Unrealized income/loss -	Value to book ratio /
		Appraisal value	Cap rate (Note)	Appraisal value	Cap rate (Note)					
HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	6,468	7,994	4.0%	8,372	3.9%	378	4.7%	5,650	2,721	148.2%
Kitano Hankyu Building	7,740	6,610	5.0%	6,630	4.9%	20	0.3%	7,650	-1,020	86.7%
Dew Hankyu Yamada	6,930	7,930	4.9%	8,160	4.8%	230	2.9%	5,690	2,469	143.4%
Takatsuki-Josai Shopping Center	8,600	7,890	5.4%	7,990	5.3%	100	1.3%	7,282	707	109.7%
Nitori Ibaraki-Kita Store (Site)	1,318	1,590	5.3%	1,620	5.1%	30	1.9%	1,340	279	120.8%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,880	6.0%	1,890	5.9%	10	0.5%	2,280	-390	82.9%
Hotel Gracery Tamachi	4,160	4,080	4.9%	4,240	4.7%	160	3.9%	3,779	460	112.2%
LaLaport KOSHIEEN (site)	7,350	7,140	4.7%	7,320	4.6%	180	2.5%	7,748	-428	94.5%
Richmond Hotel Hamamatsu	2,100	2,060	6.0%	2,160	5.7%	100	4.9%	1,493	666	144.6%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	22,568	4.7%	23,044	4.6%	476	2.1%	17,852	5,191	129.1%
AEON MALL SAKAIKITAHANADA (site)	8,100	9,010	4.7%	9,210	4.6%	200	2.2%	8,189	1,020	112.5%
MANDAI Toyonaka Honan store (site)	1,870	2,180	4.8%	2,200	4.7%	20	0.9%	1,889	310	116.5%
DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	3,100	3,290	4.7%	3,350	4.6%	60	1.8%	3,127	222	107.1%
kotocross Hankyu Kawaramachi	2,770	3,090	4.8%	3,150	4.7%	60	1.9%	2,743	406	114.8%
LIFE Shimoyamate Store (site)	1,421	1,510	4.7%	1,540	4.6%	30	2.0%	1,434	105	107.4%
MANDAI GOJO Nishikoji Store (site)	4,182	4,390	4.8%	4,470	4.7%	80	1.8%	4,213	256	106.1%
Shiodome East Side Bldg.	19,025	13,400	4.4%	13,600	4.3%	200	1.5%	17,610	-4,010	77.2%
Hankyu Corporation Head Office Building	10,200	11,200	4.5%	11,400	4.4%	200	1.8%	9,895	1,504	115.2%
Ueroku F Building	2,980	2,690	5.6%	2,740	5.5%	50	1.9%	2,676	63	102.4%
Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,732	4.7%	6,732	4.7%	0	0.0%	8,668	-1,936	77.7%
LAXA Osaka	5,122	5,270	5.2%	5,380	5.1%	110	2.1%	4,346	1,033	123.8%
Namba-Hanshin Building	4,310	2,450	5.1%	2,600	5.0%	150	6.1%	3,853	-1,253	67.5%
Kita-Aoyama 3 cho-me Buiding	1,680	1,810	3.9%	1,840	3.8%	30	1.7%	1,740	99	105.7%
Total	139,307	136,764	4.8%	139,638	4.7%	2,874	2.1%	131,158	8,479	106.5%

(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), AEON MALL SAKAIKITAHANADA (site) and LIFE Shimoyamate Store (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

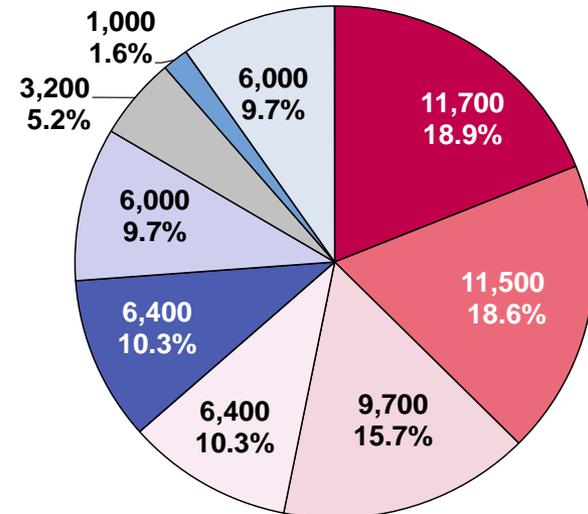
- Maintain sound financial position
- Maintain favorable trading relationship with financial institutions
- Realize lower fund procurement costs (effective use of security deposits/guarantees)
- Reduce financing risks (diversification of debt repayment dates)
- Reduce interest rate risks (focus on long-term,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

	As of end of 20th period	As of end of 21st period
Interest-bearing debt	JPY 61.9bn	JPY 61.9bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	1.05%	1.04%
Avg. debt financing cost (including investment corporation bonds)	1.07%	1.06%
Avg. remaining years on long-term loans payable and investment corporation bonds	5.1 years	4.8 years
Long-term debt ratio	100.0%	100.0%
Fixed debt ratio	93.5%	91.6%
LTV (Note)	44.4%	43.2%
Interest-bearing debt ratio	42.9%	43.0%
Investment corporation bonds	JPY 6 bn	JPY 6 bn
Investor rating(R&I)	A+ (stable)	A+ (stable)
Investor rating(JCR)	AA- (stable)	AA- (stable)

(Note) Details of the calculation method for "LTV" are presented on P57.

Debt Outstanding by Lender (JPY mn)

As of November 30, 2015



- 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 (As of January 22, 2016)

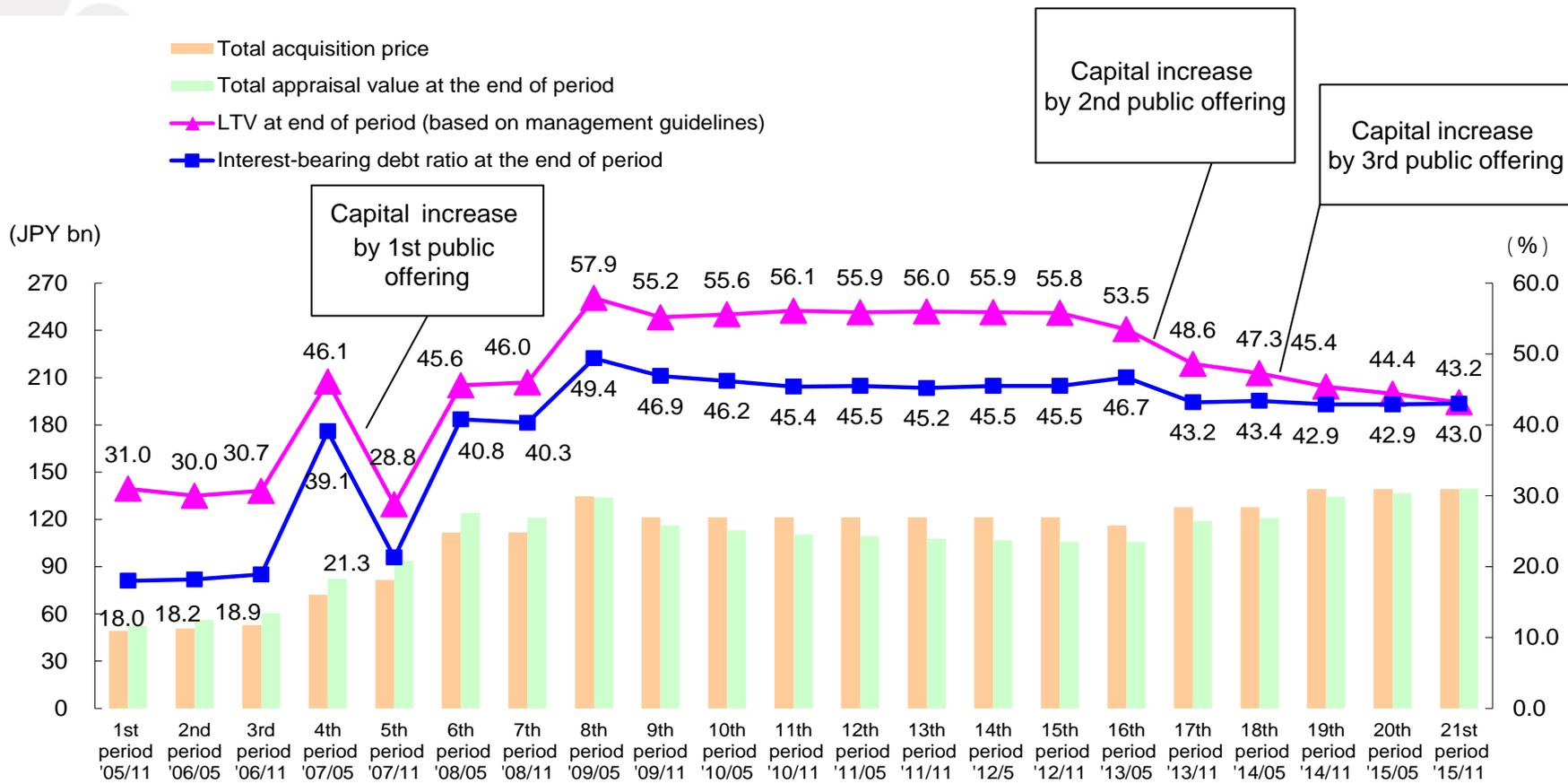
Planned value of issuance (upper limit):

