

# Hankyu REIT

Financial Results Briefing Materials  
for the 22nd Fiscal period ended  
May 2016



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



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



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

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

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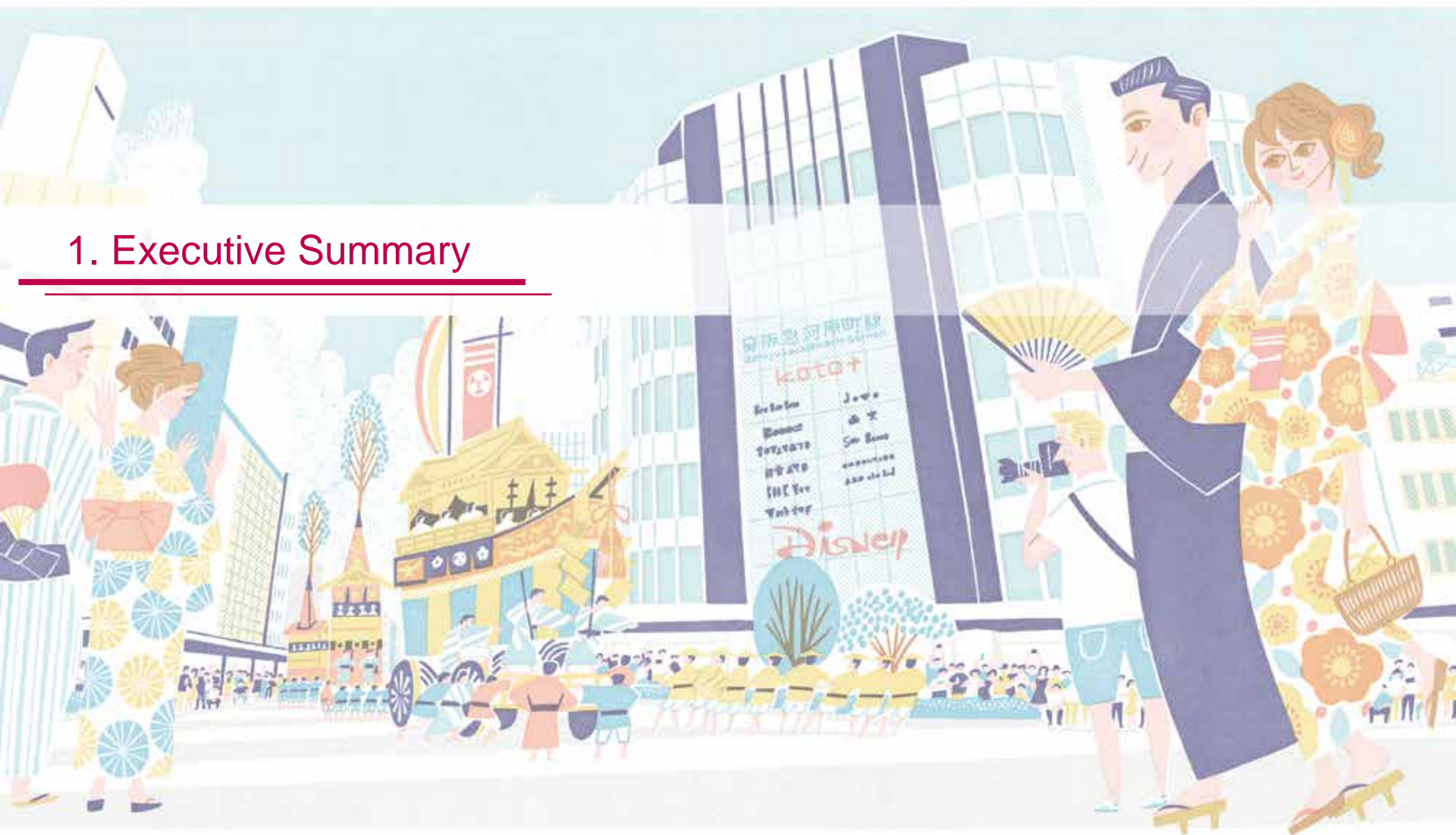
Before purchasing investment securities of Hankyu REIT, please consult with a securities company that is a “Type I Financial Instruments Business Operator.”

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





# 1-1. Results for 22nd Fiscal Period

(Issues indicated in the Financial Results Briefing Materials for 21st Fiscal Period)

Hankyu REIT

	Issues	Results for 22nd Fiscal Period
<div>External Growth</div>	<ul style="list-style-type: none"> <li>Expand Opportunities to Acquire Properties through Joint Efforts with the Sponsor Group, and Enhance Portfolio Quality</li> </ul>	<ul style="list-style-type: none"> <li>Achieved enhancement of portfolio quality and profitability through asset replacement               <ul style="list-style-type: none"> <li>Transferred two properties with low level of contribution to distributions (Namba at 22nd and Hamamatsu at 21st among 23 properties)</li> <li>Acquired a community-based retail facility developed by its sponsor group company, Hanshin Electric Railway Co., Ltd. (July 2016, 23rd fiscal period)</li> </ul> </li> <li>Promoted expansion of property acquisition methods and property information sourcing channels</li> <li>Reorganized Investment Planning Office as the Investment Planning Department in an aim to further enforce portfolio management</li> </ul>
<div>Internal Growth</div>	<ul style="list-style-type: none"> <li>Maintain and Improve High Level of Portfolio Occupancy Rate</li> </ul>	<ul style="list-style-type: none"> <li>Maintained high level of portfolio occupancy rate (end of 22nd fiscal period: 98.8%)</li> <li>Made progress in leasing activities for Sphere Tower Tennozu               <div>                     occupancy rate: 39.0%    46.9%                      (including tenants scheduled to occupy in August 2016, 23rd fiscal period)                 </div> </li> <li>Brought in a new tenant which led to revitalization of the facility at first and second floors of kotocross Hankyu Kawaramachi</li> <li>Achieved upward rent revisions with some tenants at Shiodome East Side Building</li> </ul>
<div>Financial Strategies</div>	<ul style="list-style-type: none"> <li>Continue Stable Financial Operations and Improve Distributions</li> </ul>	<ul style="list-style-type: none"> <li>Lowered LTV through appraisal value rise, etc. (43.2%    41.9% (end of 22nd fiscal period))</li> <li>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</li> <li>Distribution for 22nd fiscal period significantly increased from the initial forecast due to asset transfer, etc.</li> </ul>

(Unit:JPY mn)

Item	Initial Forecast for 22nd Fiscal Period (A) (as of Jan. 22, 2016)	Revised Forecast for 22nd Fiscal Period (B) (as of Apr. 13, 2016)	Results for 22nd Fiscal Period (C) (Dec. 1, 2015 to May. 31, 2016)	Change (C)-(A)	Change (C)-(B)
Operation period (days)	183	183	183	—	—
Operating revenues	4,843	5,527	5,527	683	0
Operating income	1,948	2,038	2,053	104	14
Ordinary income	1,555	1,644	1,659	104	14
Net income	1,553	1,642	1,657	104	14
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	597,500	—	—
Distribution per unit (JPY)	2,600	2,750	2,775	175	25
FFO per unit (JPY)	4,188	4,138	4,161	-27	22

## (Main factors for increase/decrease)

(1) Income on sale of Hamamatsu JPY +731 mn  
 Decrease in rent income, etc.  
 (Namba and Hamamatsu) JPY -57 mn  
 Decrease in utilities expense income  
 JPY -13 mn  
 Increase in income from HEP Ferris wheel  
 JPY +4 mn

(2) Loss on sale of Namba JPY -633 mn  
 Decrease in depreciation  
 (Namba and Hamamatsu) JPY +17 mn  
 Decrease in tax and public dues  
 (Namba and Hamamatsu) JPY +7 mn  
 Decrease in utilities expense JPY +21 mn  
 Increase in repair expense JPY -13 mn

(3) Decrease in PM/BM costs JPY +3 mn  
 Decrease in depreciation JPY +5 mn

Net assets per unit	JPY 122,706
Net assets per unit after reflecting unrealized income/loss	JPY 143,850

Results for 22nd fiscal period (ended May 2016)  
 Distribution per unit

**JPY 2,775**

Increased by 6.7% from the initial forecast due to net gain on transfer of Namba and Hamamatsu, etc.

(Unit:JPY mn)

Item	Results for 22nd Fiscal Period (1) (Dec. 1, 2015 to May 31, 2016)	Forecast for 23rd Fiscal Period (2) (Jun. 1, 2016 to Nov. 30, 2016)	Change (2)-(1)	Results for 21st Fiscal Period (Jun. 1, 2015 to Nov. 30, 2015)	Change (2)-(3)
Operation period (days)	183	183	—	183	—
Operating revenues	5,527	4,715	-811	4,875	-160
Operating income	2,053	1,954	-99	1,961	-7
Ordinary income	1,659	1,567	-92	1,566	0
Net income	1,657	1,565	-92	1,565	0
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—	597,500	—
Distribution per unit (JPY)	2,775	2,620	-155	2,620	—
FFO per unit (JPY)	4,161	4,043	-118	4,242	-198

### [Main factors for increase/decrease from 22nd fiscal period]

#### I Transferred Namba and Hamamatsu

- Decrease in net gain on transfer -98 (Namba +633, Hamamatsu -731)
- Decrease in lease operating income -12 (Namba -8, Hamamatsu -3)

#### I Acquired Onohara

- Increase in lease operating income +33

#### I Existing properties

- Increase in rent income of Tennozu +11
- Increase in repair expense -14 (Yamada -36, LAXA -32, Tennozu -10, Takatsuki +37, etc.)

Forecast for 23rd fiscal period (ending November 2016)  
Distribution per unit

**JPY 2,620**

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

### [Main preconditions]

- There will be no transfer of portfolio properties from the presently held 22 properties
- There will be no additional issuance of investment units to the present 597,500 units until the end of the period



## Enhanced portfolio quality and profitability through asset replacement and secured growth capacity through utilizing transfer proceeds

**Transferred 2 properties with low level of contribution to distributions and NOI yield after depreciation**

(Namba at 22nd and Hamamatsu at 21st among 23 properties)

### Transferred assets



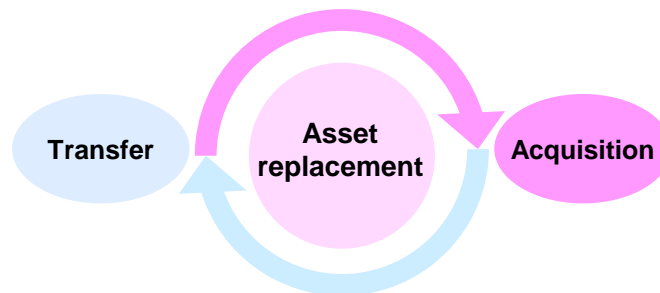
Namba-Hanshin Building



Richmond Hotel Hamamatsu

Transfer price	JPY 5,430 mn
Book value	JPY 5,287 mn
Appraisal value	JPY 4,760 mn
Unrealized income/loss	JPY -527 mn
NOI yield	3.8%
NOI yield after depreciation	0.6%
Acquisition price (at the time of acquisition)	JPY 6,410 mn

\*Total figures of the two properties are indicated



### Points of the measure

#### Enhance profitability

- Average portfolio yield will improve by replacing low-yield property with high-yield property

#### Disposal of the property with unrealized loss

- Achieve exiting property with unrealized loss without damaging distributions by utilizing property-acquiring market environment

#### Joint efforts with the sponsor

- Acquisition of properties developed by the sponsor group
- First direct acquisition from Hanshin Electric Railway

#### Cover decrease in profit due to transfer

- Decrease in distributions due to transferred assets and increase in distributions due to newly acquired asset are at the same level

Acquired a community-based retail facility developed by its sponsor group company, Hanshin Electric Railway

### Newly acquired asset



KOHYO Onohara Store

Acquisition price	JPY 1,631 mn
Appraisal value	JPY 1,640 mn
NOI yield	5.3%
NOI yield after depreciation	4.4%



Utilize remaining transfer proceeds for acquisition of new properties in the future



## Profitability of Portfolio

	End of 19th FP (End of Nov. 2014)	End of 20th FP (End of May 2015)	End of 21st FP (End of Nov. 2015)	End of 22nd FP (End of May 2016)	After acquiring the new asset (As of Jul. 1, 2016)
Average NOI yield (Note)	4.8%	4.8%	4.8%	4.8%	4.9%
Average NOI yield after depreciation (Note)	3.4%	3.4%	3.4%	3.5%	3.6%
Unrealized income/loss (Note)	JPY 1.6 bn	JPY 4.7 bn	JPY 8.4 bn	JPY 12.6 bn	JPY 12.5 bn

## Stability of Financial Foundation

	End of 19th FP (End of Nov. 2014)	End of 20th FP (End of May 2015)	End of 21st FP (End of Nov. 2015)	End of 22nd FP (End of May 2016)
LTV (Note)	45.4%	44.4%	43.2%	41.9%
Interest-bearing debt ratio	42.9%	42.9%	43.0%	43.0%
Average debt financing costs (including investment corporation bonds)	1.08%	1.07%	1.06%	1.04%
Average remaining years on long-term loans payable and investment corporation bonds	3.6 years	5.1 years	4.8 years	4.4 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 62.





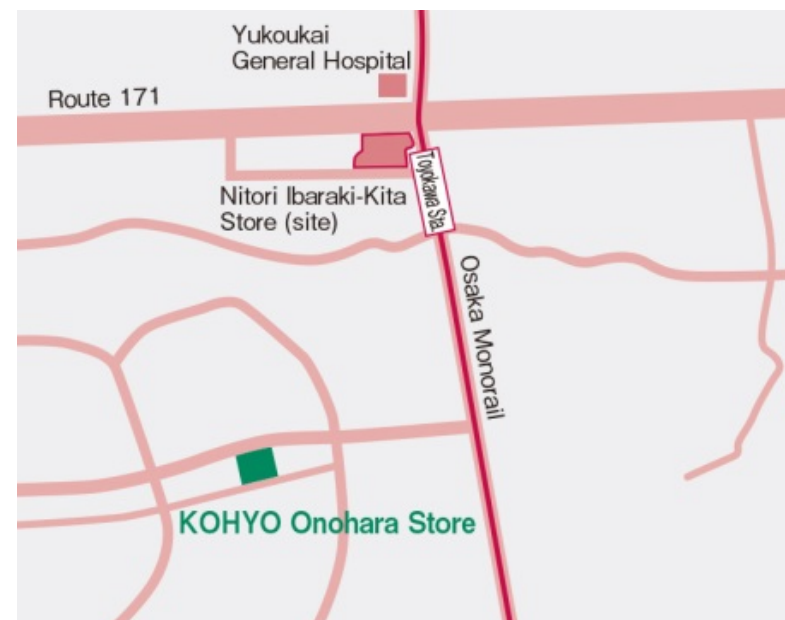
## Property Overview

Property name	KOHYO Onohara Store
Location	Onoharahigashi, Minoh City, Osaka Prefecture
Site area	4,479.14 m <sup>2</sup>
Leased area	3,310.31 m <sup>2</sup>
Month/Year opened	May 2016



## Property Features

- Onohara-Toyonaka Road on which the property stands along is a community road that allows east-west mobility through the new town and provides good access.
- According to the national census in 2010, population by trade area is approximately 18,000 within 1km and approximately 57,000 within 2km. More detached home sales are observed in the Onohara-nishi district to the west of the property and the population is on an increasing trend.
- Large-scale residential districts developed by the sponsor group over many years spread over the surrounding area of the property, structuring an area where many rich people reside.  
Taxable income per person (Note) of Minoh City is ranked at the top in Osaka Prefecture (ranked 3rd in Kansai region, following Ashiya and Nishinomiya cities).
- The tenant KOHYO is a main brand of the food supermarkets operated by KOHYO Co., Ltd., a consolidated subsidiary of AEON Co., Ltd. It has a reputation for its quality-oriented items and four fresh products (meat, fish, vegetables and ready-to-eat food).