JPY 100,000 mn

Planned issuance period: Dec. 19, 2015 to Dec. 18, 2017

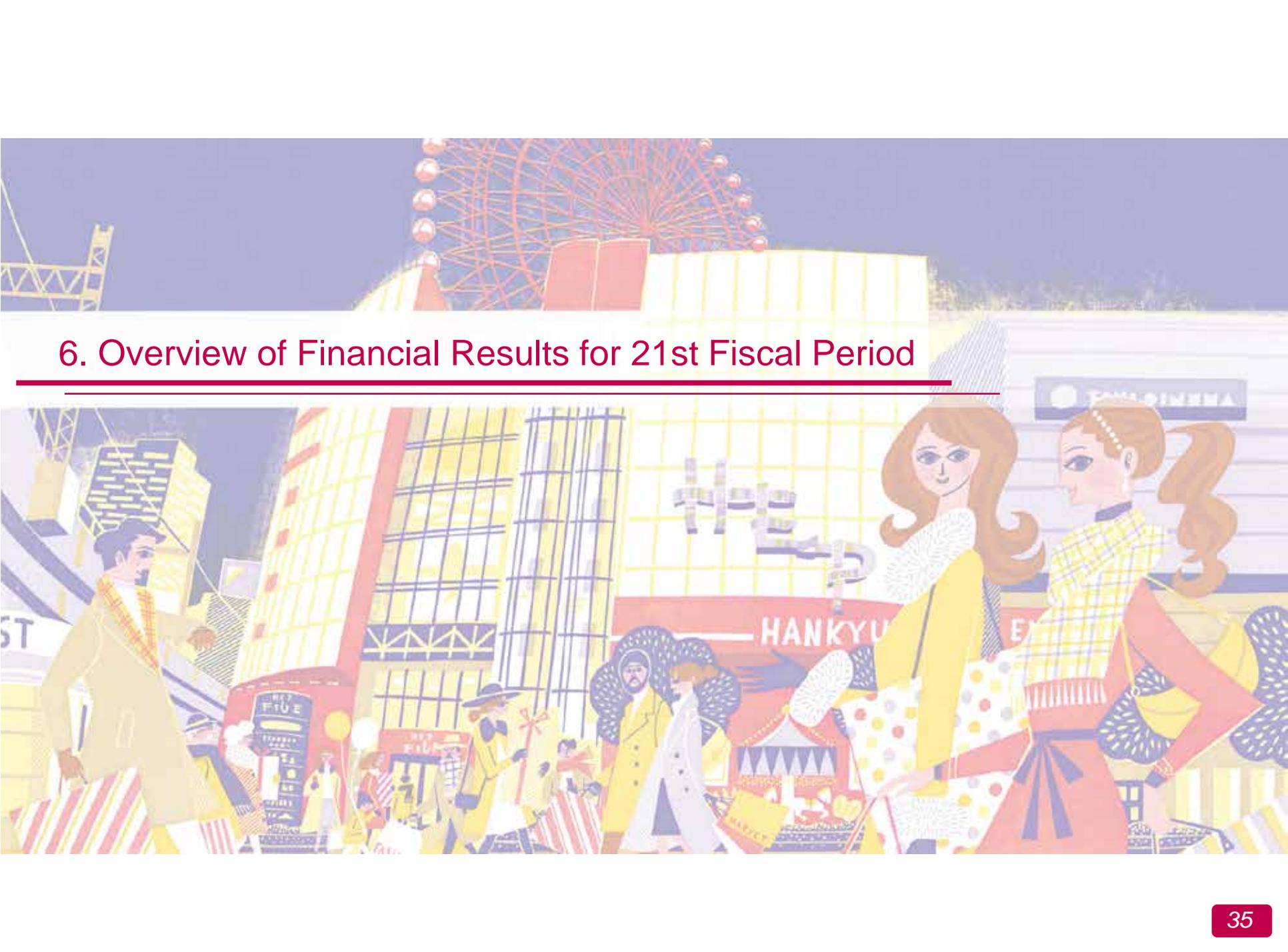


5-2. Asset Scale and LTV (Loan to Value)



No. of properties	5	6	7	8	9	11	11	16	15	15	15	15	15	15	15	16	19	19	23	23	23
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LTV remains on an ongoing basis

A stylized illustration of a shopping district at night. In the background, a large Ferris wheel is lit up against a dark blue sky. Below it, a large yellow building with a grid pattern is visible. In the foreground, several people are depicted in various styles of clothing, including a man in a tan coat and a woman in a yellow and white patterned dress. A sign for 'HANKYU' is visible on a building. The overall scene is vibrant and colorful.

6. Overview of Financial Results for 21st Fiscal Period

(Unit:JPY mn)

Item	Forecast for 21st Fiscal Period (A) (as of Jul. 15, 2015)	Results for 21st Fiscal Period (B) (Jun. 1, 2015 to Nov. 30, 2015)	Change (B)-(A)
Operation period (days)	183	183	—
Operating revenues	4,865	4,875	10
Operating income	1,923	1,961	38
Ordinary income	1,524	1,566	41
Profit	1,523	1,565	42
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—
Distribution per unit (JPY)	2,550	2,620	70
FFO per unit (JPY)	4,178	4,242	63

(Main factors for increase/decrease)

Increase in income from lease (mainly HEP)
+JPY 3 mn
Increase in income from HEP Ferris wheel
+JPY 3 mn

Decrease in utilities expense +JPY 18 mn
Decrease in depreciation +JPY 4 mn

Decrease in debt financing costs +JPY 2 mn

**Forecast for
22nd fiscal period**

Distribution per unit forecast

JPY 2,600

[Main factors for increase/decrease from 21st fiscal period]

- Increase in income from lease +8 (Namba +5, Ueroku +3, etc.)
- Decrease in air-conditioning usage fee income -6 (Kitano -4, etc.)
- Increase in advertising and promotion expenses -5 (Yamada -6, etc.)
- Increase in repair expense -4 (Takatsuki -15, Namba +7, etc.)

(Unit: JPY mn)

Item	Results for 21st Fiscal Period (Jun. 1, 2015 to Nov. 30, 2015)	Forecast for 22nd Fiscal Period (Dec. 1, 2015 to May 31, 2016)	Change -	Results for 20th Fiscal Period (Dec. 1, 2014 to May 31, 2015)	Change -
Operation period (days)	183	183	—	182	1
Operating revenues	4,875	4,843	-31	4,842	1
Operating income	1,961	1,948	-12	1,939	9
Ordinary income	1,566	1,555	-11	1,535	19
Profit	1,565	1,553	-11	1,534	19
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—	597,500	—
Distribution per unit (JPY)	2,620	2,600	-20	2,567	33
FFO per unit (JPY)	4,242	4,188	-53	4,197	-9

[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 597,500 units until the end of the period

Income Statement

(Unit: JPY mn)

Item	20th Fiscal Period (Operation period:182 days) Dec. 1, 2014 to May 31, 2015		21st Fiscal Period (Operation period:183 days) Jun. 1, 2015 to Nov. 30, 2015		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	4,842	100.0	4,875	
Lease operating revenues	4,842		4,875		
2. Operating expenses	2,903	59.9	2,913	59.8	10
Lease operating costs	2,459		2,471		
Asset management remuneration	333		334		
Officer remuneration	3		3		
Asset consignment remuneration	18		18		
Administrative agency remuneration	37		36		
Auditor remuneration	8		9		
Other operating expenses	42		40		
Operating income	1,939	40.1	1,961	40.2	22
3. Non-operating revenues	1	0.0	1	0.0	-0
Interest earned	0		0		
Other non-operating revenues	0		0		
4. Non-operating expenses	405	8.4	397	8.1	-8
Interest expenses	304		293		
Loan related expense	52		54		
Interest due on investment corporation bonds	38		37		
Amortization of investment corporation bond issuance costs	3		3		
Other expenses	7		7		
Ordinary income	1,535	31.7	1,566	32.1	30
Pretax profit for current period	1,535		1,566		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	-0		0		
Profit for current period	1,534	31.7	1,565	32.1	31
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,534		1,565		

Cash Distribution Statement

(Unit: JPY thousand)

Item	20th Fiscal Period	21st Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,534,203	1,565,759	31,556
Distributions	1,533,782	1,565,450	31,667
(Distribution per unit (JPY))	(2,567)	(2,620)	(53)
Retained earnings carried forward	420	309	-111

(Main factors for increase/decrease)

Increase in operating revenues

Increase in utilities expense income +JPY 31 mn

Increase in operating expenses

Increase in utilities expense +JPY 24 mn

Expensed tax and public dues of properties acquired in the 19th FP for full period +JPY 15 mn

Decrease in advertising and promotion expenses -JPY 6 mn

Decrease in repair expense -JPY 6 mn

Decrease in depreciation -JPY 4 mn

Decrease in other expenses -JPY 8 mn

Lease operating revenues/costs

Breakdown: See pages 40 and 41

(Unit: JPY mn)

Item	20th Fiscal Period (as of May 31, 2015)		21st Fiscal Period (as of Nov. 30, 2015)		Change	Item	20th Fiscal Period (as of May. 31, 2015)		21st Fiscal Period (as of Nov. 30, 2015)		Change
	Amount	Ratio (%)	Amount	Ratio (%)	Amount		Amount	Ratio (%)	Amount	Ratio (%)	Amount
Assets						Liabilities					
I Current assets total	11,554	8.0	12,401	8.6	846	I Current liabilities total	3,826	2.7	8,716	6.0	4,889
Currency and demand deposit	3,226		4,013			Operating accounts payable	414		484		
Currency and demand deposit in trust	7,970		8,103			Investment corporation bonds (due within 1 year)	—		6,000		
Operational income receivable	4		3			Long term loans payable (due within 1 year)	2,200		1,000		
Deposit paid	125		115			Accrued dividend	12		10		
Prepaid expense	225		162			Accrued expenses	177		174		
Deferred income tax assets	2		2			Income taxes payable	1		1		
II Fixed assets total	132,580	92.0	131,685	91.4	-894	Accrued consumption tax	99		77		
1. Tangible fixed assets						Advance received	674		708		
Buildings	2,051		1,985			Current deposit received	0		0		
Structures	228		215			Security deposits (return within 1 year)	246		260		
Tools, furniture and fixtures	0		0			II Total noncurrent liabilities	67,123	46.6	62,150	43.1	-4,973
Land	9,485		9,485			Investment corporation bonds	6,000		—		
Buildings in trust	30,253		29,517			Long term loans payable	53,700		54,900		
Structures in trust	593		573			Security deposits	1,338		1,279		
Machinery and equipment in trust	189		171			Security deposits in trust	6,085		5,971		
Tools, furniture and fixtures in trust	67		62			Liabilities total	70,950	49.2	70,867	49.2	-83
Land in trust	88,115		88,115			Net assets					
Trust construction account	—		9			I Unitholders capital	71,659	49.7	71,659	49.7	
Tangible fixed assets total	130,984	90.9	130,137	90.3	-846	II Total surplus	1,534	1.1	1,565	1.1	
2. Intangible fixed assets						Unappropriated income for current period	1,534		1,565		
Land leasehold	957		957			Net assets total	73,193	50.8	73,224	50.8	31
Others	78		74								
Intangible fixed assets total	1,035	0.7	1,031	0.7	-4						
3. Investments, other assets											
Long-fiscal period prepaid expenses	550		506								
Guarantee money deposit	10		10								
Investment, other assets total	560	0.4	516	0.4	-43						
III Total deferred assets	9	0.0	5	0.0	-3						
Investment corporation bond issuance costs	9		5								
Assets total	144,143	100.0	144,092	100.0	-51	Liabilities and net assets total	144,143	100.0	144,092	100.0	-51

Interest-bearing debt
JPY 61,900 mn

Total security deposits
JPY 7,511 mn
↓
JPY 1,385 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)	Kohnan Hiroshima Nakano-Higashi Store (site)	Hotel Gracery Tamachi	LaLaport KOSHIEN (site)	Richmond Hotel Hamamatsu (Note)	NISHINOMIYA GARDENS (28% of the quasi co- ownership of the trust beneficiary interests)	AEON MALL SAKAI KITAHANADA (site) (Note)	Mandai Toyonaka Honan Store (site) (Note)
Number of operating days of 21st fiscal period	183	183	183	183	183	183	183	183	183	183	183	183
Lease operating revenues total	308	564	391	284		68	121	257		618		
Income from lease	245	372	265	283		68	116	257		617		
Utilities expense income	15	132	58	—		—	—	—		—		
Other incomes	47	59	67	0		0	4	0		0		
Lease operating costs total	186	432	247	138		6	54	106		211		
Property/Facility management fees	43	112	76	10		0	1	1		0		
Utilities expense	26	164	62	0		—	—	—		—		
Rent paid	3	0	1	22		—	—	0		6		
Advertising and promotion expenses	27	5	0	—		—	—	—		—		
Repair expense	9	13	14	2		—	0	0		0		
Nonlife insurance premium	0	1	0	1		—	0	0		2		
Tax and public dues	23	49	26	26		6	15	102		59		
Other expenses	6	1	3	0		—	0	1		0		
Depreciation	44	81	61	75		—	35	0		141		
Lease operating income	122	132	143	145		62	67	150		406		
NOI (Lease operating income + Depreciation)	166	214	204	221	60	62	103	150	65	548	211	53
Capital expenditure	5	18	23	0	—	—	0	—	—	6	—	—

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

6-5. Income and Expenditure by Property

Hankyu REIT

(Unit: JPY mn)

Item	DAILY QANAT Izumiya Horikawa Marutamachi Store (site) (Note)	kotocross Hankyu Kawaramachi	LIFE Shimoyamate Store (site) (Note)	MANDAI Gojo Nishikoji Store (site) (Note)	Shiodome East Side Bldg.	Hankyu Corporation Head Office Bldg.	Ueroku F Bldg.	Sphere Tower Tennozu (33% of the quasi co- ownership of the trust beneficiary)	LAXA Osaka	Namba-Hanshin Building	Kita-Aoyama 3 cho-me Bldg. (Note)	Total (23 properties)
Number of operating days of 21st fiscal period	183	183	183	183	183	183	183	183	183	183	183	—
Lease operating revenues total		102			408	359	137	120	254	132		4,875
Income from lease		102			378	359	117	84	254	110		4,379
Utilities expense income		—			25	—	12	13	—	8		266
Other incomes		—			4	—	8	23	0	13		230
Lease operating costs total		47			188	159	88	171	159	133		2,471
Property/Facility management fees		1			18	1	22	22	1	23		347
Utilities expense		—			30	—	12	44	—	18		359
Rent paid		12			0	—	—	—	17	—		65
Advertising and promotion expenses		—			—	—	—	0	—	—		34
Repair expense		—			1	—	3	12	7	17		83
Nonlife insurance premium		0			0	1	0	0	2	0		15
Tax and public dues		10			21	47	12	29	47	18		568
Other expenses		0			2	0	1	2	1	1		26
Depreciation		21			113	108	36	59	82	53		969
Lease operating income		54			219	200	49	-51	95	-0		2,404
NOI (Lease operating income + Depreciation)	88	76	34	109	333	308	85	8	177	52	36	3,373
Capital expenditure	—	—	—	—	—	38	2	4	6	1	—	108

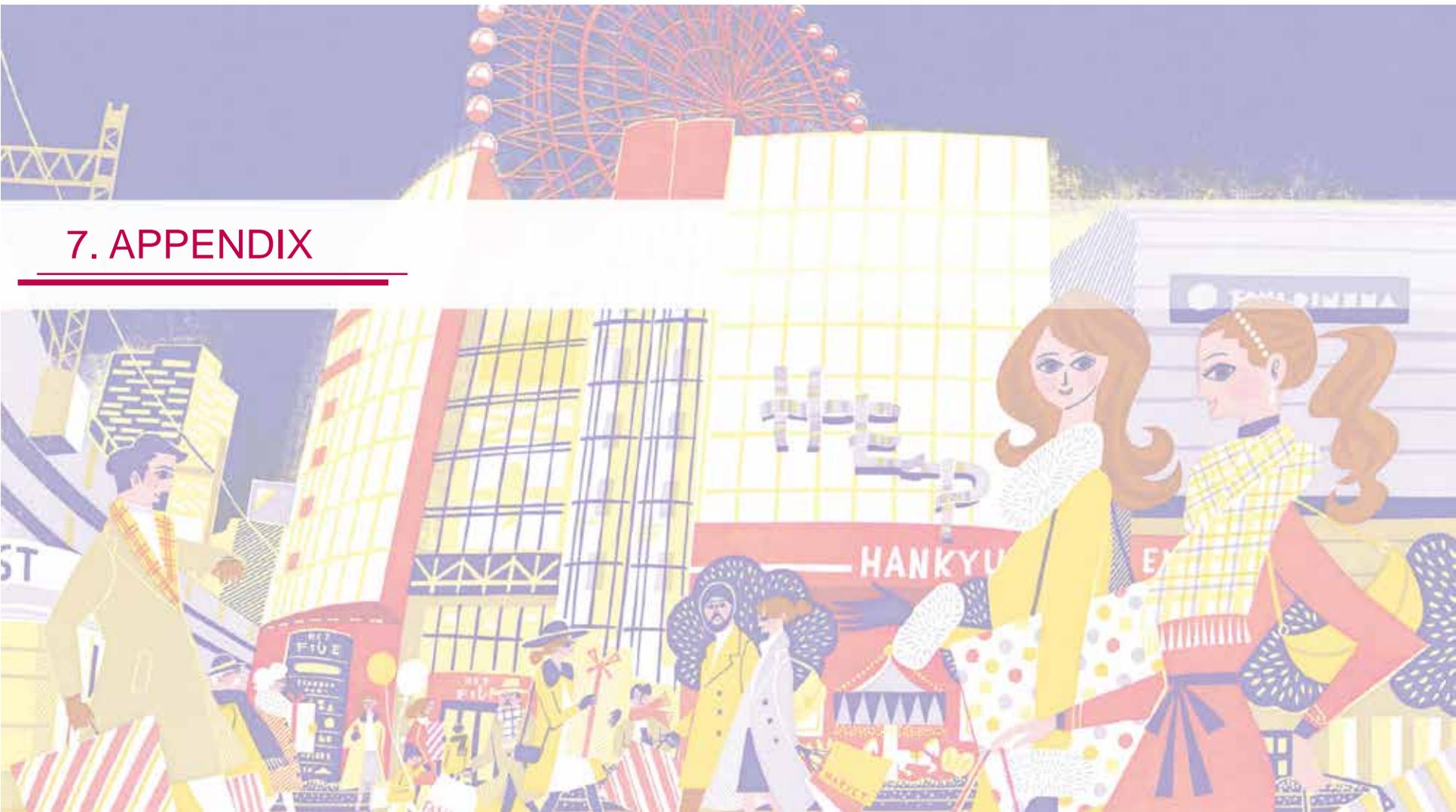
(Main capital expenditure)

Hankyu Corporation Head Office Building	Lighting control equipment replacement	JPY 29 mn
Kitano Hankyu Building	Elevator modernization	JPY 16 mn
Dew Hankyu Yamada	Switch to LED lighting in common-use portions	JPY 13 mn

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

Item	20th Fiscal Period	21st Fiscal Period	Remarks
Operation period	182	183	20th fiscal period: Dec. 1, 2014 to May. 31, 2015 21st fiscal period: Jun. 1, 2015 to Nov. 30, 2015
Return On Assets (ROA)	1.1%	1.1%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.1%	2.2%	Calculated from duration of operation
Return On Equity (ROE)	2.1%	2.1%	Profit / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.2%	4.3%	Calculated from days of operation
Ratio of net assets at end of period	50.8%	50.8%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	44.4% (45.9%)	43.2% (45.9%)	(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	42.9%	43.0%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	8.3times	8.7times	Pre-interest and pre-depreciation profit for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 3,357 mn	JPY 3,373 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 2,508 mn	JPY 2,534 mn	Profit for current fiscal period + Depreciation - Income/loss on sale of real estate