(Note) Taxable income per person concerning municipal tax for fiscal 2015

Source: "Survey on taxation status, etc. concerning municipal tax for fiscal 2015" by Ministry of Internal Affairs and Communications



Residential districts developed by the sponsor group





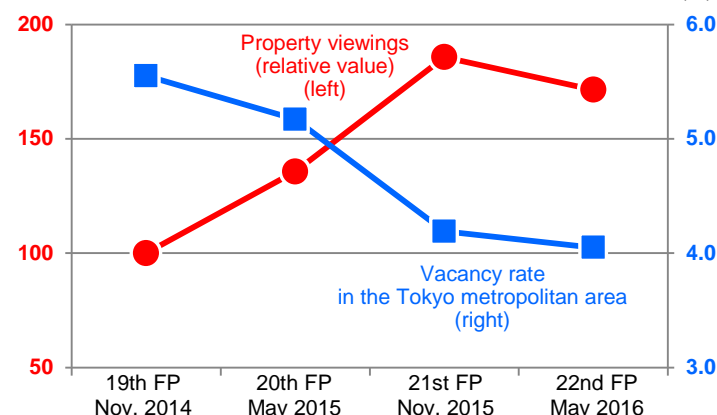
## Achieved Conclusion of Three Lease Agreements for Office Floors

- Tenant leasing progressed from the end of previous period, which improved occupancy rate (39.0%→46.9%) (including tenants scheduled to occupy in August 2016, 23rd fiscal period)
- 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 limited to pretty much just the bay area
- In line with decreasing vacancy rate in the Tokyo metropolitan area, property viewings are increasing and maintained high level during the 22nd fiscal period as well

## Gained Reputation for Building Features and Location

- Access to Haneda Airport and open ceiling (maisonette) of exclusive-use portion gained reputation from many tenant candidates
- Held open property viewings in March 2016 jointly with other office buildings in the Tennozu area and showcased strengths of the area
- Aim for further improvement in occupancy rate and distributions by continuously utilizing the environment where vacancy rate in the Tokyo metropolitan area is decreasing and promoting finely-tuned leasing activities, such as showcasing building features, location, etc.

Trends of Vacancy Rate in the Tokyo Metropolitan Area and Property Viewings(relative value)



(Graph)

Vacancy rate in the Tokyo metropolitan area:  
vacancy rate of Tokyo business districts in Miki Shoji Co., Ltd. "Office Data"  
Property viewings:  
relative value per fiscal period based on property viewings in the 19th fiscal period (100)

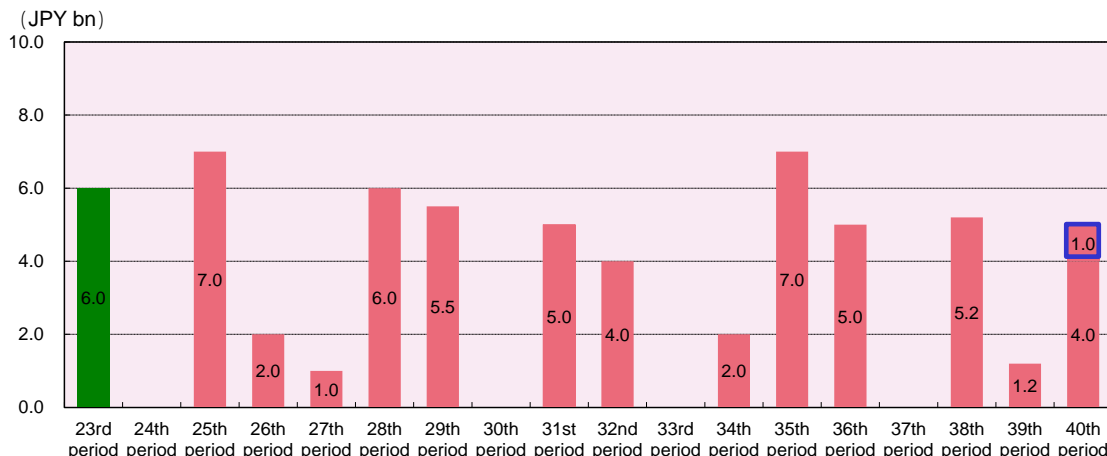


Example of maisonette floor utilization of exclusive-use portion (illustrative purposes only)

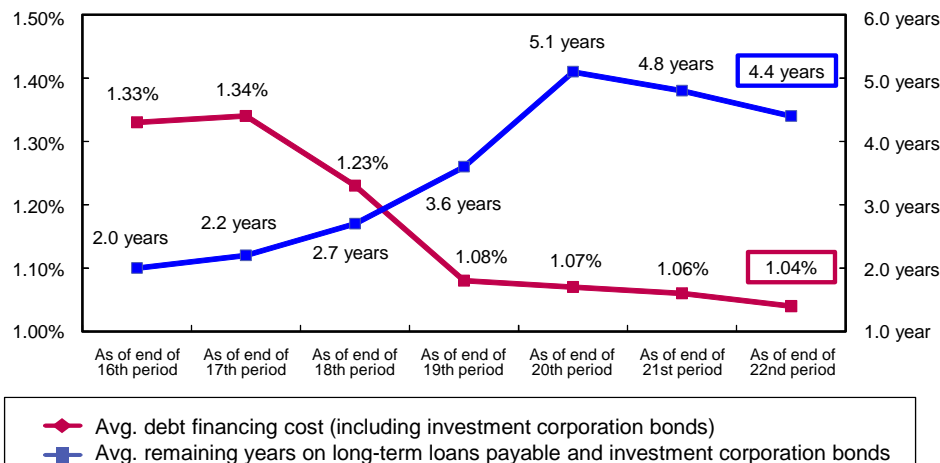


Continued stable financial operations by striking a balance between reduction of debt financing costs, and extension of borrowing periods and diversification of debt repayment dates

## Diversification of Debt Repayment Dates



## Trends of Debt Financing Costs and Average Remaining Years



## Overview of Refinancing

Date of refinancing	Amount of debt financing	Borrowing period	Variable/Fixed
January 21, 2016	JPY 1.0 bn	9 years	Variable

## Long-Term Debt Ratio and Fixed Debt Ratio

Long-term debt ratio	Fixed debt ratio
100%	90.0%

## Overview of Issued Corporate Bonds

Issue amount	JPY 6.0 bn
Period	5 years
Interest rate	1.27% per annum
Issue date	November 11, 2011
Redemption date	November 11, 2016
Rating	A+ R&I (Rating and Investment Information, Inc.)

## Issuer rating

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 Enforce Portfolio Management

- 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
- Progress further enforcement of portfolio management with the Investment Planning Department at the core

## Internal Growth

### Maintain and Improve High Level of Portfolio Occupancy Rate

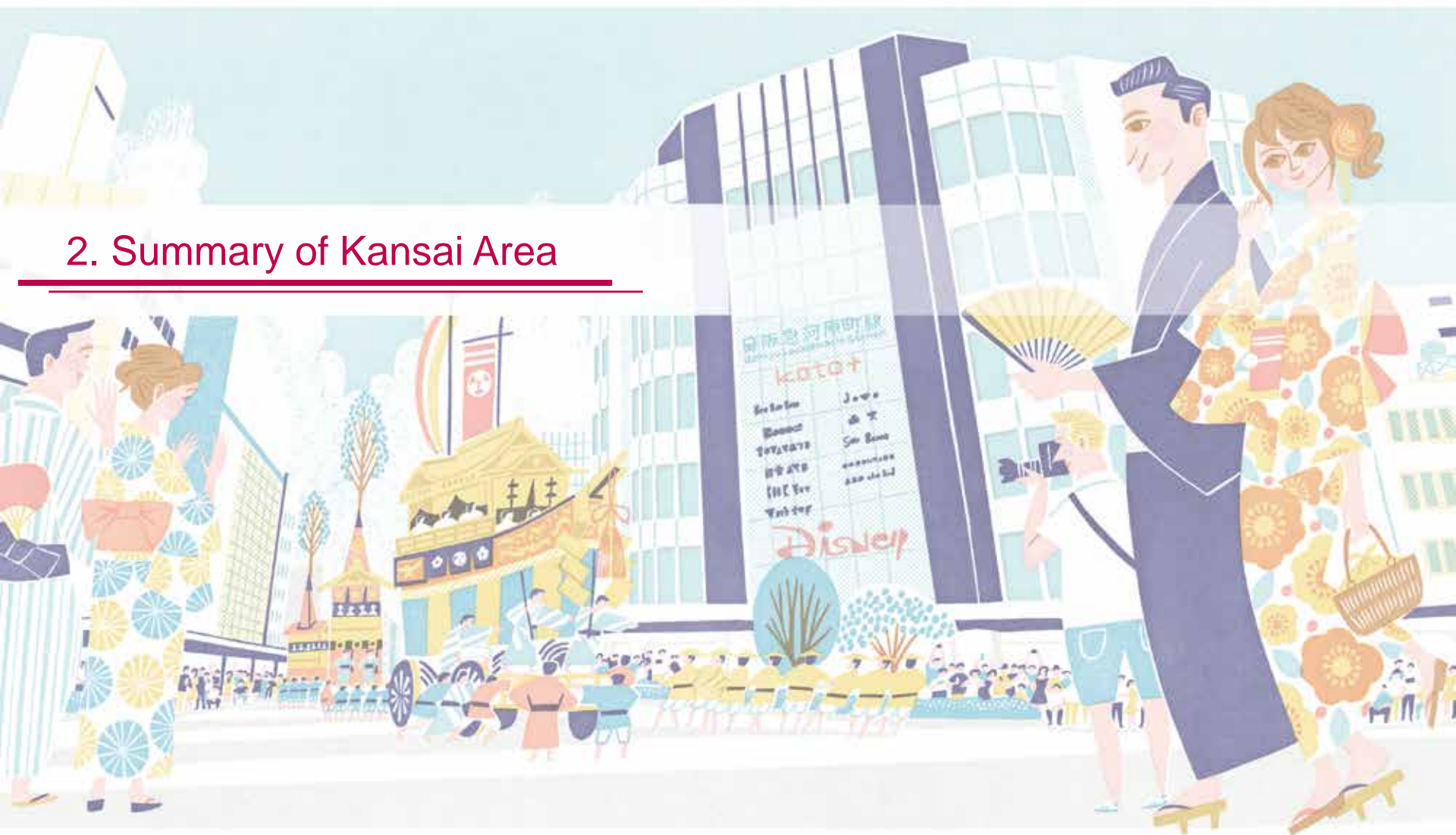
- For Sphere Tower Tennozu, promote leasing activities based on location and building features backed by an environment where vacancy rate in the Tokyo metropolitan area is decreasing, and lead to further improvement in occupancy rate and distributions
- Aim to maintain and improve rent through measures based on the conditions and competitiveness of each property while establishing favorable relationship with tenants

## Financial Strategies

### Continue Stable Financial Operations and Improve Distributions

- Realize equity financing that enables both distributions to be improved and LTV to be maintained
- In refinancing investment corporation bonds which will be due for redemption in November 2016, aim to further reduce fund procurement costs, extend periods and diversify maturity dates
- Make progress in considering diversifying fund procurement methods while continuing stable financial operations through cooperation with financial institutions

## 2. Summary of Kansai Area



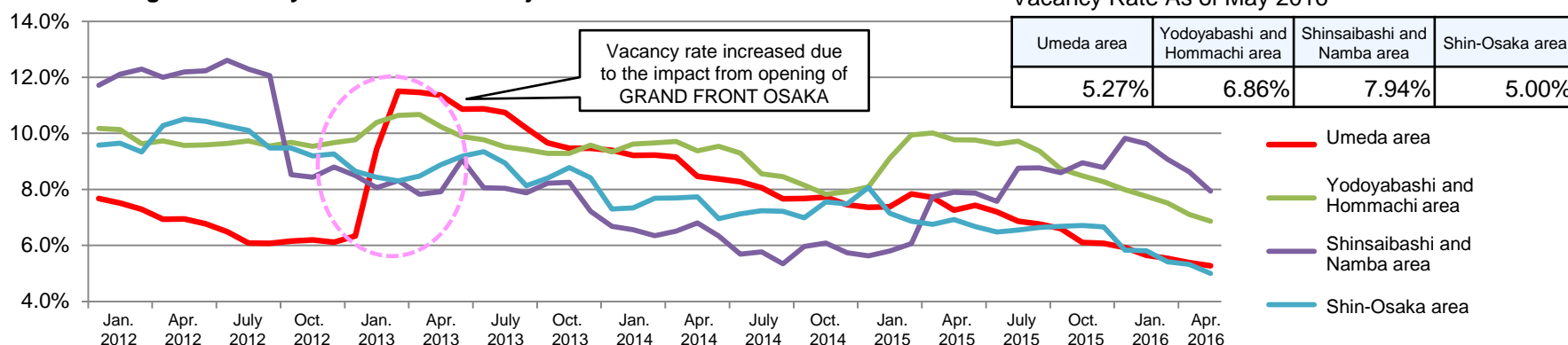


### Decreasing Trend of Office Vacancy Rate Continuing in Osaka

- 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 May 2016 is the same level as that of Tokyo's business areas in March 2015 (5.30%))

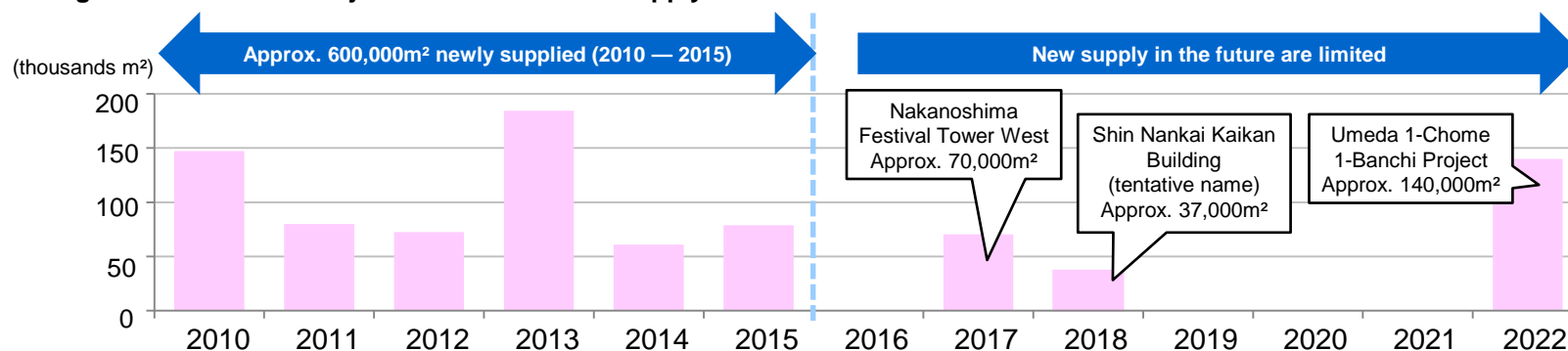
- Relocation of offices from Yodoyabashi and Hommachi area, etc., into Umeda area, especially into high-spec buildings, is advancing
- New office supply in the future is limited

Change in Vacancy Rate of Osaka's Major Business Areas



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

Change in Floor Area of Major New Rental Office Supply in Osaka



(Source) Calculated by Hankyu REIT Asset Management, Inc. based on materials from office brokerage companies (include some estimates) (June 2016)