7. APPENDIX



7-1. Portfolio List (As of End of 21st Fiscal Period)

As of November 30, 2015

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Total leasable area (m ²) (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-use Facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita-ku, Osaka City	Nov. 1998	17.1	6,337.37 (2,958.94)	100.0% (99.7%)	1 (130)	4.6%	Feb. 1, 2005	6,468	4.6%	8,372	3.9%
	R2(K)	Kitano Hankyu Bldg.	Kita-ku, Osaka City	Jun. 1985	30.5	28,194.15 (18,477.35)	100.0% (98.0%)	2 (22)	10.1%	Feb. 1, 2005	7,740	5.6%	6,630	4.9%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	12.2	13,027.28	100.0%	28	4.5%	Feb. 1, 2005	6,930	5.0%	8,160	4.8%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	12.7	31,451.81	100.0%	1	6.1%	Nov. 15, 2005	8,600	6.2%	7,990	5.3%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	0.9%	1,620	5.1%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki-ku, Hiroshima City	—	—	25,469.59 60.14	100.0%	1	—	Oct. 2, 2006 Apr. 9, 2007	2,170 5	1.6%	1,890	5.9%
	R8	Hotel Gracery Tamachi	Minato-ku, Tokyo	Sep. 2008	7.2	4,943.66	100.0%	1	10.3%	Dec. 25, 2008	4,160	3.0%	4,240	4.7%
	R9(K)	LaLaport KOSHIEEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.4%	Jan. 22, 2009	7,350	5.3%	7,320	4.6%
	R10	Richmond Hotel Hamamatsu	Naka-ku, Hamamatsu City	Sep. 2002	13.2	6,995.33	100.0%	1	14.5%	Jan. 22, 2009	2,100	1.5%	2,160	5.7%
	R11(K)	HANKYU NISHINOMIYA GARDERNS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	7.2	65,372.41	100.0%	1	9.2%	Apr.16, 2013	18,300	13.1%	23,044	4.6%
	R12(K)	AEON MALL SAKAIKITAHAANADA (site)	Kita-ku, Sakai City	—	—	64,104.27	100.0%	2	—	June. 27, 2013	8,100	5.8%	9,210	4.6%
	R13(K)	MANDAI Toyonaka Honan store (site)	Toyonaka city, Osaka Prefecture	—	—	8,159.41	100.0%	1	—	June. 27, 2013	1,870	1.3%	2,200	4.7%
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	Kamigyo-ku, Kyoto city	—	—	3,776.15	100.0%	1	—	June 4, 2014	3,100	2.2%	3,350	4.6%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto city	Oct. 2007	8.2	4,400.13	100.0%	1	2.6%	June 4, 2014	2,770	2.0%	3,150	4.7%
	R16(K)	LIFE Shimoyamate Store (site)	Chuo-ku, Kobe city	—	—	2,397.83	100.0%	1	—	June 4, 2014	1,421	1.0%	1,540	4.6%
	R17(K)	MANDAI Gojo Nishikoji Store (site)	Ukyo-ku, Kyoto city	—	—	9,182.80	100.0%	1	—	June 24, 2014	4,182	3.0%	4,470	4.7%

7-1. Portfolio List (As of End of 21st Fiscal Period)

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Total leasable area (m ²) (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)
Office-use facilities	O1	Shiodome East Side Bldg.	Chuo-ku, Tokyo	Aug. 2007	8.3	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	13.7%	13,600	4.3%
	O2(K)	Hankyu Corporation Head Office Building	Kita-ku, Osaka City	Sep. 1992	23.2	27,369.37	100.0%	1	3.7%	Apr.10 2013	10,200	7.3%	11,400	4.4%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	Chuo-ku, Osaka City	Sep. 1993	22.2	4,611.82	100.0%	12	3.2%	Nov. 1, 2005	2,980	2.1%	2,740	5.5%
	M2	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa-ku, Tokyo	Apr. 1993 (Note 6)	22.7	8,807.71	39.0%	20	2.7%	Oct. 2, 2007	9,405	6.8%	6,732	4.7%
	M3(K)	LAXA Osaka	Fukushima-ku, Osaka City	Feb. 1999	16.8	30,339.91	100.0%	1	3.7%	Jan. 22, 2009	5,122	3.7%	5,380	5.1%
	M4(K)	Namba-Hanshin Building	Chuo-ku, Osaka City	Mar. 1992	23.7	9,959.01 (6,452.69)	100.0% (96.0%)	1 (20)	5.1%	Jan. 22, 2009	4,310	3.1%	2,600	5.0%
	M5	Kita-Aoyama 3 cho-me Building	Minato-ku, Tokyo	Sep. 2013	2.2	619.76	100.0%	3	7.4%	Nov. 12, 2013	1,680	1.2%	1,840	3.8%
Total					14.7	497,459.98 (480,858.43)	98.9% (98.8%)	89 (257)	3.5%		139,307	100.0%	139,638	4.7%

(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 Tennozu, 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 (394.88m²).

(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), AEON MALL SAKAIKITAHAANADA (site) and LIFE 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 6) The completion date for the office and store portions is indicated.

Urban Retail Facilities

HEP Five



kotocross Hankyu Kawaramachi



Kita-Aoyama 3 cho-me Building



Kitano Hankyu Building



Community-based Retail Facilities

HANKYU NISHINOMIYA GARDENS



AEON MALL SAKAI KITAHANADA (site)



Community-based Retail Facilities

DAILY QANAT Izumiya Horikawa Marutamachi Store (site)



Dew Hankyu Yamada



MANDAI Gojo Nishikoji Store (site)



LIFE Shimoyamate Store (site)



Community-based Retail Facilities

LaLaport KOSHIEN (site)



Takatsuki-Josai Shopping Center



Kohnan Hiroshima Nakano-Higashi Store (site)



MANDAI Toyonaka Honan Store (site)



Nitori Ibaraki-Kita Store (site)



Hotel

LAXA Osaka



Hotel Gracery Tamachi



Richmond Hotel Hamamatsu



Shiodome East Side Building



Office

Hankyu Corporation
Head Office Building



Ueroku F Building

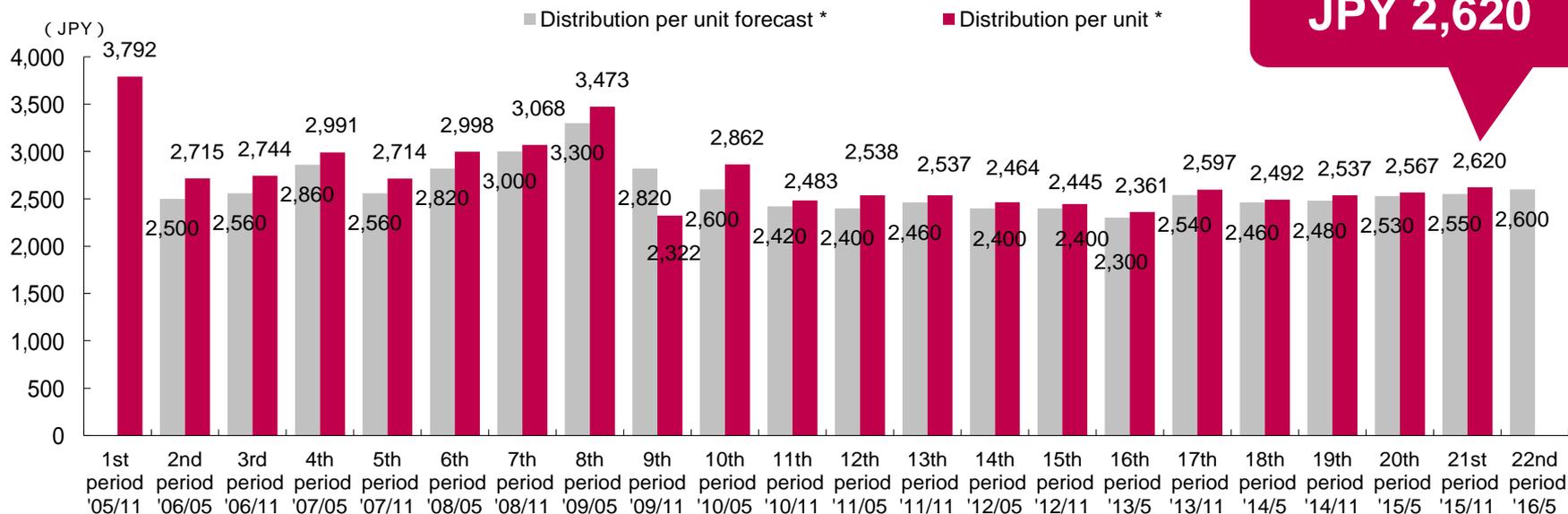


Namba-Hanshin Building



Sphere Tower Tennozu





JPY 2,620

Irregular period (303 days)

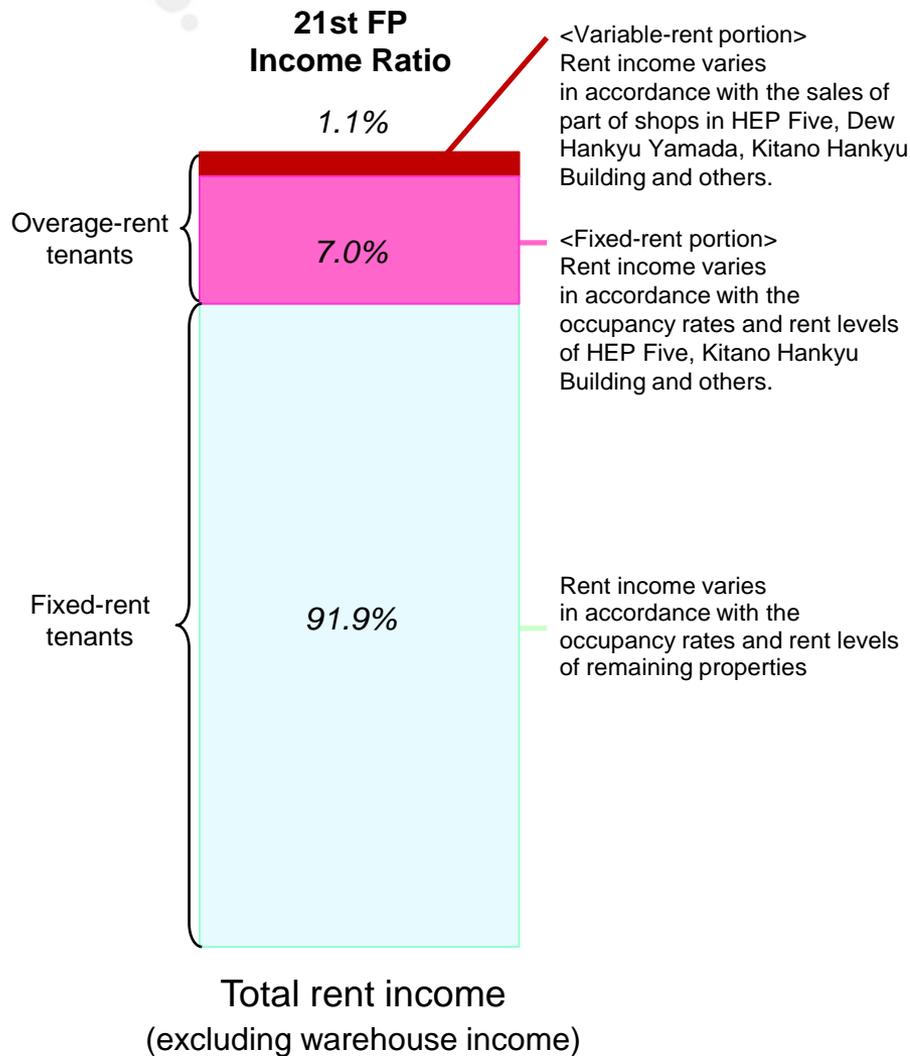
(Compared with 21st FP forecast: +JPY 70 per unit; Profit + JPY 42 mn)

Increase in operating income + JPY 38 mn
 (Increase in income from lease and income from HEP Ferris wheel +JPY 7 mn
 Increase in utilities expense +JPY 11 mn ...etc.)

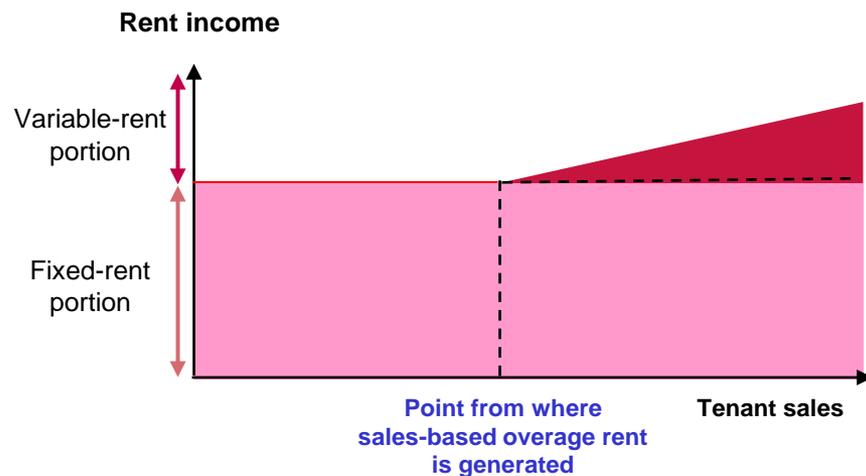
Decrease in non-operating expenses + JPY 2 mn
 (Decrease in interest expenses +JPY 2 mn ...etc.)

* Hankyu REIT implemented a five-for-one split of its investment units with December 1, 2014 as the effective date. The graph shows figures that retrospectively reflect the implementation of the five-for-one split.

Income Ratio by Rent Category and Variation Factors



Concept Diagram of General Sales-Based Overage Rent System



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

No depreciation means a high level of contribution to distributions

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.

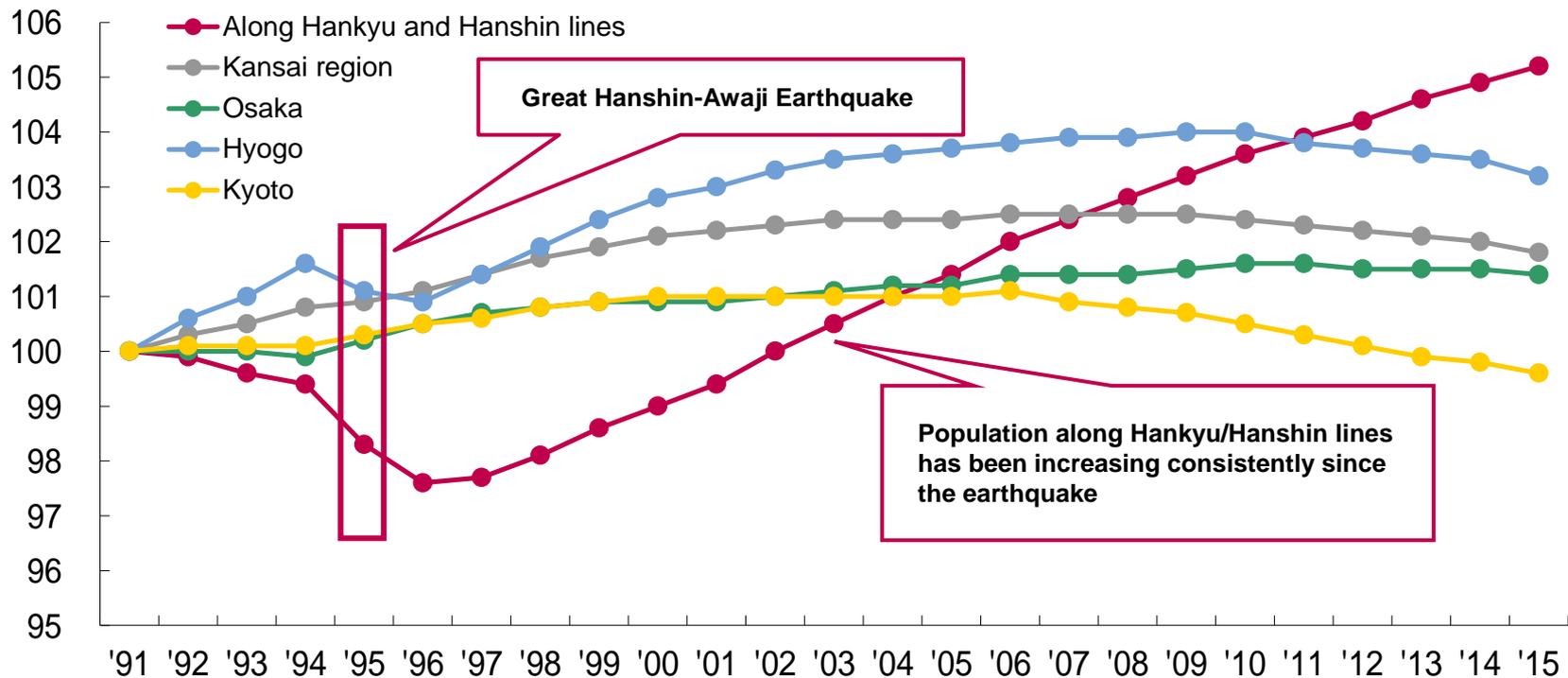
- Tenant owns the building: This means asset retirement and removal costs burden would be required of the tenant upon their departure, making departure highly difficult for the tenant
- Site properties are returned as vacant land in principle: This means that, in addition to attracting replacement tenants, 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	For entire portfolio, 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

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/Hanshin lines are relatively popular and the population in these areas have been increasing consistently after bottoming out in 1996



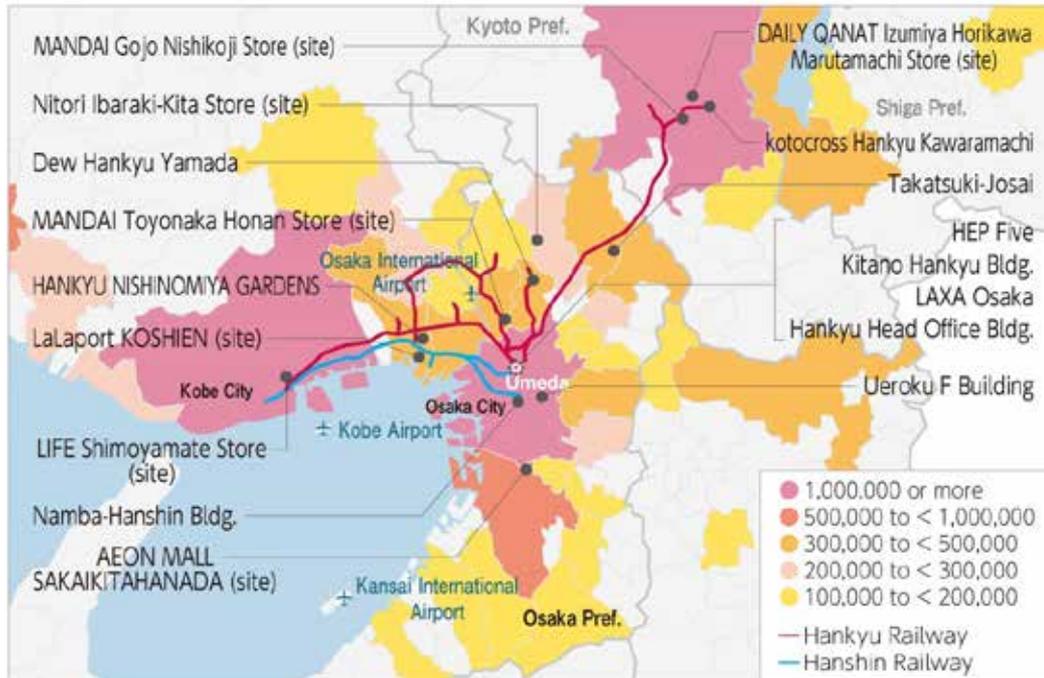
(Source) Japan Geographic Data Center “Population Summary of the Basic Resident Registers”

(Note) The graph indicates the change in populations where the populations in 1991 are set at 100.