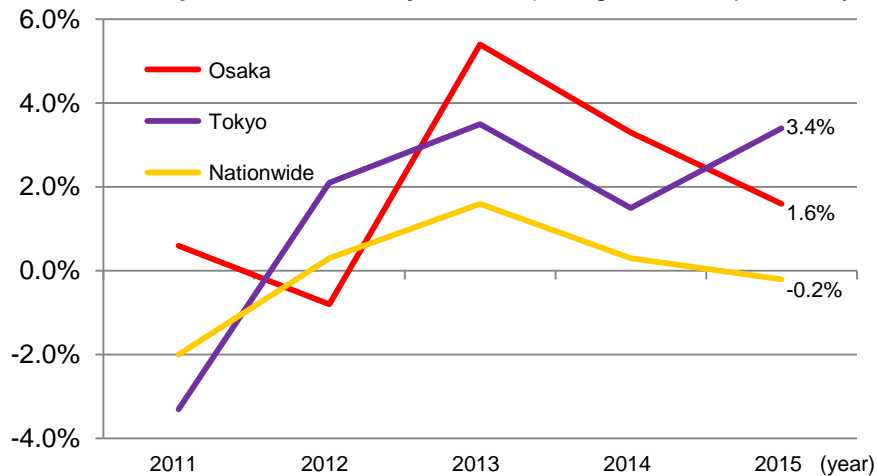
### Sales of Department Stores, Supermarkets, Etc. Going Strong

- Sales of supermarkets in central areas are on an increasing trend due to 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
- Although increase in inbound tourists is continuing, average purchase unit price is decreasing due to increase in repeating tourists, Chinese tariff hike and other factors, and the decreasing trend in duty-free sales of department stores is currently being visible

- Sales of department stores in Osaka (2015) increased by 1.6% over the previous year
- Duty-free sales of department stores in the Kansai region (fiscal 2015) increased, approximately 2.2 times over the previous fiscal year (Note 1)  
(On the other hand, April and May 2016 marked year-on-year reduction for the first time since the survey started in April 2013)

- Sales of supermarkets in Osaka City (fiscal 2015) surpassed nationwide and Tokyo's increase and maintain strong sales  
Same-store sales are also strong while supermarkets are yet being opened one after another at the central Osaka  
Same-store sales: 4.1% increase (Tokyo: 3.3% increase) (compared to previous fiscal year) (Note 2)

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

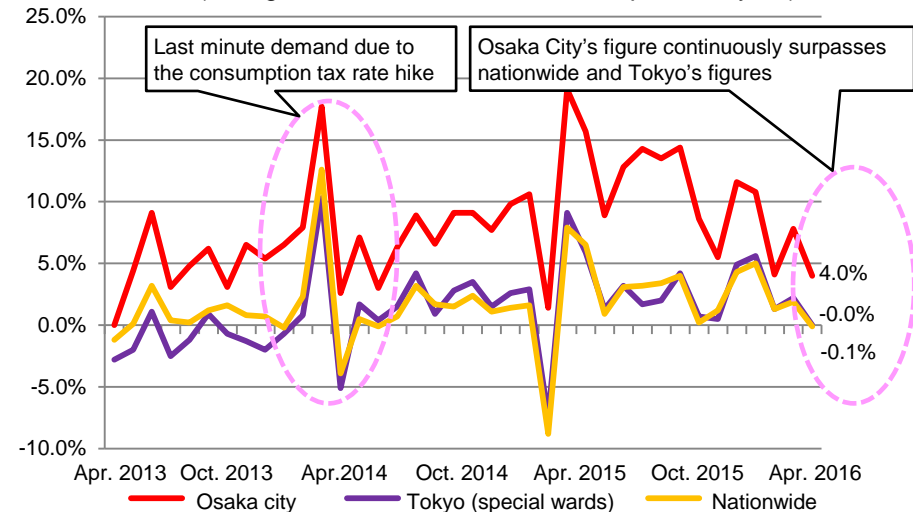


Source: Japan Department Stores Association

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

(Note 2) Source: 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"





### Foreign tourists to Japan who visit Kansai is continuously increasing

- At Kansai International Airport, number of foreigners using international flights reached 11 million in fiscal 2015, marking the new record high
- Number of foreigners from nearby Asian countries (China, South Korea, Taiwan and Hong Kong) using LCC is strong (Approximately 30% of the international flights are LCCs which increased by approximately 80% over the previous fiscal year) (Note 1)
- Visit rate of foreigners visiting Japan (for tourism/leisure) to Osaka Prefecture is significantly increasing, reaching a level close to Tokyo Prefecture (Note 2)

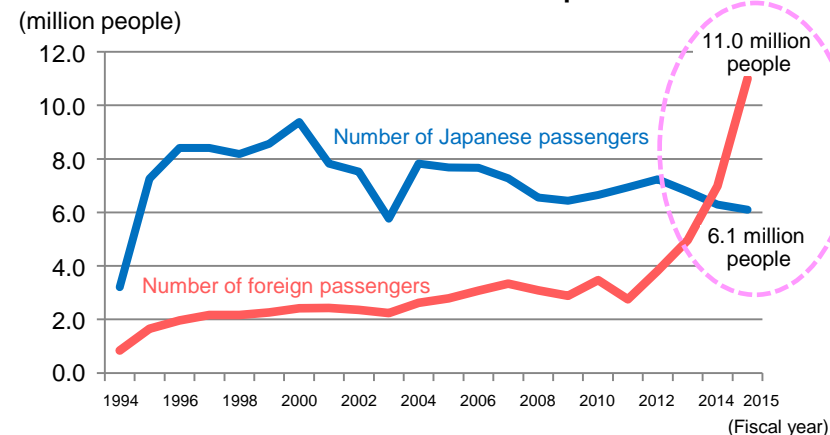
#### Visit rate of foreigners visiting Japan by prefecture (for tourism/leisure)

	2013	2014	2015
<b>Osaka Prefecture</b>	<b>30.2%</b>	<b>34.1%</b>	<b>41.9%</b>
Tokyo Prefecture	43.2%	48.5%	48.2%

(Note 1) Source: New Kansai International Airport Company, Ltd.

(Note 2) Source: "Consumption Trend Survey for Foreigners Visiting Japan" (Japan Tourism Agency)

#### Status of International Flight Passengers at Kansai International Airport



Source: New Kansai International Airport Company, Ltd.

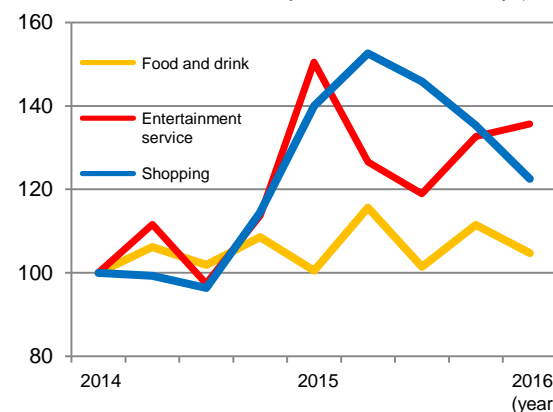
### Consumption target shifted from “things” to “experience”

- Main target of consumption shifted to daily necessities from expensive goods due to increase in repeating tourists, Chinese tariff hike, increase in tourists other than wealthy class and other factors
- Consumption targets have diversified and amount paid to entertainment services is on an increasing trend
- Business hotels in Kansai remain high occupancy rate and demand for accommodation facilities continues

- Increase in repeating tourists
- Shift from group tour to individual travel
- Consumption targets have diversified

Aim to improve shopping convenience in owned properties by promoting environmental development such as introducing Wi-Fi and making UnionPay cards available

#### Change in average expenditure per purchaser by product (Relative value based on January to March 2014 survey (100))



Source: "Consumption Trend Survey for Foreigners Visiting Japan" (Japan Tourism Agency)

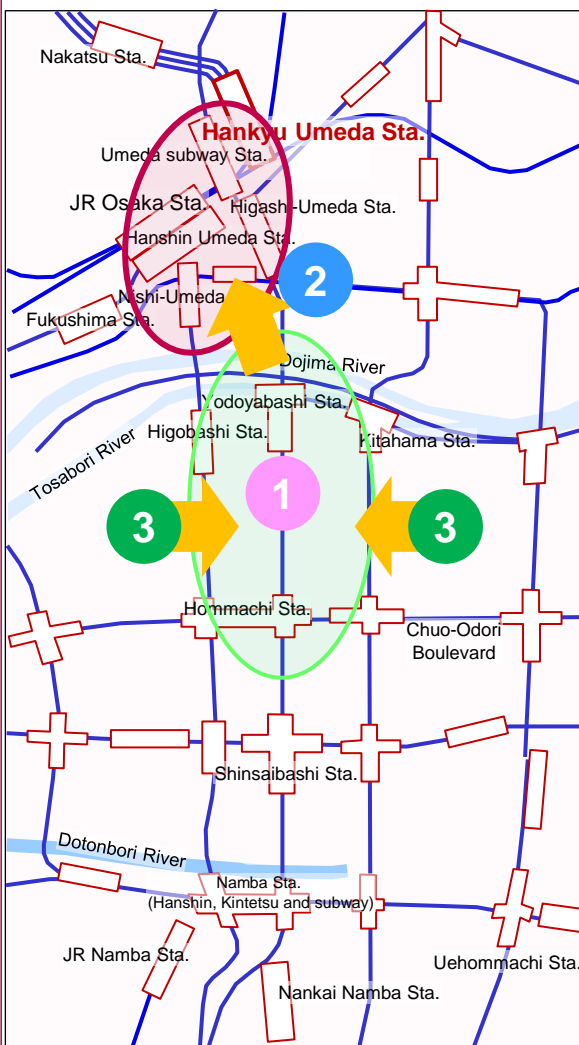
#### Ranking of Guest Room Occupancy Rate in Business Hotels (fiscal 2015)

1	<b>Osaka Prefecture (87.8%)</b>
2	Tokyo Prefecture (85.6%)
3	<b>Kyoto Prefecture (84.5%)</b>
4	<b>Hyogo Prefecture (82.5%)</b>
5	Kanagawa Prefecture (81.1%)

Source:  
Calculated by Hankyu REIT Asset Management, Inc. based on "Accommodation Survey" (Japan Tourism Agency)

## Metabolism in central Osaka is advancing

- 1 Aging of office buildings in Yodoyabashi and Hommachi area (central business area of Osaka for more than 50 years) is progressing

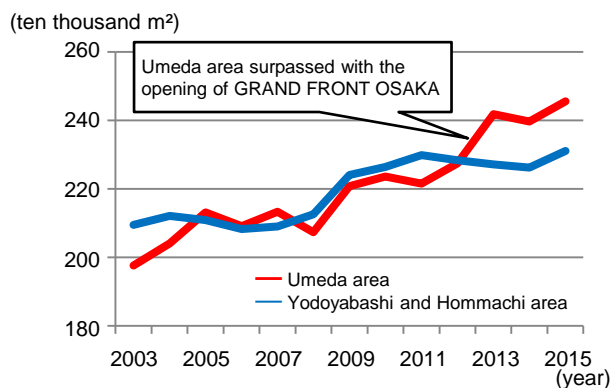


### Office Trend

- 2 In Umeda area, construction of large and high-spec buildings including Umeda Hankyu Building and GRAND FRONT OSAKA have completed continuously and relocations of tenants from Yodoyabashi and Hommachi area is advancing

**For leased office area, Umeda area surpassed Yodoyabashi and Hommachi area**

### Change in leased office area of Umeda area and Yodoyabashi and Hommachi area



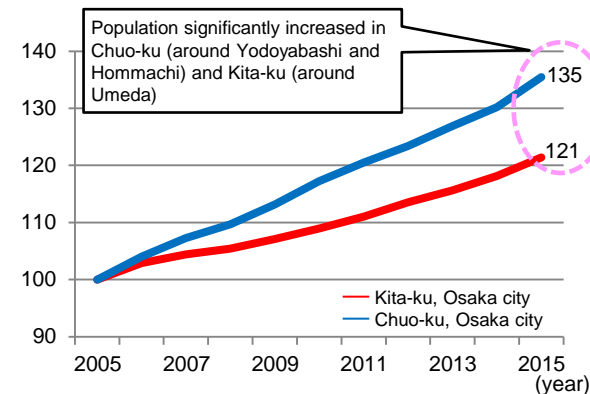
Source: Miki Shoji Co., Ltd. "Office Data"

### Population Trend

- 3 Old buildings away from center of office districts and that fell into secondary vacancies are converted into tower condominiums and hotels

**Population of central Osaka has increased**

### Change in population of Osaka City (relative value based on 2005 (100))



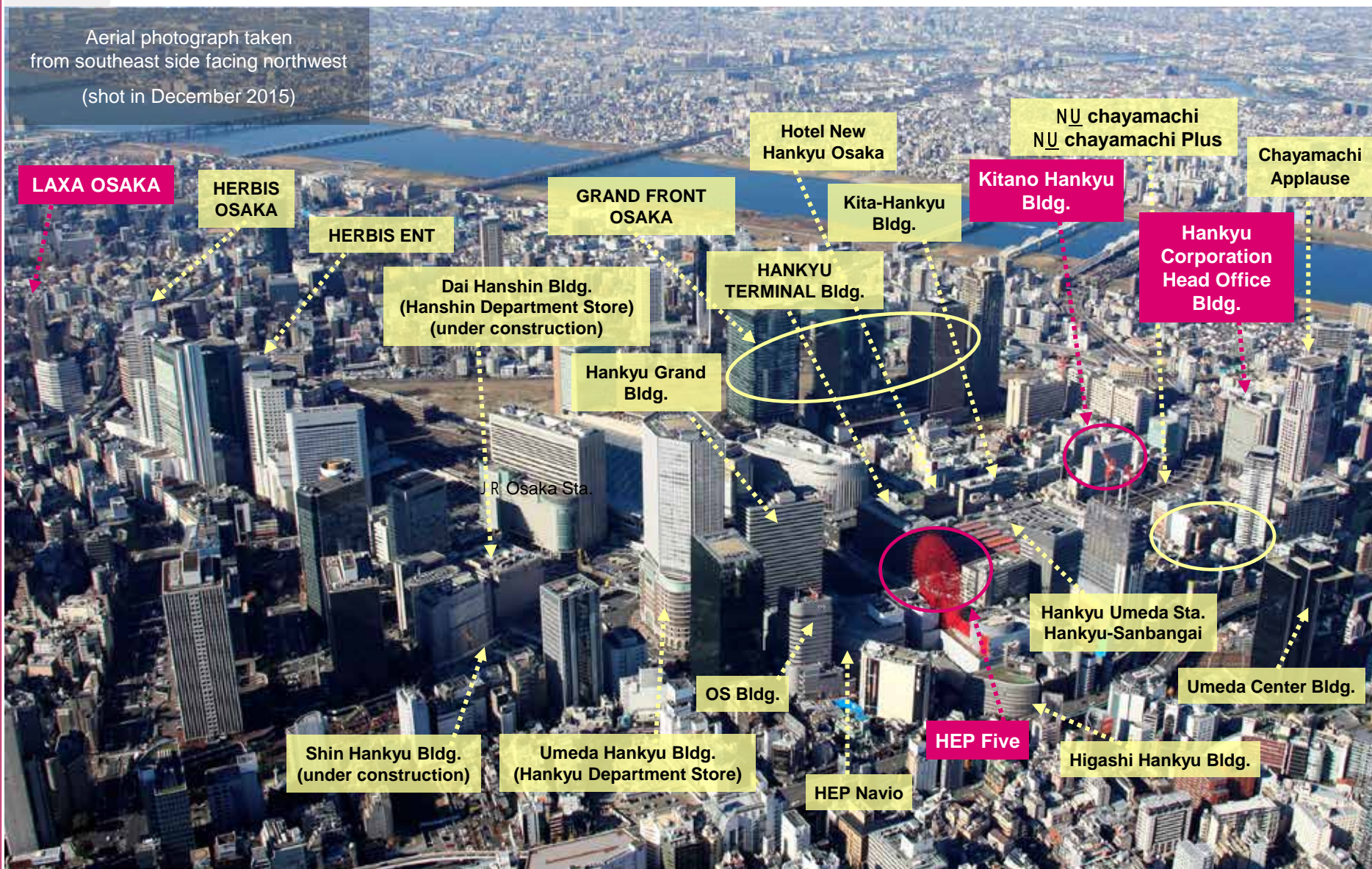
Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers"