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

<Populations as of January 1, 2015 of municipal regions with populations of 100,000 or more>



Population of Kansai is 20.51 million

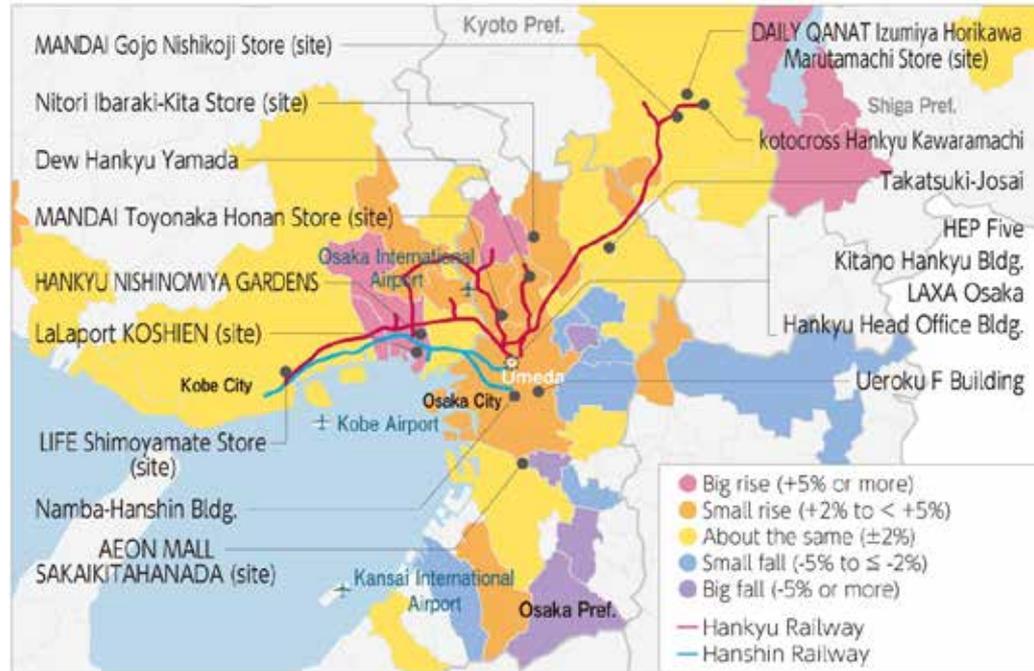
Osaka Prefecture: approx. 8.66 million
Of which, 62% reside in the top 7 municipal regions (population of 300,000 or more) including Osaka City

Hyogo Prefecture: approx. 5.54 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" (2015)

- 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 and Hankyu/Hanshin Lines >



Though Kansai population fell slightly -0.6% (10-year period), the population of city centers increase such as in Osaka City +2.3%

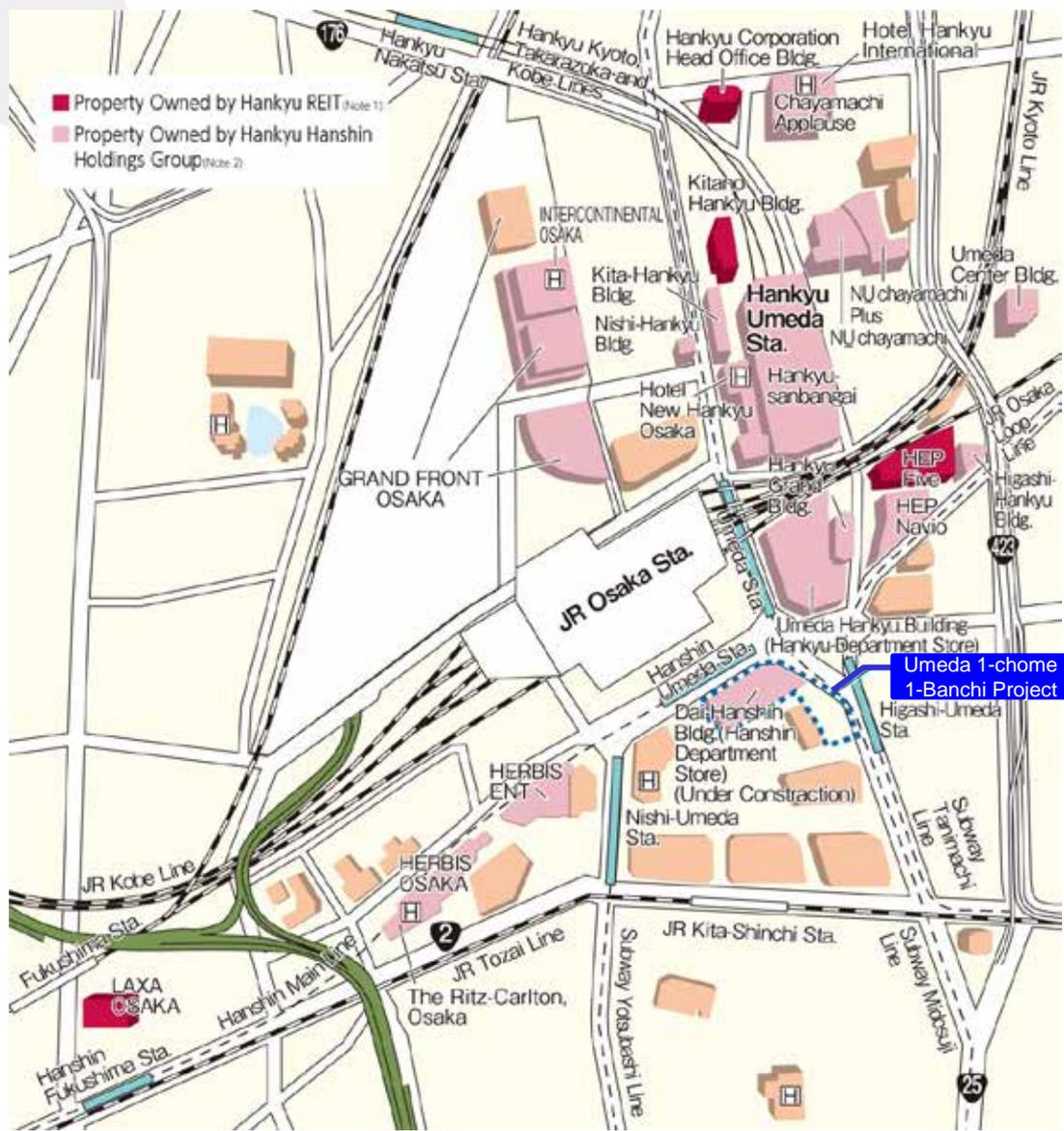
Areas along Hankyu/Hanshin lines increased (+3.9%)

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" (2005, 2015)

(Note) With change of the research period for the Basic Resident Registers, comparison is of the population as at the end of March 2005 in the 2005 version and as at January 1, 2015 in the 2015 version.



Perspective drawing of the completed “Umeda 1-Chome 1-Banchi Project” (Looking from Umeda Hankyu Building (Hankyu Umeda Main Store))

Location	1-1 Umeda, Kita-ku, Osaka-shi, and other	Department store zone	B2F to 9F
Lot area	Approx. 12,200m ²		Total floor area: Approx. 100,000m ²
Floor area ratio	2,000%	Office zone	11F to 38F
Total floor area	Approx. 257,000m ²		Total floor area: Approx. 140,000m ²
Number of floors	38 floors above ground and 3 floors below	Conference zone	11F
Height	Approx. 190m		Total floor area: Approx. 4,000m ²
Main use	Department store, office, hall, etc.	Other (parking space, etc.)	Total floor area: Approx. 13,000m ²

Overview of “construction plan”

1st phase work

- Oct. 2014: Start demolition of Shin-Hankyu Building
- Feb. 2015: Start demolition of east side of Daihanshin Building
- Spring 2018: Completion of 1st phase buildings (Shin-Hankyu Building, east section of Daihanshin Building)
 - * Partial opening of new department store

2nd phase work

- Spring 2018: Start demolition of west side of Daihanshin Building
- Fall 2021: Completion of 2nd phase building (New department store section)
 - * Full opening of new department store
- Spring 2022: Full completion
 - * Opening of office-use zone

(Note 1) Includes properties jointly owned with the Hankyu Hanshin Holdings Group.
 (Note 2) Includes properties jointly owned with other companies.

Concerning owned real estate or newly acquired assets as of each period: Average NOI yield =

$$[\text{Total real estate lease operation income}^* - \text{Real estate lease operation expenses}^* + \text{Total depreciation}^*] \div \text{Total acquisition price}$$

Concerning owned real estate or newly acquired assets as of each period: Average yield after depreciation =

$$[\text{Total real estate lease operation income}^* - \text{Real estate lease operation expenses}^*] \div \text{Total acquisition price}$$

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. For public charges and taxes, they are posted in expense from the first fiscal year and yields on an on-going basis are calculated.

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

- I When corporate bonds have been issued, the amount of outstanding debts shall include the amount of outstanding bonds.
- I 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.
- I 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.