**Openings of supermarkets in central Osaka has accelerated**





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



Property owned by Hankyu REIT

Major property owned and developed by Hankyu Hanshin Holdings Group



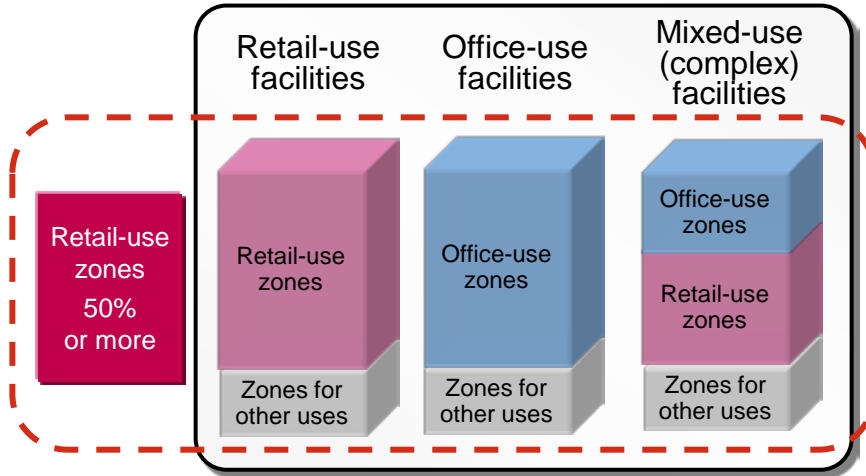
### 3. External Growth Strategies





## Investment Targets

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

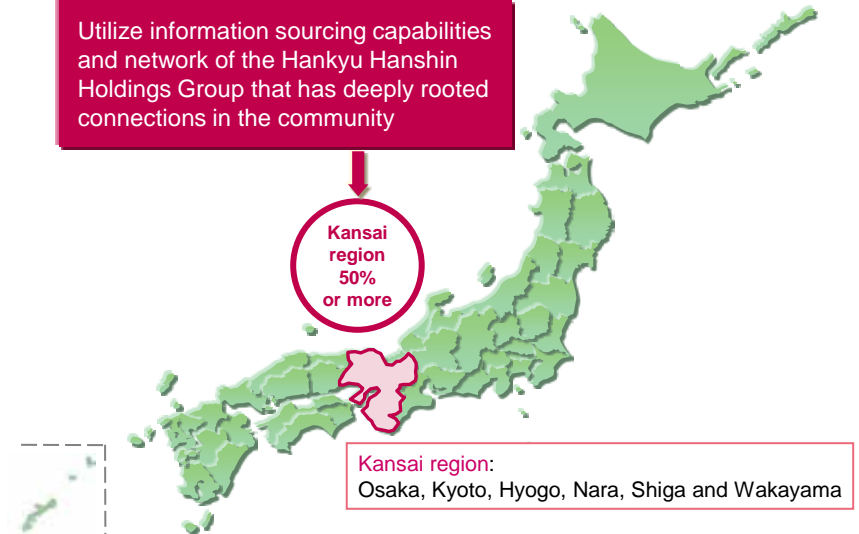


\* In principle, the maximum investment ratio for hotel-use portion (part of retail-use zones) is 20% of all assets under management

## 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

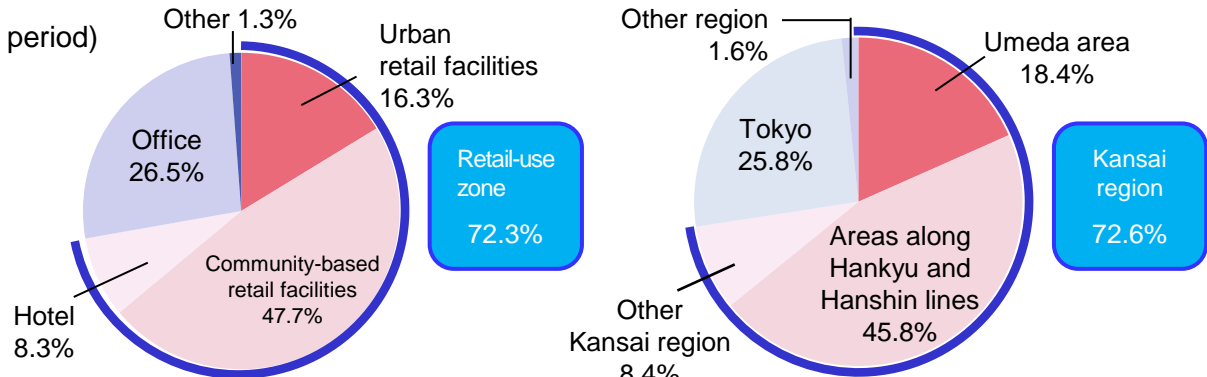
Utilize information sourcing capabilities and network of the Hankyu Hanshin Holdings Group that has deeply rooted connections in the community



## Portfolio Status (end of 22nd fiscal period)

Total acquisition price:  
JPY 132.89 bn

Total number of properties:  
21 properties

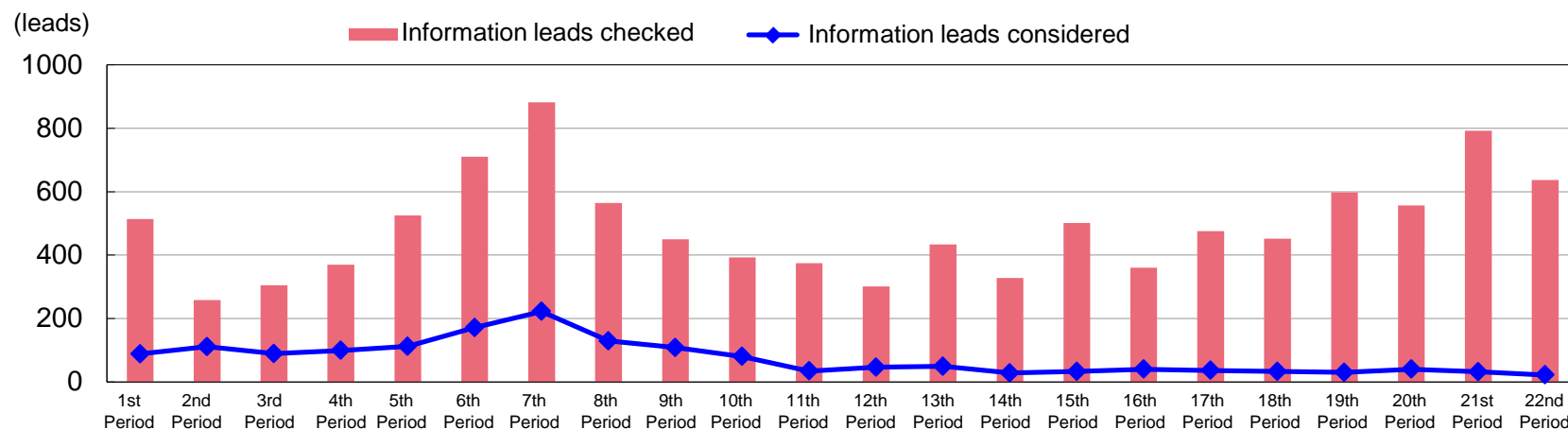




### Status of Property Acquisition Activities

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
<ul style="list-style-type: none"> <li>• HEP Five</li> <li>• Kitano Hankyu Building</li> <li>• Dew Hankyu Yamada</li> <li>• Nitori Ibaraki-Kita Store (site)</li> <li>• LaLaport KOSHIEN (site)</li> <li>• LAXA Osaka</li> <li>• HANKYU NISHINOMIYA GARDENS</li> <li>• kotocross Hankyu Kawaramachi</li> </ul>	<ul style="list-style-type: none"> <li>• Shiodome East Side Building</li> <li>• Hotel Gracery Tamachi</li> <li>• <b>KOHYO Onohara Store</b></li> </ul>	<ul style="list-style-type: none"> <li>• MANDAI Toyonaka Honan Store (site)</li> <li>• DAILY QANAT Izumiya Horikawa Marutamachi Store (site)</li> <li>• MANDAI Gojo Nishikoji Store (site)</li> <li>• LIFE Shimoyamate Store (site)</li> </ul>	<ul style="list-style-type: none"> <li>• Hankyu Corporation Head Office Building</li> <li>• Ueroku F Building</li> <li>• AEON MALL SAKAIKITA HANADA (site)</li> </ul>	<ul style="list-style-type: none"> <li>• Takatsuki-Josai Shopping Center</li> <li>• Kohnan Hiroshima Nakano-Higashi Store (site)</li> <li>• Sphere Tower Tennozu</li> <li>• Kita-Aoyama San cho-me Building</li> </ul>



### 3-3. Information Leads and Leads Considered (22nd Fiscal Period)

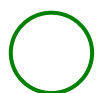
\* Outer circle: Information leads Inner circle: Leads actually considered Area

Use	City center			Urban vicinity			Suburban		
Office	36	63	3	17	48	8	0	1	1
Mixed (Complex)	22	80	3	18	38	5	0	0	0
Retail	4	24	7	18	15	8	0	3	0
Hotel	7	12	3	5	7	10	0	1	4
Other*	11	44	10	36	46	11	0	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)

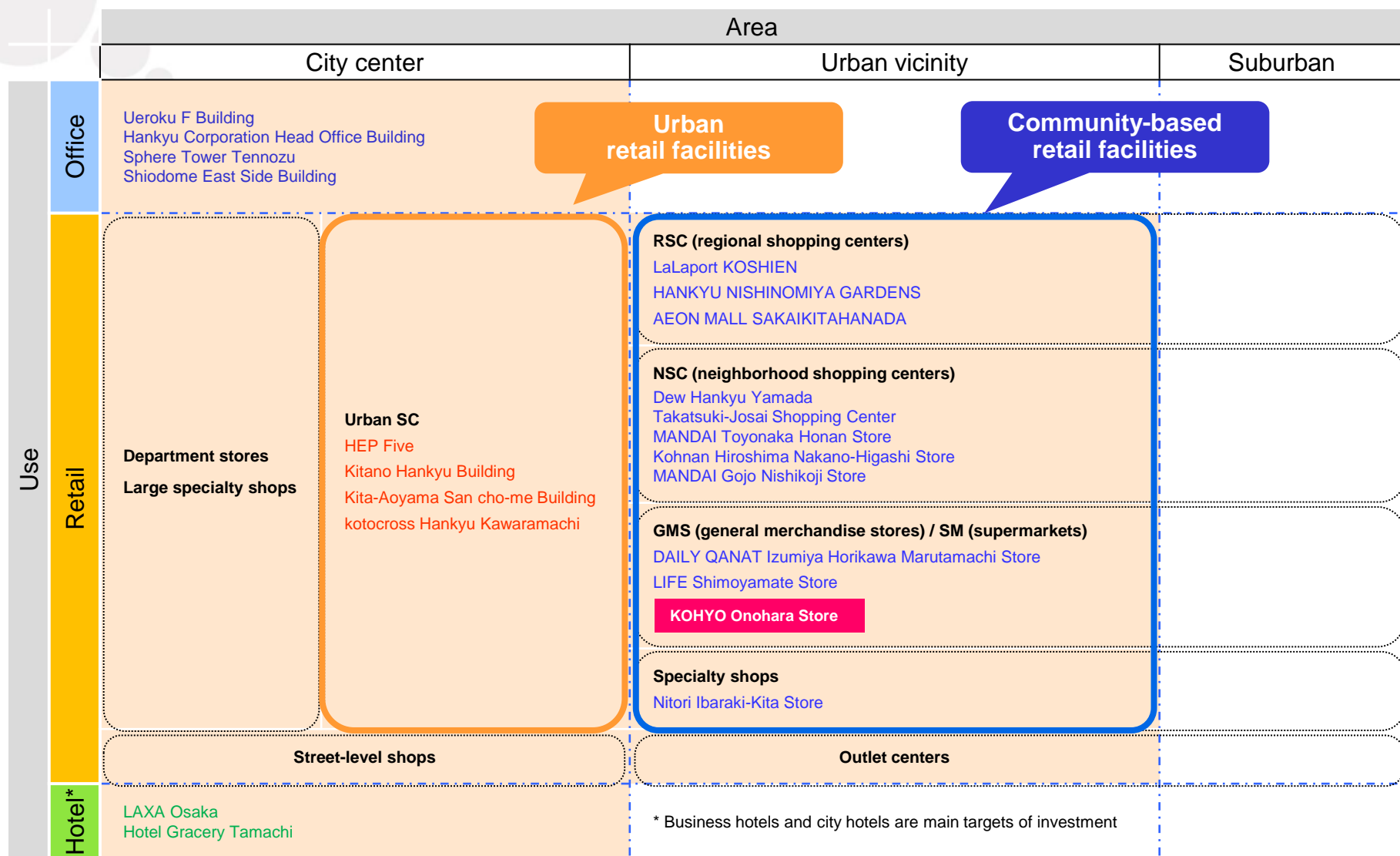



**Tokyo metropolitan area**  
(Tokyo, Kanagawa, Saitama, Chiba)



**Other areas**

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



 Primary investment target zone



#### 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



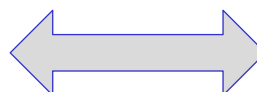
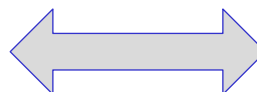
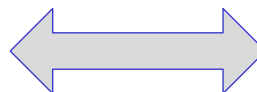
Dew Hankyu  
Yamada



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 San  
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