Aerial photograph taken from south side facing north





(Aerial photograph taken from south side facing north)



(Aerial photograph taken from south side facing north)

As of November 30, 2015

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	10.3%
	R9(K)	LaLaport KOSHIEN (site) (Note)	6.4%
	R10	Richmond Hotel Hamamatsu	14.5%
	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)	—
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	—
	R15(K)	kotocross Hankyu Kawaramachi	2.6%
	R16(K)	LIFE Shimoyamate Store (site)	—
	R17(K)	MANDAI Gojo Nishikoji 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 Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	2.7%
	M3(K)	LAXA Osaka	3.7%
	M4(K)	Namba-Hanshin Building	5.1%
	M5	Kita-Aoyama 3 cho-me Building	7.4%
Total			3.5%

What is PML?

PML (Probable Maximum Loss) refers to the estimated amount of the maximum loss from earthquake damage expressed as a percentage, 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%.”

(Note) PML of LaLaport KOSHIEN (site) is calculated for the parking garage space administration building (394.88m²).



Relative Price (closing price basis) *

(Relative value based on 100 of the closing price basis on April 1, 2014 / closing price basis)



Per Unit Trading Trends* (Oct. 26, 2005 — Dec. 30, 2015)

High (closing price basis) JPY 276,000
(June 2007)

Low (closing price basis) JPY 65,000
(Dec. 2011)

April 1, 2014 — Dec. 30, 2015

High (closing price basis) JPY 167,200
(Jan. 15, 2015)

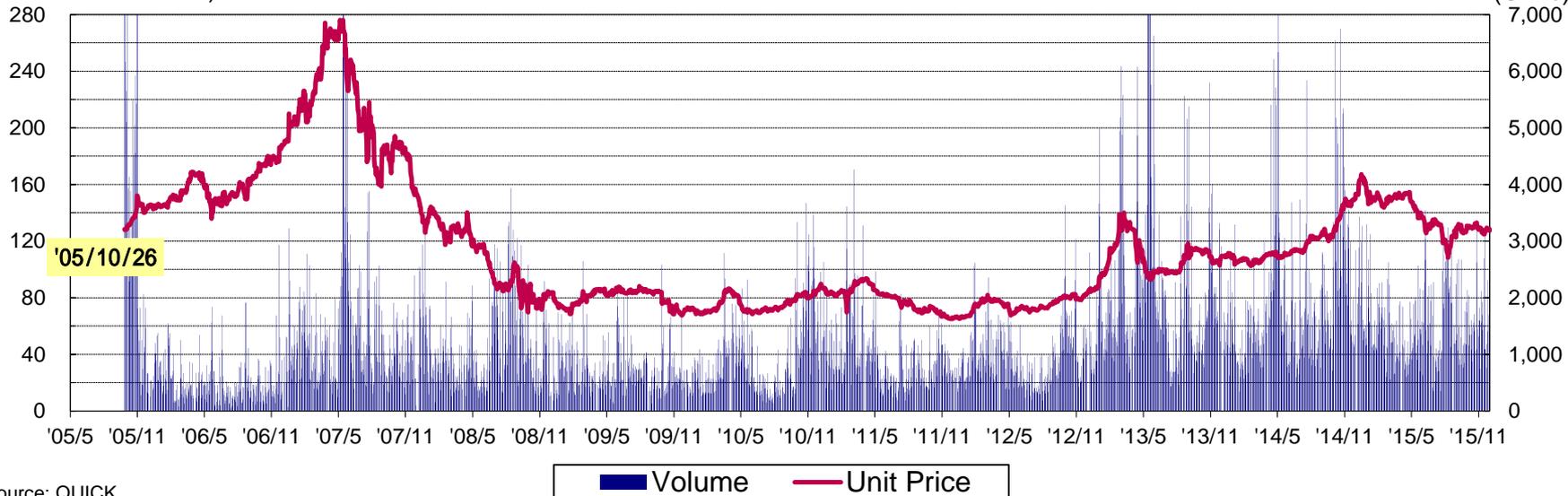
Low (closing price basis) JPY 104,400
(Apr. 9/10/11, 2014)

Price on Dec. 30, 2015 (closing price basis)

JPY 128,000

Unit Price (closing price basis)*

(Unit: JPY thousand)



* Hankyu REIT implemented a five-for-one split of its investment units with December 1, 2014 as the effective date, and investment units started transacting at the split price from November 26, 2014. Investment unit prices in the graphs and table retrospectively reflect the implementation of the five-for-one split.

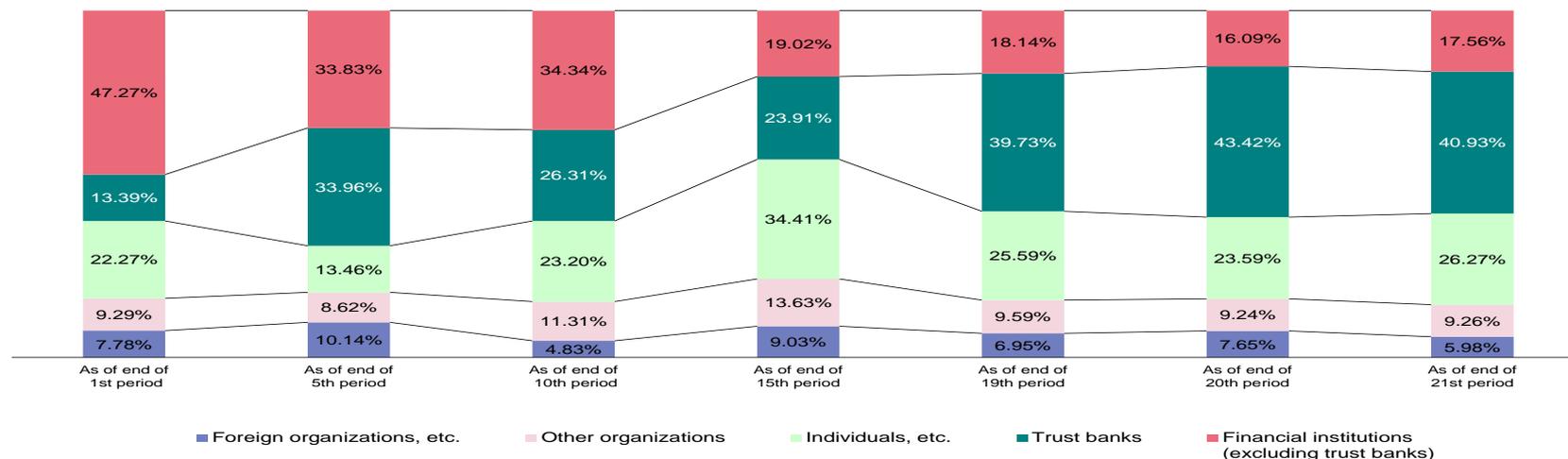
Unitholder Composition

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)	97	0.72%	104,898	17.56%
Trust banks	8	0.06%	244,552	40.93%
Individuals, etc.	13,090	96.81%	156,966	26.27%
Other organizations	223	1.65%	55,345	9.26%
Foreign organizations, etc.	103	0.76%	35,739	5.98%
Total	13,521	100%	597,500	100%

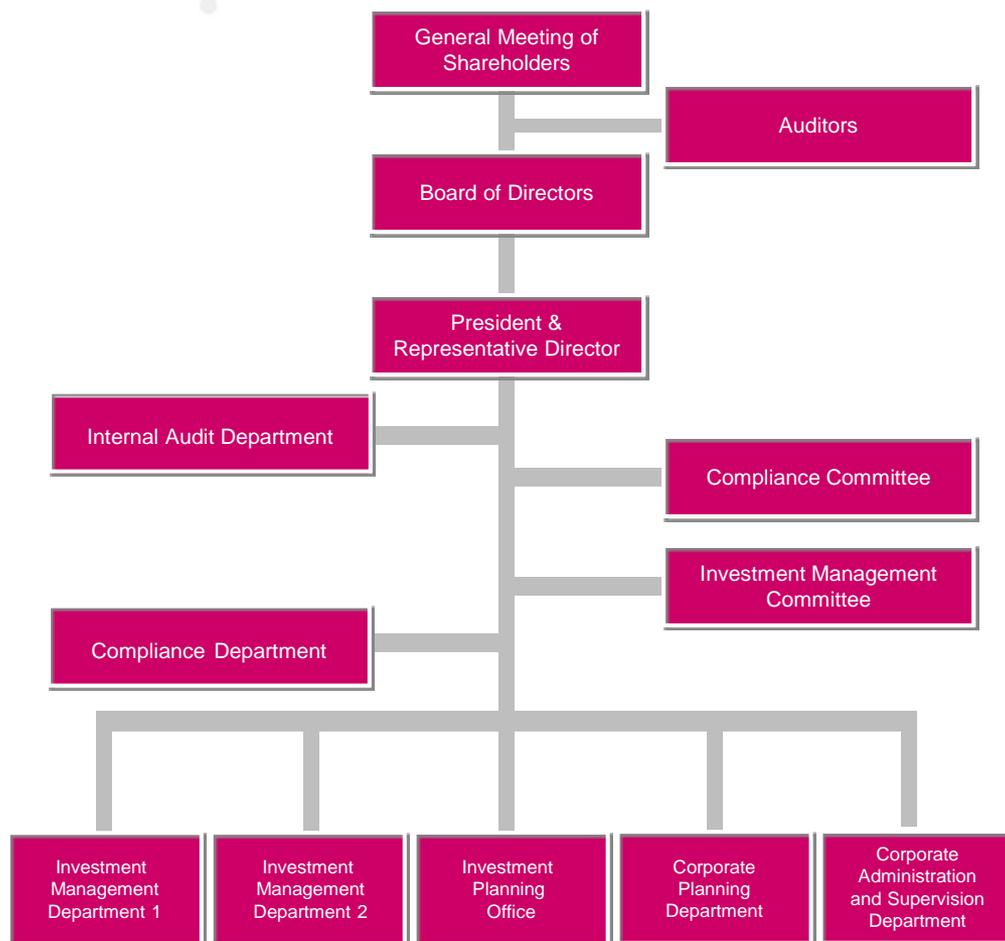
Top 10 Unitholders

Unitholder name	Number of units held	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	145,842	24.41%
The Master Trust Bank of Japan, Ltd. (Trust account)	50,165	8.40%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	25,072	4.20%
Hankyu Corporation	21,000	3.51%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	17,333	2.90%
The Senshu Ikeda Bank, Ltd.	12,500	2.09%
STATE STREET BANK AND TRUST COMPANY 505223	8,634	1.45%
THE CHUKYO BANK, Ltd.	7,905	1.32%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7,113	1.19%
Bank of Kyoto, Ltd.	4,880	0.82%
Total investment	300,444	50.28%
Number of outstanding units	597,500	100%