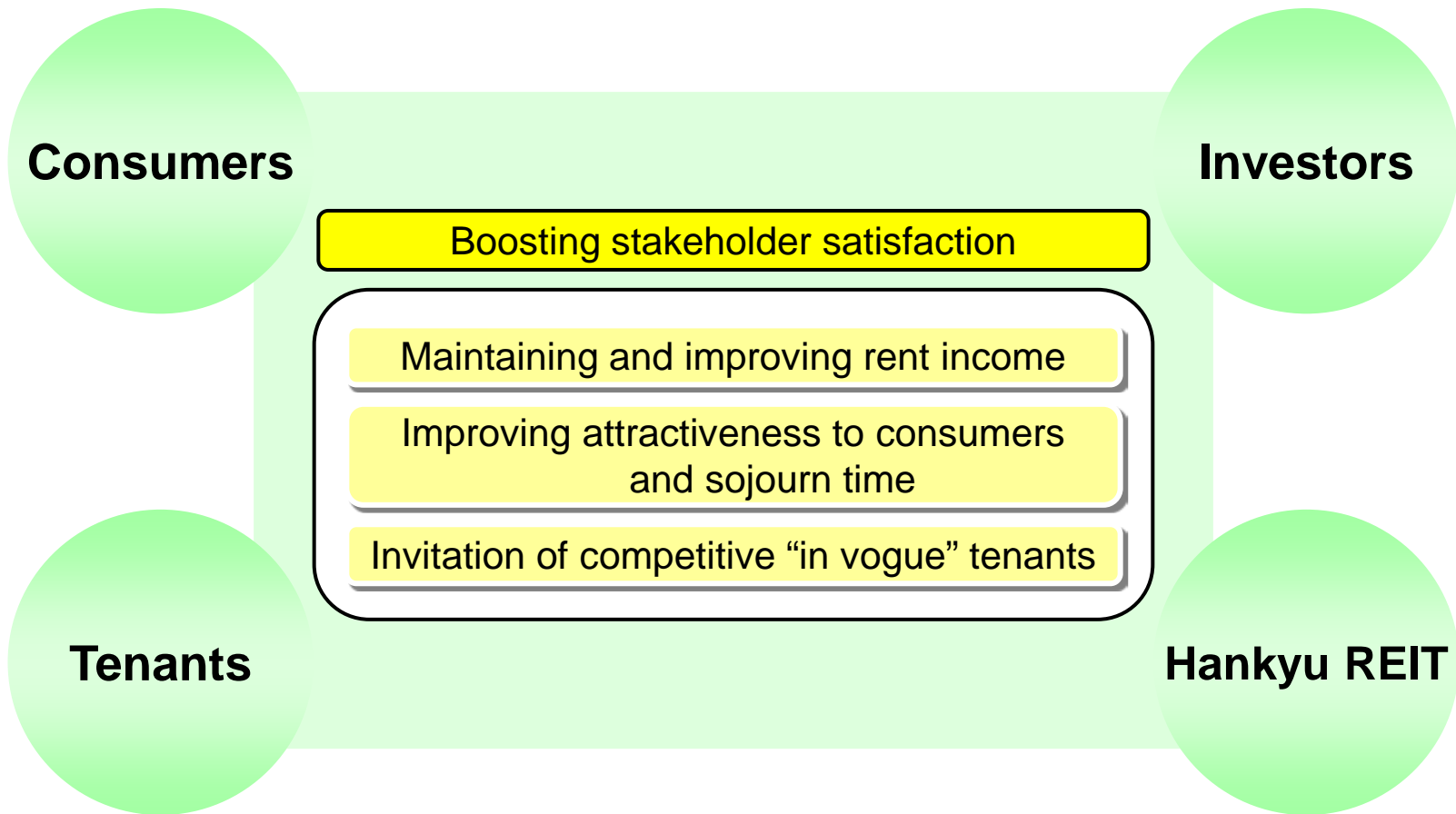
While consistently confirming the concept and direction for retail facilities overall, seek maximization of income through adequate business category and tenant compositions

(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.



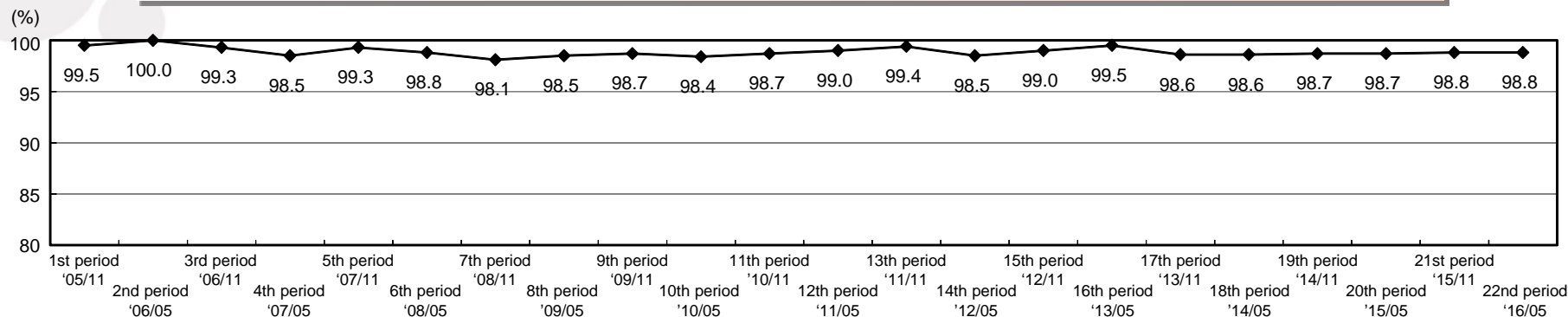


Achieving a WIN-WIN-WIN-WIN relationship in operations

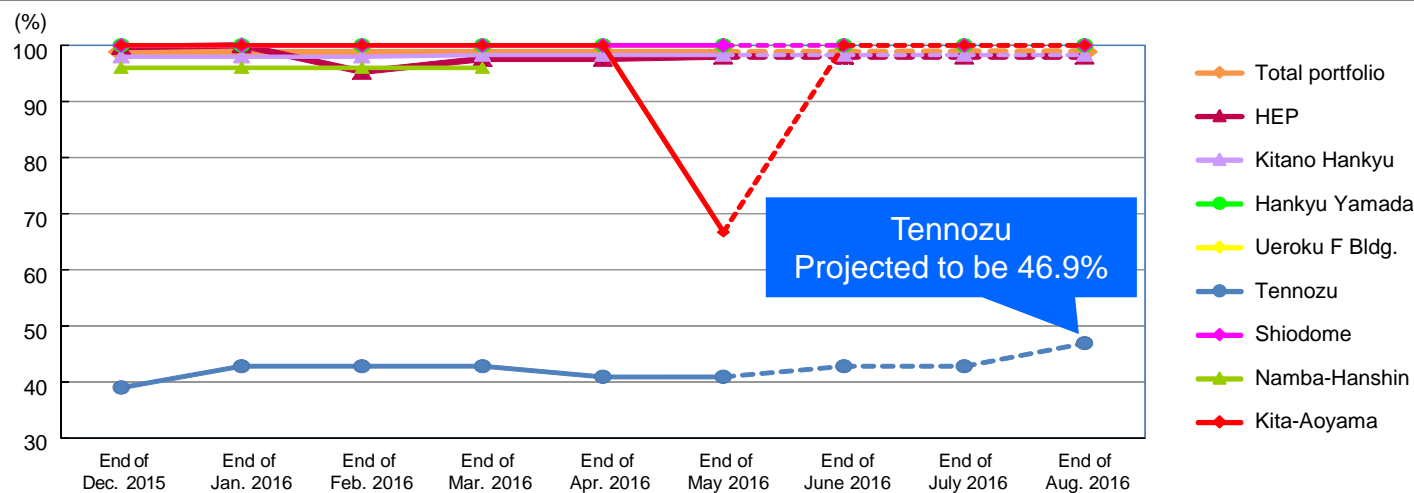




### Stable Occupancy Rates Maintained Since 1st Fiscal Period



Total portfolio occupancy rate as of the end of May 2016 (end of 22nd fiscal period) was 98.8%  
(Total portfolio occupancy rate forecast for the end of August 2016 is 98.9%)



(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 KOSHIEEN, LAXA Osaka, NISHINOMIYA GARDENS, Hankyu Corporation Head Office, SAKAIKITAHANADA, MANDAI Toyonaka Honan, Izumiya Horikawa Marutamachi, kotocross, LIFE Shimoyamate and MANDAI Gojo Nishikoji) leased to single tenants (occupancy rates of 100%).
- Forecasted figures are indicated for the end of June 2016 and after.





### Kita-Aoyama San cho-me Building

#### Realized attraction of succeeding tenant at an early point

- Tenant for the 3F departed on May 15, 2016, but realized attraction of a tenant at an early point (Occupied on June 1, 2016, 23rd fiscal period)
- Realized leasing at a rent level above the market rent in surrounding areas (same level as the prior tenant) partly due to high evaluation on the facility's landscape which received an award for Minato City local green city development in October 2015

### kotocross Hankyu Kawaramachi

#### Attracted a new tenant

- Attracted new tenants for 1F and 2F that further revitalize the facility by conducting leasing activities focused on inbound tourist
- The property's appeal improved as the surroundings' navigability heightened by the completion of sidewalk width expansion work for Shijo-dori street conducted by Kyoto City

### Shiodome East Side Building

#### Achieved upward rent revisions

- Achieved upward rent revisions for some tenants by utilizing the market environment in the Tokyo metropolitan area where vacancy rate is decreasing
- Promoted improving satisfaction level by continuously conducting tenant relations with existing tenants.



kotocross Hankyu Kawaramachi



## 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. Tenants' sales are going strong with sales in fiscal 2015 increased for the seventh consecutive year since opening in 2008 at JPY 79.5 billion.
Dew Hankyu Yamada NSC (Note 1)	Long-term, fixed (partly overage)	Implemented tenant replacement for 2F and maintained 100% occupancy rate throughout the period. As measures against LaLaport EXPOCITY, implementing measures to retain local daily customers, such as holding events in which customers can earn bonus loyalty program points and kid-friendly events.
Kitano Hankyu Building Specialty shop building (urban SC)	Fixed (partly overage)	Period-end occupancy rate was 98.3%, improved by 0.3pt from the end of the previous period (21st fiscal period). 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.



Count down event at HEP FIVE



Event at Dew Hankyu Yamada

(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)	From April 2016, started integration with common points (S points) that can be used at sponsor group's facilities. Continuously aim to increase sales and attract more people by retaining customers through group facilities acting as one, such as jointly holding events.  Increase in inbound tourist users increased the number of Ferris wheel riders by 60% year-on-year and continues to be strong.

## Properties Using the Fixed-rent System

Property name	Main rent system	Present conditions
Kita-Aoyama San cho-me Building Urban retail facility	Fixed	Realized attraction of a succeeding tenant for 3F, which was vacated on May 15, 2016, at an early point and the occupancy rate will be 100% from June.  THREE AOYAMA, the flagship store of THREE, a natural cosmetics brand operated by an affiliate of Pola Orbis Holdings Inc., is occupying as the core tenant.
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.  Attracted tenants for 1F and 2F that further revitalize the facility by conducting leasing activities focused on inbound tourist.  The property's appeal improved as the surroundings' navigability heightened by the completion of sidewalk width expansion work for Shijo-dori street conducted by Kyoto City.
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.

(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	Tenant leasing has advanced and occupancy rate of August 2016 is expected to be 46.9% (including tenants scheduled to occupy in August 2016, 23rd fiscal period). Continuously promote leasing activities based on location and building features backed by an environment where vacancy rate in the Tokyo metropolitan area is decreasing, and lead to early improvement in occupancy rate and distributions.
Shiodome East Side Building Office	Fixed	Achieved upward rent revisions for some tenants by utilizing the market environment of Tokyo metropolitan area where vacancy rate is decreasing. Aim to improve satisfaction level by continuously conducting tenant relations with existing tenants.
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. Both guest room occupancy rate and guest room unit price remain at high levels. 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.
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.

(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.



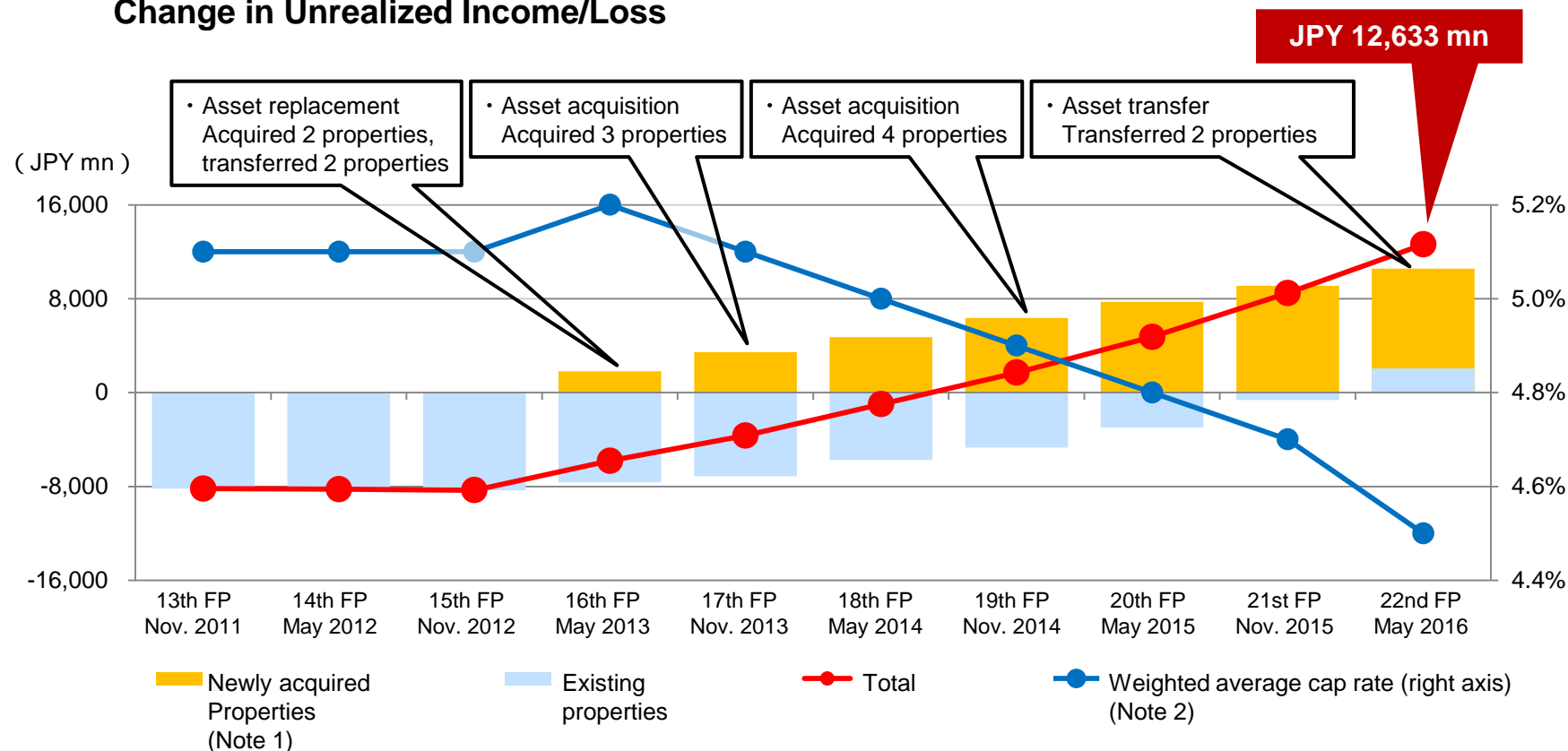
### Properties mainly using the fixed-rent system

Property name	Main rent system	Present conditions
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 completion of works to increase the number of elevators and renovate into barrier-free space in March 2016, convenience improved for visitors who use the railways.
AEON MALL SAKAIKITAHAHADA (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.  Impact of "AEON MALL SAKAITEPPOCHO" opened in the surrounding area (in March 2016) is estimated to be limited, but will keep a watchful eye.
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. 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. It is becoming more well-known among the neighboring areas along with its efforts, including personal delivery service, being highly evaluated.



Unrealized income became JPY 12.63 bn due to transferring properties with unrealized loss and decrease in cap rate (appraisal value increased by 2.2%)

### Change in Unrealized Income/Loss



(Note 1) Properties acquired in 16th fiscal period and after

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





## 4-6. List of Appraisal Values

Hankyu REIT

(Unit:JPY mn)

	Acquisition price	(1) End of previous period (21st fiscal period-end)		(2) End of current period (22nd fiscal period-end)		Change ((2)-(1)) (Note 2)	Change ((2)-(1))/(1) (Note 2)	(3) Value recorded on the balance sheet at end of current period	Unrealized income/loss (2)-(3)	Value to book Ratio (2)/(3)
		Appraisal value	Cap rate (Note 1)	Appraisal value	Cap rate (Note 1)					
HEP Five ( 14% of the quasi co-ownership of the trust beneficiary interests)	6,468	8,372	3.9%	8,638	3.8%	266	3.2%	5,627	3,010	153.5%
Kitano Hankyu Building	7,740	6,630	4.9%	6,760	4.8%	130	2.0%	7,663	-903	88.2%
Dew Hankyu Yamada	6,930	8,160	4.8%	8,520	4.7%	360	4.4%	5,646	2,873	150.9%
Takatsuki-Josai Shopping Center	8,600	7,990	5.3%	8,150	5.2%	160	2.0%	7,207	942	113.1%
Nitori Ibaraki-Kita Store (Site)	1,318	1,620	5.1%	1,640	5.0%	20	1.2%	1,340	299	122.3%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,890	5.9%	1,890	5.8%	0	0.0%	2,280	-390	82.9%
Hotel Gracery Tamachi	4,160	4,240	4.7%	4,340	4.6%	100	2.4%	3,746	593	115.8%
LaLaport KOSHIEEN (site)	7,350	7,320	4.6%	7,500	4.5%	180	2.5%	7,748	-248	96.8%
Richmond Hotel Hamamatsu	2,100	2,160	5.7%	—	—	—	—	—	—	—
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	23,044	4.6%	23,576	4.5%	532	2.3%	17,735	5,840	132.9%
AEON MALL SAKAIKITAHAHADA (site)	8,100	9,210	4.6%	9,410	4.5%	200	2.2%	8,189	1,220	114.9%
MANDAI Toyonaka Honan store (site)	1,870	2,200	4.7%	2,240	4.6%	40	1.8%	1,889	350	118.6%
DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	3,100	3,350	4.6%	3,410	4.5%	60	1.8%	3,127	282	109.0%
kotocross Hankyu Kawaramachi	2,770	3,150	4.7%	3,180	4.6%	30	1.0%	2,728	451	116.5%
LIFE Shimoyamate Store (site)	1,421	1,540	4.6%	1,570	4.5%	30	1.9%	1,434	135	109.5%
MANDAI GOJO Nishikoji Store (site)	4,182	4,470	4.7%	4,550	4.6%	80	1.8%	4,213	336	108.0%
Shiodome East Side Bldg.	19,025	13,600	4.3%	13,900	4.2%	300	2.2%	17,498	-3,598	79.4%
Hankyu Corporation Head Office Building	10,200	11,400	4.4%	11,600	4.3%	200	1.8%	9,813	1,786	118.2%
Ueroku F Building	2,980	2,740	5.5%	2,790	5.4%	50	1.8%	2,653	136	105.1%
Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,732	4.7%	6,765	4.7%	33	0.5%	8,615	-1,850	78.5%
LAXA Osaka	5,122	5,380	5.1%	5,500	5.0%	120	2.2%	4,306	1,193	127.7%
Namba-Hanshin Building	4,310	2,600	5.0%	—	—	—	—	—	—	—
Kita-Aoyama San cho-me Building	1,680	1,840	3.8%	1,910	3.7%	70	3.8%	1,736	173	110.0%
Total	139,307	139,638	4.7%	137,839	4.5%	2,961	2.2%	125,205	12,633	110.1%

(Note 1) Cap rates are cap rates and discount rates based on the direct capitalization method used for appraisal value calculations (Nitori Ibaraki-Kita Store (site), Kohnan Hiroshima Nakano-Higashi Store (site) , LaLaport KOSHIEEN (site) , AEON MALL SAKAIKITAHAHADA (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.

(Note 2) For total, figures excluding those for Namba-Hanshin Building and Richmond Hotel Hamamatsu are indicated.

## 5. Financial Strategies



## Basic Financial Policy

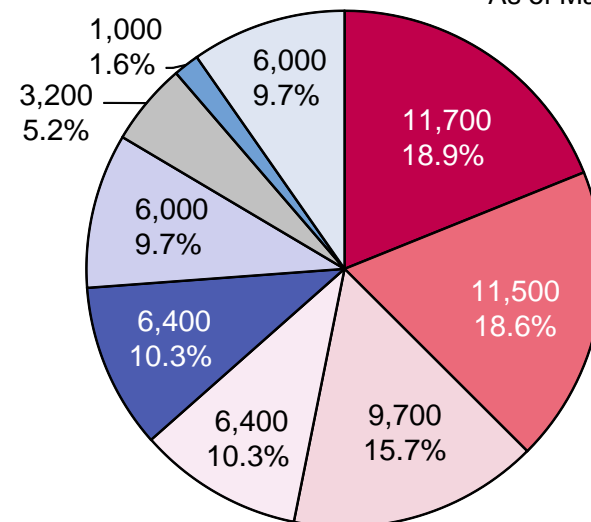
Maintain sound financial position  
 Maintain favorable trading relationship with financial institutions  
 Realize lower fund procurement costs  
 (effective use of security deposits/guarantees)  
 Reduce financing risks (diversification of debt repayment dates)  
 Reduce interest rate risks (focus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

	As of end of 21st period	As of end of 22nd period
Interest-bearing debt	JPY 61.9 bn	JPY 61.9 bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	1.04%	1.02%
Avg. debt financing cost (including investment corporation bonds)	1.06%	1.04%
Avg. remaining years on long-term loans payable and investment corporation bonds	4.8 years	4.4 years
Long-term debt ratio	100.0%	100.0%
Fixed debt ratio	91.6%	90.0%
LTV (Note)	43.2%	41.9%
Interest-bearing debt ratio	43.0%	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 P62.

## Debt Outstanding by Lender (JPY mn)

As of May 31, 2016



- 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 corporation bonds

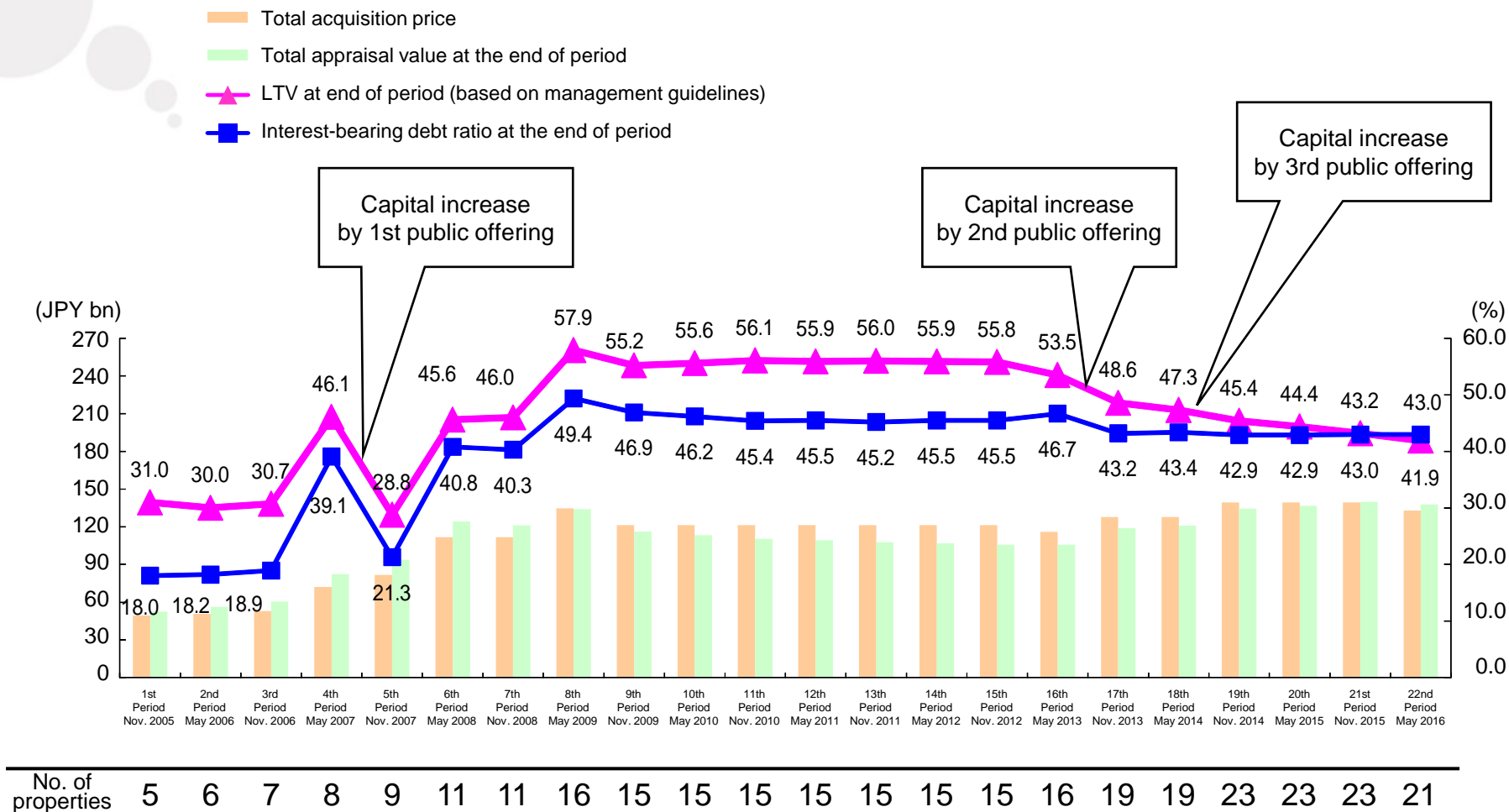
Total JPY 61.9 bn

## Registration for Issuance of Investment Corporation Bonds

Planned value of issuance (upper limit): JPY 100,000 mn  
 Planned issuance period: Dec. 19, 2015 to Dec. 18, 2017



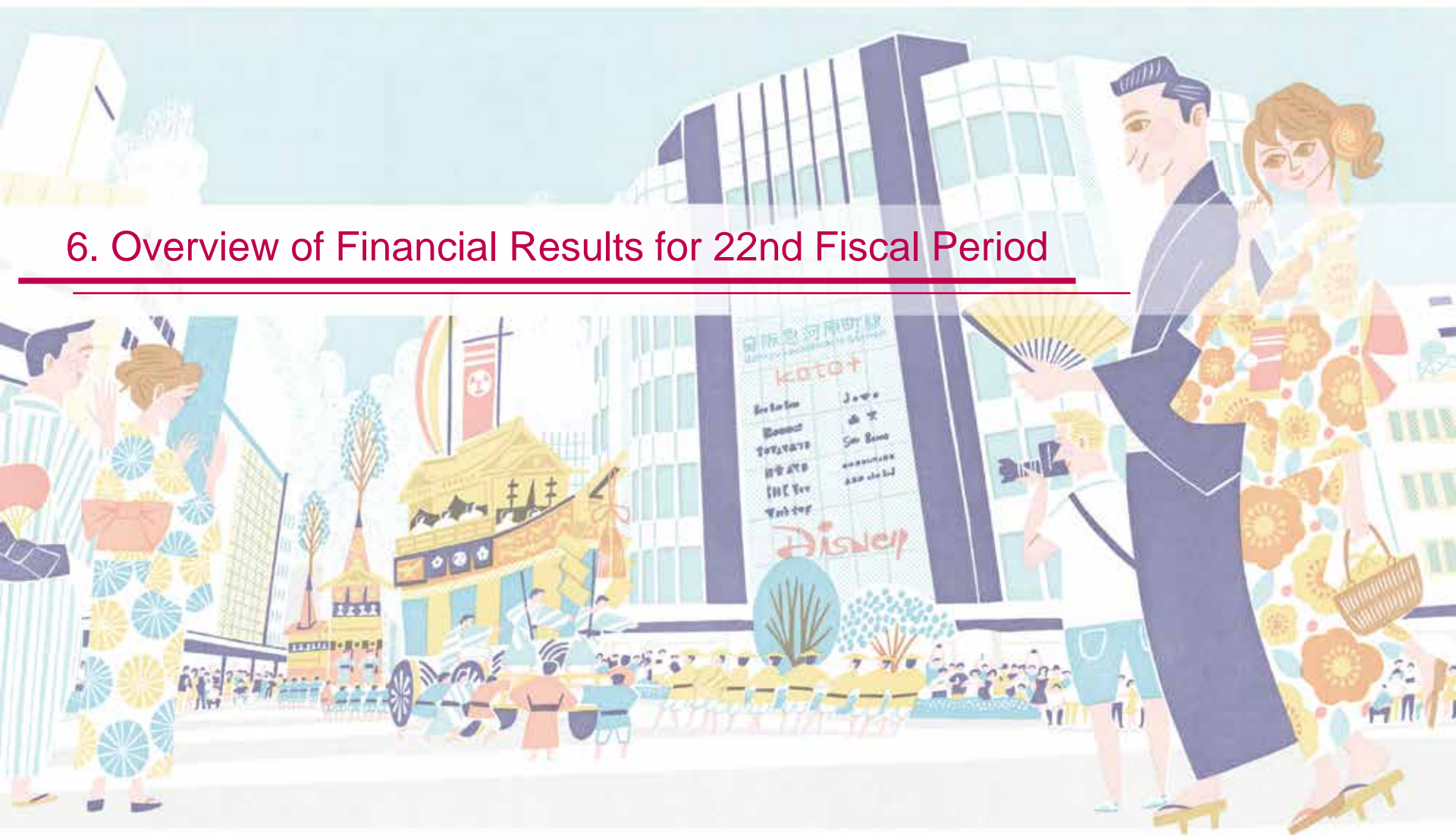
## 5-2. Asset Scale and LTV (Loan to Value)



LTV remains on an ongoing basis



## 6. Overview of Financial Results for 22nd Fiscal Period





## Income Statement

(Unit: JPY mn)

Item	21st Fiscal Period (Operation period:183 days) June 1, 2015 to Nov. 30, 2015		22nd Fiscal Period (Operation period:183 days) Dec. 1, 2015 to May 31, 2016		Change
	Amount	Percentage	Amount	Percentage	
1. Operating revenues	4,875	100.0	5,527	100.0	651 (1)
Lease revenues operating revenues	4,875		4,795		
Income on sale of real estate, etc.	—		731		
2. Operating expenses	2,913	59.8	3,474	62.9	560 (2)
Lease operating costs	2,471		2,387		
Loss on sale of real estate, etc.	—		633		
Asset management remuneration	334		339		
Officer remuneration	3		3		
Asset consignment remuneration	18		18		
Administrative agency remuneration	36		36		
Auditor remuneration	9		10		
Other operating expenses	40		44		
Operating income	1,961	40.2	2,053	37.1	91
3. Non-operating revenues	1	0.0	2	0.0	0
Interest earned	0		1		
Other non-operating revenues	0		0		
4. Non-operating expenses	397	8.1	395	7.2	-1
Interest expenses	293		288		
Loan related expense	54		54		
Interest due on investment corporation bonds	37		38		
Amortization of investment corporation bond issuance costs	3		3		
Other expenses	7		11		
Ordinary income	1,566	32.1	1,659	30.0	92
Pretax net income for current period	1,566		1,659		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	0		0		
Net income for current period	1,565	32.1	1,657	30.0	92
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,565		1,658		

## Cash Distribution Statement

(Unit: JPY thousand)

Item	21st Fiscal Period	22nd Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,565,759	1,658,233	92,474
Distributions	1,565,450	1,658,062	92,612
(Distribution per unit (JPY))	(2,620)	(2,775)	(155)
Retained earnings carried forward	309	171	-138

## (Main factors for increase/decrease)

## (1) Increase in operating revenues

Income on sale of Hamamatsu	JPY +731 mn
Decrease in rent income, etc. (Namba and Hamamatsu)	JPY -54 mn
Decrease in utilities expense income	JPY -42 mn