Ratio of Units by Unitholder Category

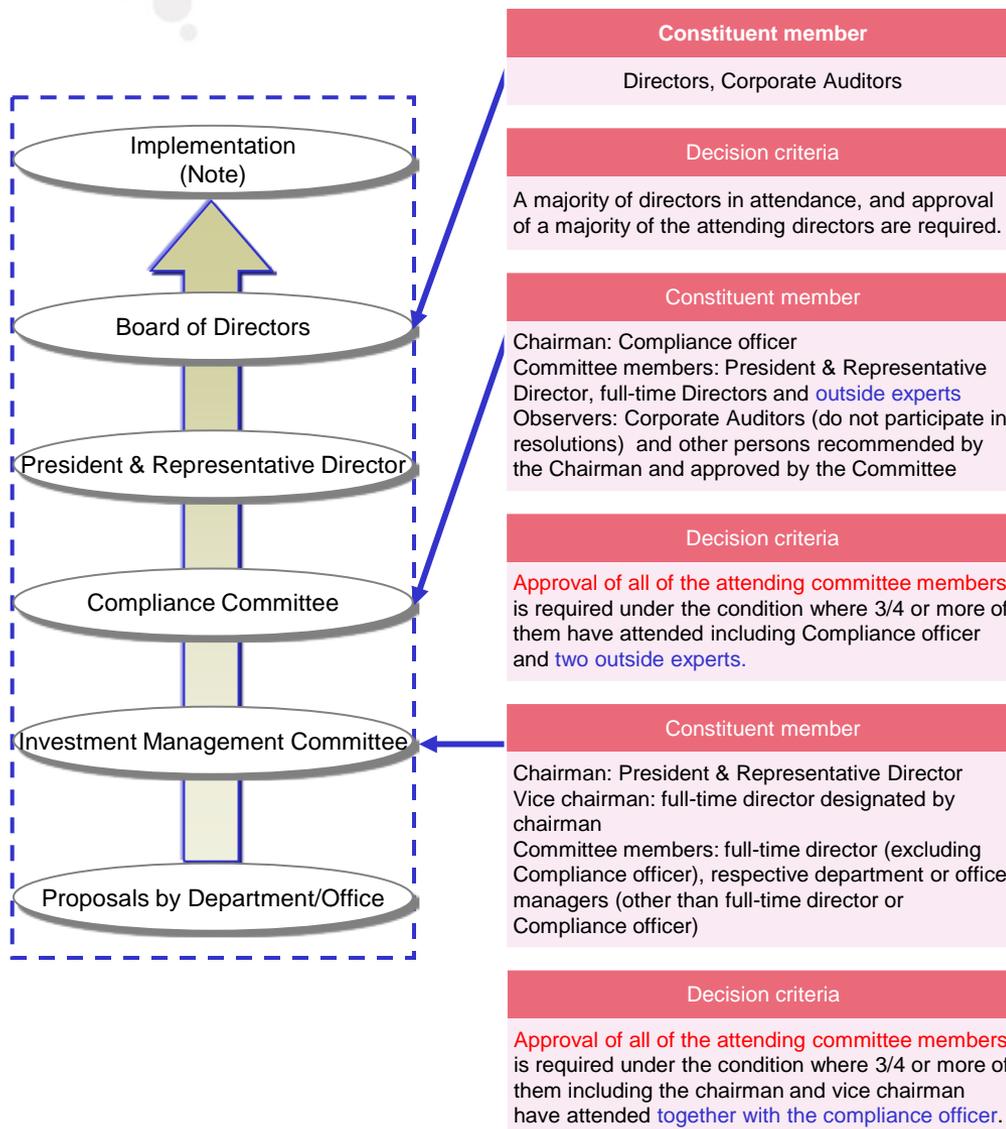


(As of November 30, 2015)



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	25	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Director	Toshinori Shoji
	Director	Hideo Natsuaki
	Director	Hiroshi Aoyama
	Director (part-time)	Yasuki Fukui
	Director (part-time)	Toyoyuki Komori
	Corporate Auditor (part-time)	Ken Kitano
	Corporate Auditor (part-time)	Koji Yoshida
Principal businesses	Financial instruments trading (investment management business)	
	<ul style="list-style-type: none"> Financial product trader: Director-General of the Kinki Finance Bureau Ministry of Finance (Kinsho) No. 44 Real Estate Transaction License: The Governor of Osaka Prefecture (3) No. 50641 Approval of discretionary dealing trustee etc.: No.23 by Minister of land, infrastructure, transportation and tourism 	

Build robust compliance and internal audit systems by systematically ensuring multiple check functions based on the basic policy for building internal control systems.



Compliance System

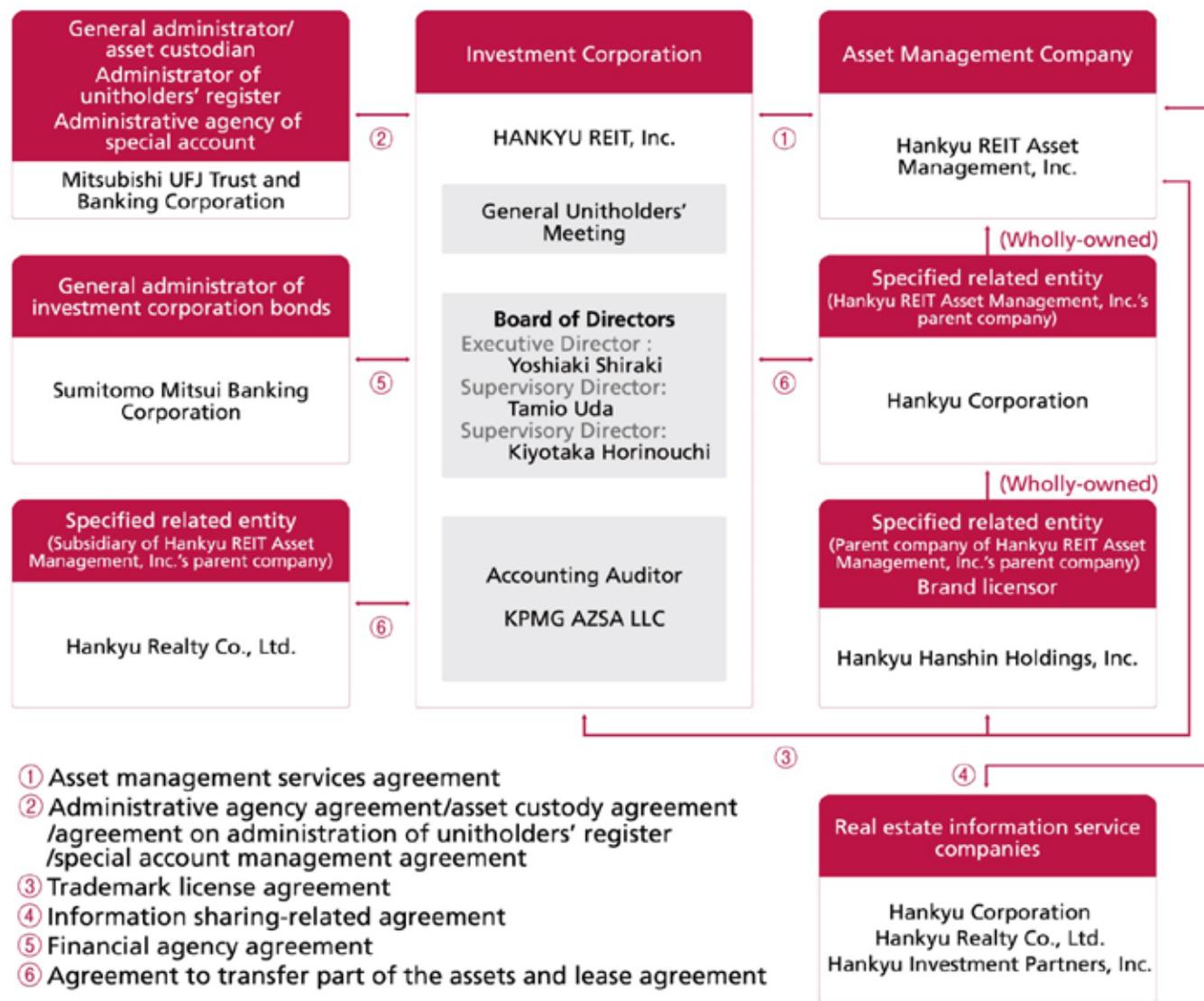
- | Achieve comprehensive compliance by establishing a Compliance Officer and a Compliance Department
- | The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction (note)
- | The Compliance Officer attends the Investment Committee meeting and checks for compliance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

Internal Audit System

- | Establish PDCA cycle for improving operations in each department/office by systematically implementing the internal audit 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.

(Note) Interested party transactions that meet a certain criteria must gain approval of Hankyu REIT's Board of Directors' Meeting.

(As of November 30, 2015)



(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 27, 2014.