## (2) Increase in operating expenses

Loss on sale of Namba	JPY +633 mn
Decrease in utilities expense	JPY -57 mn
Increase in repair expense	JPY +17 mn
Decrease in depreciation	JPY -41 mn

**Lease operating revenues/costs**  
Breakdown: See pages 42 and 43



Item	21st Fiscal Period (as of Nov. 30, 2015)		22nd Fiscal Period (as of May 31, 2016)		Change
	Amount	Ratio(%)	Amount	Ratio(%)	Amount
<b>Assets</b>					
<b>I. Current assets total</b>	12,401	8.6	18,275	12.7	5,874
Currency and demand deposit	4,013		10,465		
Currency and demand deposit in trust	8,103		7,481		
Operational income receivable	3		4		
Deposit paid	115		94		
Prepaid expense	162		226		
Deferred income tax assets	2		2		
<b>II. Fixed assets total</b>	131,685	91.4	125,686	87.3	-5,998
<b>1. Tangible fixed assets</b>					
Buildings	1,985		1,919		
Structures	215		203		
Tools, furniture and fixtures	0		0		
Land	9,485		9,485		
Buildings in trust	29,517		26,331		
Structures in trust	573		551		
Machinery and equipment in trust	171		160		
Tools, furniture and fixtures in trust	62		59		
Land in trust	88,115		85,466		
Trust construction account	9		18		
Tangible fixed assets total	130,137	90.3	124,195	86.3	-5,941
<b>2. Intangible fixed assets</b>					
Land leasehold	957		957		
Others	74		71		
Intangible fixed assets total	1,031	0.7	1,028	0.7	-2
<b>3. Investments, other assets</b>					
Long-fiscal period prepaid expenses	506		452		
Guarantee money deposit	10		10		
Investment, other assets total	516	0.4	462	0.3	-54
<b>III. Total deferred assets</b>	5	0.0	2	0.0	-3
Investment corporation bond issuance costs	5		2		
<b>Assets total</b>	144,092	100.0	143,964	100.0	-127

Item	21st Fiscal Period (as of Nov. 30, 2015)		22nd Fiscal Period (as of May 31, 2016)		Change
	Amount	Ratio(%)	Amount	Ratio(%)	Amount
<b>Liabilities</b>					
<b>I. Current liabilities total</b>	8,716	6.0	7,846	5.5	-870
Operating accounts payable	484		439		
Investment corporation bonds (due within 1 year)	6,000		6,000		
Long term loans payable (due within 1 year)	1,000		—		
Accrued dividend	10		10		
Accrued expenses	174		171		
Income taxes payable	1		1		
Accrued consumption tax	77		348		
Advance received	708		646		
Current deposit received	0		0		
Security deposits (return within 1 year)	260		228		
<b>II. Total noncurrent liabilities</b>	62,150	43.1	62,800	43.6	650
Long term loans payable	54,900		55,900		
Security deposits	1,279		1,251		
Security deposits in trust	5,971		5,649		
<b>Liabilities total</b>	70,867	49.2	70,647	49.1	-220
<b>Net assets</b>					
<b>I. Unitholders capital</b>	71,659	49.7	71,659	49.8	
<b>II. Total surplus</b>	1,565	1.1	1,658	1.2	
Unappropriated income for current period	1,565		1,658		
<b>Net assets total</b>	73,224	50.8	73,317	50.9	92
<b>Liabilities and net assets total</b>	144,092	100.0	143,964	100.0	-127

Interest-bearing liabilities  
JPY 61,900 mn

Total security deposits  
JPY 7,128 mn

↓

JPY 1,357 mn  
was allocated  
for property  
acquisitions

(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 KOSHIEEN (site)	Richmond Hotel Hamamatsu (Note 1) (Note 2)	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)
Number of operating days of 22nd fiscal period	183	183	183	183	183	183	183	183	129	183	183	183
Lease operating revenues total	314	544	382	284		68	121	257		618		
Income from lease	245	375	267	283		68	116	257		617		
Utilities expense income	14	110	47	—		—	—	—		—		
Other incomes	54	58	67	0		0	4	0		0		
Lease operating costs total	178	401	233	173		6	50	112		212		
Property/Facility management fees	45	115	73	10		0	1	2		0		
Utilities expense	22	135	50	0		—	—	—		—		
Rent paid	3	0	1	22		—	—	0		6		
Advertising and promotion expenses	31	1	6	—		—	—	—		—		
Repair expense	4	13	7	38		—	—	5		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	7	1	5	0		—	0	1		0		
Depreciation	40	82	62	74		—	32	0		141		
Lease operating income	136	143	148	110		62	70	144		406		
NOI (Lease operating income + Depreciation)	176	226	210	185	60	62	103	144	44	548	211	53
Capital expenditure	16	95	18	—	—	—	—	0	—	25	—	—

(Note 1) The Asset Management Company decided that rent information is not disclosed as the consent of the tenants was not obtained, and there is a possibility that the disclosure may affect competitiveness of Hankyu REIT and eventually damage the interests of unitholders.

(Note 2) Transferred on April 8, 2016.



(Unit: JPY mn)

Item	DAILY QANAT Izumiya Horikawa Marutamachi store (site) (Note 1)	Kotocross Hankyu Kawaramachi	LIFE Shimoyamate store (site) (Note 1)	MANDAI Gojo Nishikoji 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 interests)	LAXA Osaka	Namba- Hanshin Building (Note 2)	Kita-Aoyama San cho-me Bldg. (Note 1)	Total (23 properties)
Number of operating days of 22nd fiscal period	183	183	183	183	183	183	183	183	183	129	183	—
Lease operating revenues total		102			403	359	138	121	254	100		4,795
Income from lease		102			379	359	120	78	254	81		4,331
Utilities expense income		—			19	—	10	11	—	8		223
Other incomes		—			3	—	8	31	0	10		240
Lease operating costs total		47			185	160	87	170	143	91		2,387
Property/Facility management fees		1			18	1	22	26	2	15		345
Utilities expense		—			24	—	10	40	—	16		301
Rent paid		12			0	—	—	—	17	—		65
Advertising and promotion expenses		—			—	—	—	2	—	—		42
Repair expense		—			4	—	3	10	10	2		101
Nonlife insurance premium		0			0	1	0	0	2	0		15
Tax and public dues		10			21	47	12	28	47	13		560
Other expenses		0			2	0	1	1	1	0		27
Depreciation		22			113	109	36	59	62	43		927
Lease operating income		54			217	199	51	-48	110	8		2,408
NOI (Lease operating income + Depreciation)	88	76	34	109	330	308	88	11	173	51	33	3,335
Capital expenditure	—	7	—	—	2	26	13	6	22	24	0	261

## (Main capital expenditure)

Kitano Hankyu Building	Cooling tower modernization	JPY 42 mn
	Elevator modernization	JPY 24 mn
Hankyu Corporation Head Office Building	Upgrading air conditioning equipment	JPY 26 mn
Namba-Hanshin Building	Store opening work in 1F	JPY 17 mn
LAXA Osaka	Upgrading security system	JPY 13 mn

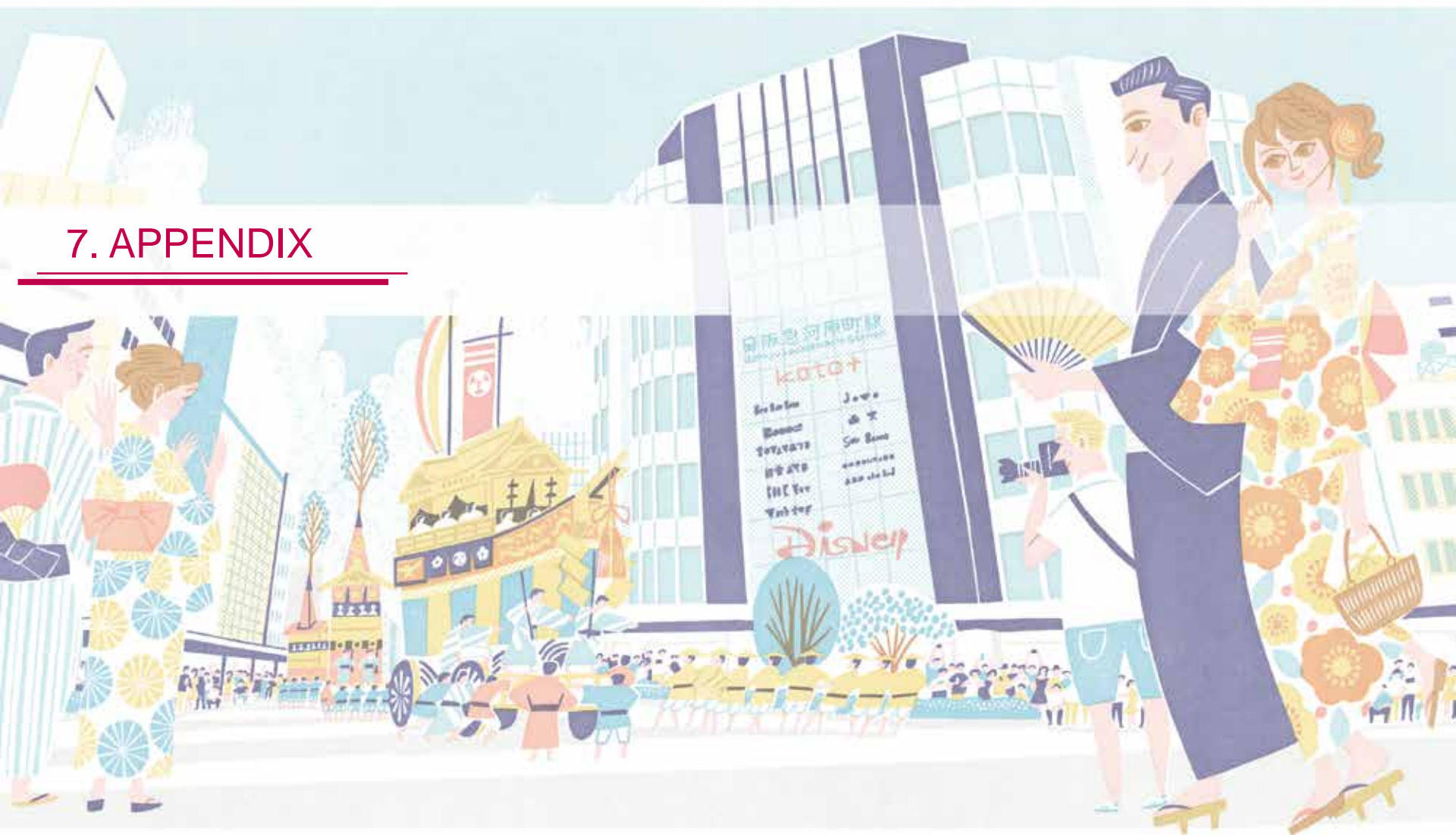
(Note 1) The Asset Management Company decided that rent information is not disclosed as the consent of the tenants was not obtained, and there is a possibility that the disclosure may affect competitiveness of Hankyu REIT and eventually damage the interests of unitholders.

(Note 2) Transferred on April 8, 2016.



Item	21st Fiscal Period	22nd Fiscal Period	Remarks
Operation period	183	183	21st fiscal period: June 1, 2015 to Nov. 30, 2015 22nd fiscal period: Dec. 1, 2015 to May 31, 2016
Return On Assets (ROA)	1.1%	1.2%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.2%	2.3%	Calculated from duration of operation
Return On Equity (ROE)	2.1%	2.3%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.3%	4.5%	Calculated from days of operation
Ratio of net assets at end of period	50.8%	50.9%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	43.2% (45.9%)	41.9% (45.8%)	(Amount of interest-bearing debt + Security deposits - Matched money to security deposits)/(Total assets(*) - Matched money to security deposits) *Appraisal-value basis (Ratios in brackets are based on book value)
Ratio of interest-bearing debts to total assets at end of period	43.0%	43.0%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	8.7 times	8.9 times	Pre-interest and pre-depreciation net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 3,373 mn	JPY 3,335 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 2,534 mn	JPY 2,486 mn	Net income for current fiscal period +Depreciation - Income/loss on sale of real estate

## 7. APPENDIX





# 7-1. Portfolio List (As of End of 22nd Fiscal Period) (1)

Hankyu REIT

As of May 31, 2016

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 5) (Note 6)
Retail-use Facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita-ku, Osaka City	Nov. 1998	17.6	6,337.37 (2,958.94)	100.0% (98.0%)	1 (125)	5.0%	Feb. 1, 2005	6,468	4.9%	8,638	3.8%
	R2(K)	Kitano Hankyu Bldg.	Kita-ku, Osaka City	June 1985	31.0	28,194.15 (18,477.35)	100.0% (98.3%)	2 (23)	10.1%	Feb. 1, 2005	7,740	5.8%	6,760	4.8%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	12.7	13,027.28	100.0%	28	4.7%	Feb. 1, 2005	6,930	5.2%	8,520	4.7%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	13.2	31,451.81	100.0%	1	6.1%	Nov. 15, 2005	8,600	6.5%	8,150	5.2%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	1.0%	1,640	5.0%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki-ku, Hiroshima City	—	—	25,469.59	100.0%	1	—	Oct. 2, 2006	2,170	1.6%	1,890	5.8%
						60.14				Apr. 9, 2007	5			
	R8	Hotel Gracery Tamachi	Minato-ku, Tokyo	Sep. 2008	7.7	4,943.66	100.0%	1	10.3%	Dec. 25, 2008	4,160	3.1%	4,340	4.6%
	R9(K)	LaLaport KOSHIEEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.4%	Jan. 22, 2009	7,350	5.5%	7,500	4.5%
	R11(K)	Hankyu NISHINOMIYA GARDENS (28% of the quasi co- ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	7.7	65,372.41	100.0%	1	9.2%	Apr.16, 2013	18,300	13.8%	23,576	4.5%
	R12(K)	AEON MALL SAKAIKITAHAANADA (site)	Kita-ku, Sakai City	—	—	64,104.27	100.0%	2	—	June 27, 2013	8,100	6.1%	9,410	4.5%
	R13(K)	MANDAI Toyonaka Honan Store (site)	Toyonaka city Osaka Prefecture	—	—	8,159.41	100.0%	1	—	June 27, 2013	1,870	1.4%	2,240	4.6%
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi store (site)	Kamigyo-ku, Kyoto City	—	—	3,776.15	100.0%	1	—	June 4, 2014	3,100	2.3%	3,410	4.5%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto City	Oct. 2007	8.7	4,400.13	100.0%	1	2.6%	June 4, 2014	2,770	2.1%	3,180	4.6%
	R16(K)	LIFE Shimoyamate store (site)	Chuo-ku, Kobe City	—	—	2,397.83	100.0%	1	—	June 4, 2014	1,421	1.1%	1,570	4.5%
	R17(K)	MANDAI Gojo Nishikoji store (site)	Ukyo-ku, Kyoto City	—	—	9,182.80	100.0%	1	—	June 24, 2014	4,182	3.1%	4,550	4.6%





## 7-1. Portfolio List (As of End of 22nd Fiscal Period) (2)

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 5) (Note 6)
Office-use facilities	O1	Shiodome East Side Bldg.	Chuo-ku, Tokyo	Aug. 2007	8.8	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	14.3%	13,900	4.2%
	O2(K)	Hankyu Corporation Head Office Building	Kita-ku, Osaka City	Sep. 1992	23.7	27,369.37	100.0%	1	3.7%	Apr. 10, 2013	10,200	7.7%	11,600	4.3%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	Chuo-ku, Osaka City	Sep. 1993	22.7	4,611.82	100.0%	12	3.2%	Nov. 1, 2005	2,980	2.2%	2,790	5.4%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa-ku, Tokyo	Apr. 1993 (Note 7)	23.2	8,807.71	40.9%	18	2.7%	Oct. 2, 2007	9,405	7.1%	6,765	4.7%
	M3(K)	LAXA Osaka	Fukushima-ku, Osaka City	Feb. 1999	17.3	30,339.91	100.0%	1	3.7%	Jan. 22, 2009	5,122	3.9%	5,500	5.0%
	M5	Kita-Aoyama San cho-me Building	Minato-ku, Tokyo	Sep. 2013	2.7	619.76	66.7%	2	7.4%	Nov. 12, 2013	1,680	1.3%	1,910	3.7%
Total (at the end of 22nd Fiscal Period)					14.9	480,505.64 (467,410.41)	98.9% (98.8%)	84 (229)	3.6%	—	132,897	100.0%	137,839	4.5%
Retail-use Facilities	R18(K)	KOHYO Onohara Store	Minoh City, Osaka Prefecture	May 2016	0.1	3,310.31	100.0%	1	5.3%	July 1, 2016	1,631	—	1,640	5.2%
Total (including newly acquired property)					14.7	483,815.95 (470,720.72)	98.9% (98.8%)	85 (230)	—	—	134,528	—	139,479	4.6%

(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 (394.88m<sup>2</sup>).

(Note 5) For KOHYO Onohara Store, appraisal value and cap rate as of June 1, 2016 are indicated.

(Note 6) Cap rates or 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 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 7) The completion date for the office and store portions is indicated.



### Urban Retail Facilities

HEP Five



kotocross Hankyu Kawaramachi



Kita-Aoyama San cho-me Building



Kitano Hankyu Building



### Community-based Retail Facilities (1)

HANKYU NISHINOMIYA GARDENS



Dew Hankyu Yamada





### Community-based Retail Facilities (2)

DAILY QANAT Izumiya Horikawa Marutamachi Store (site)



KOHYO Onohara Store



MANDAI Gojo Nishikoji Store (site)



LIFE Shimoyamate Store (site)







### Community-based Retail Facilities (3)

LaLaport KOSHIEEN (site)



Takatsuki-Josai Shopping Center



AEON MALL SAKAIKITA HANADA (site)



MANDAI Toyonaka Honan Store (site)



Kohnan Hiroshima Nakano-Higashi Store (site)



Nitori Ibaraki-Kita Store (site)







### Hotel

LAXA Osaka



Hotel Gracery Tamachi

### Office

Hankyu Corporation  
Head Office Building



Ueroku F Building

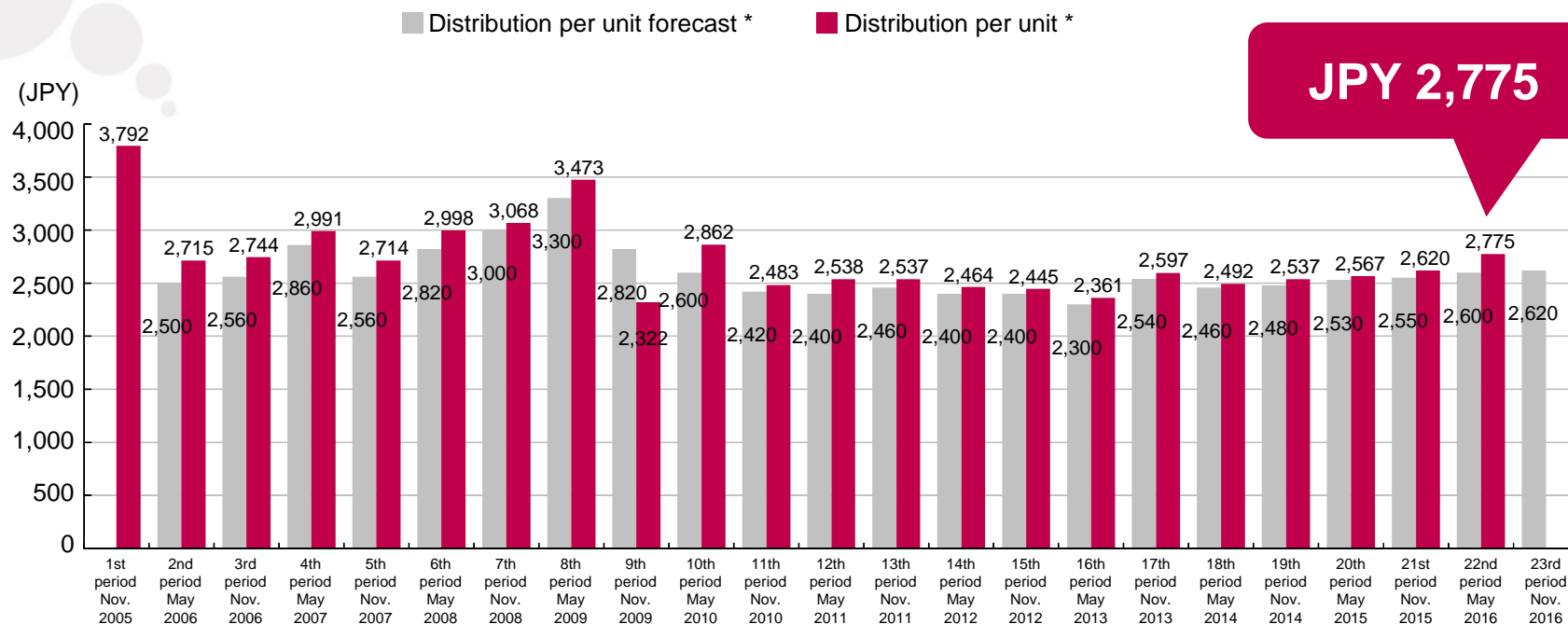


Shiodome East Side Building



Sphere Tower Tennozu





Irregular period (303 days)

(Compared with 22nd FP initial forecast: JPY +175 per unit; Profit JPY +104 mn)

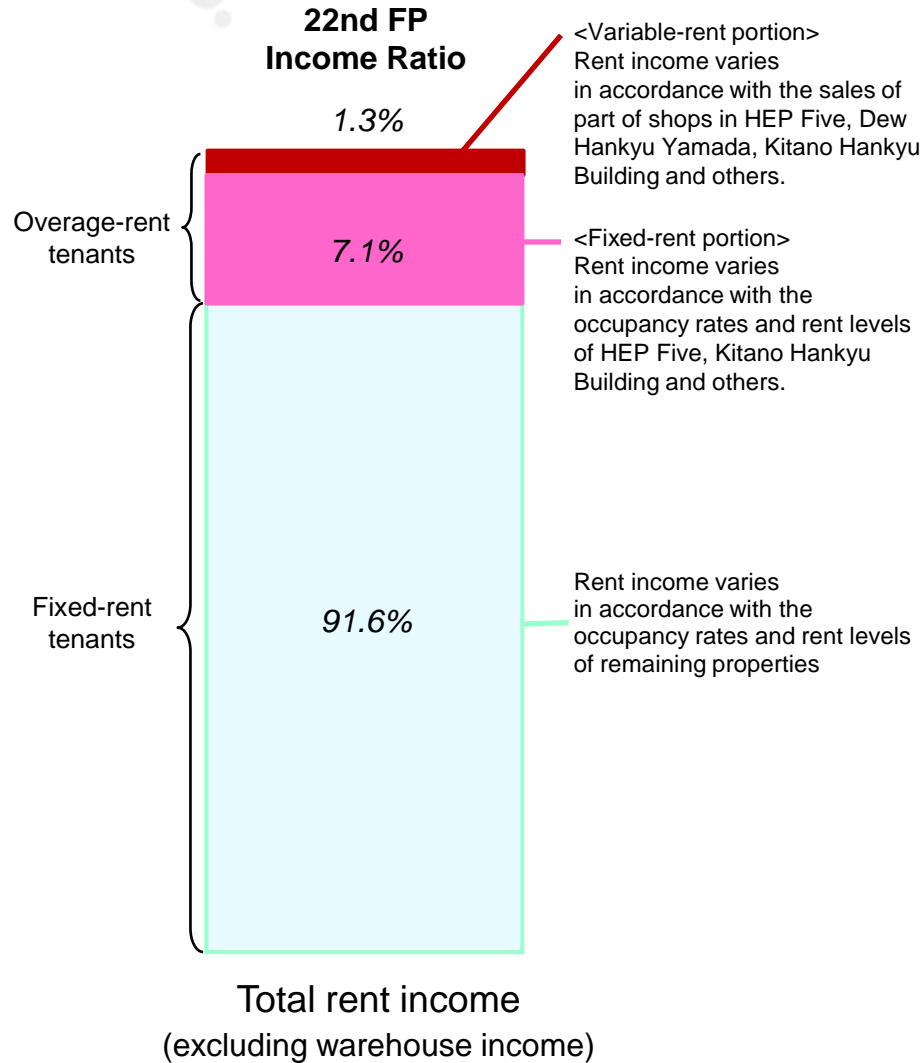
Increase in operating income JPY +104 mn

I Transfer of Namba and Hamamatsu	
Net gain on transfer	JPY +98 mn
Decrease in rent income, etc.	JPY -57 mn
Decrease in depreciation	JPY +17 mn
Decrease in tax and public dues	JPY +7 mn
I Others	
Increase in repair expense	JPY -13 mn
Increase in utilities expense income	JPY +8 mn
Increase in income from HEP Ferris wheel	JPY +4 mn

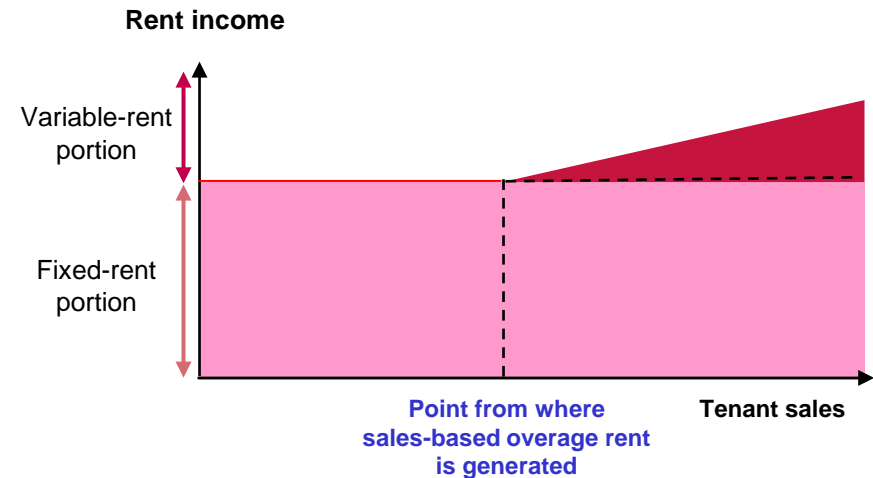
\* Hankyu REIT implemented a five-for-one split of its investment units with December 1, 2014 as the effective date. The graph shows figures that retrospectively reflect the implementation of the five-for-one split.



## Income Ratio by Rent Category and Variation Factors



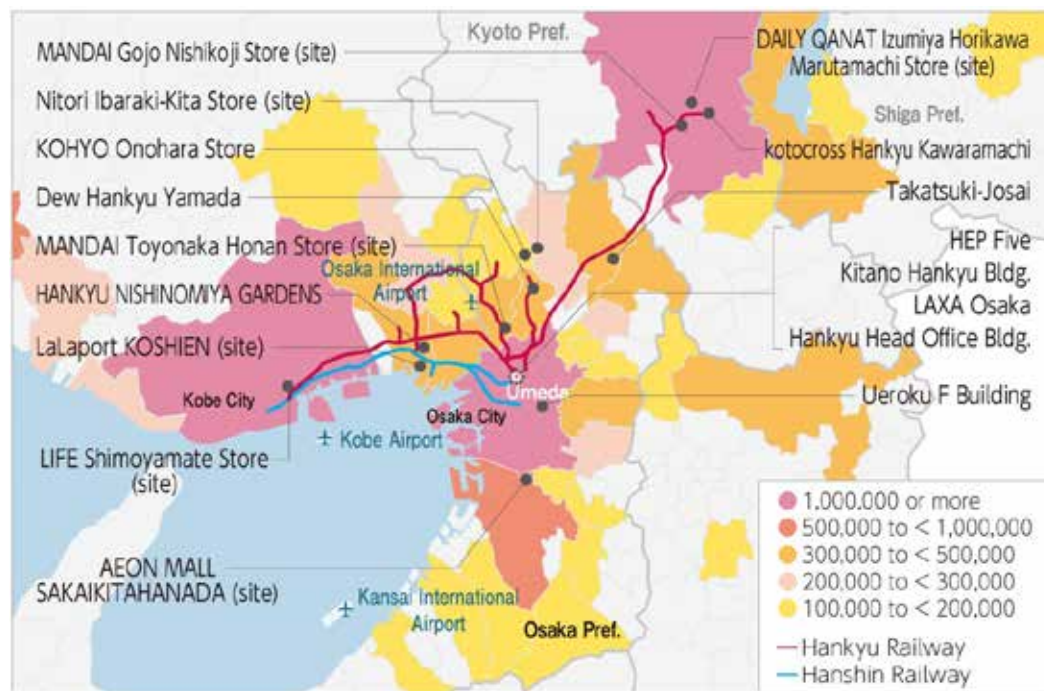
## Concept Diagram of General Sales-Based Overage Rent System





- 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**

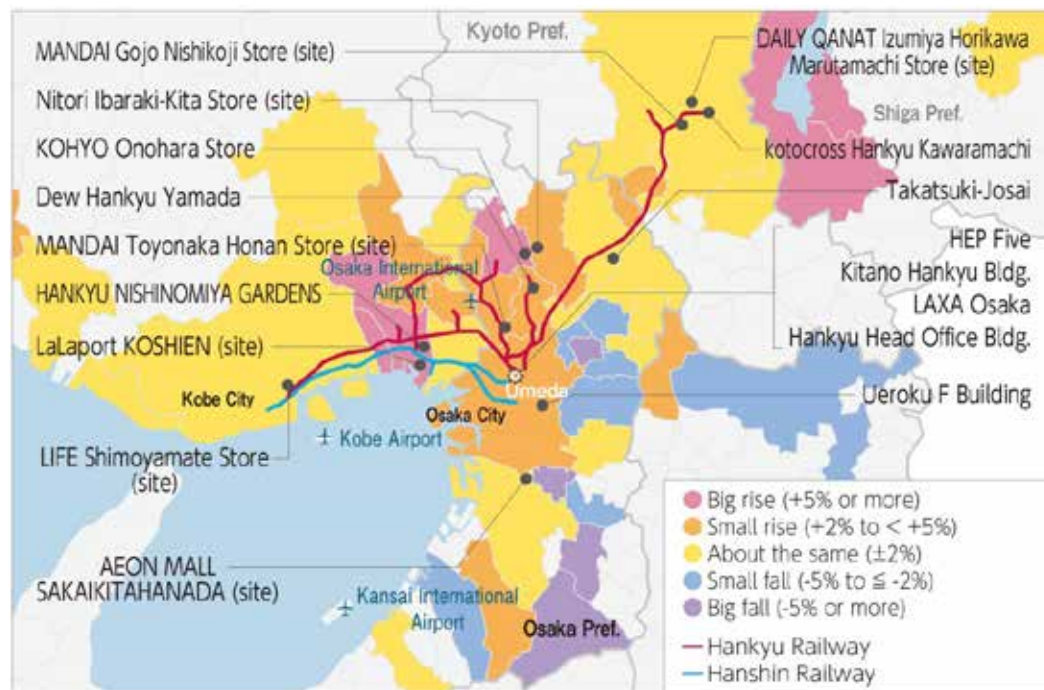
Source: Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2015)





- 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**

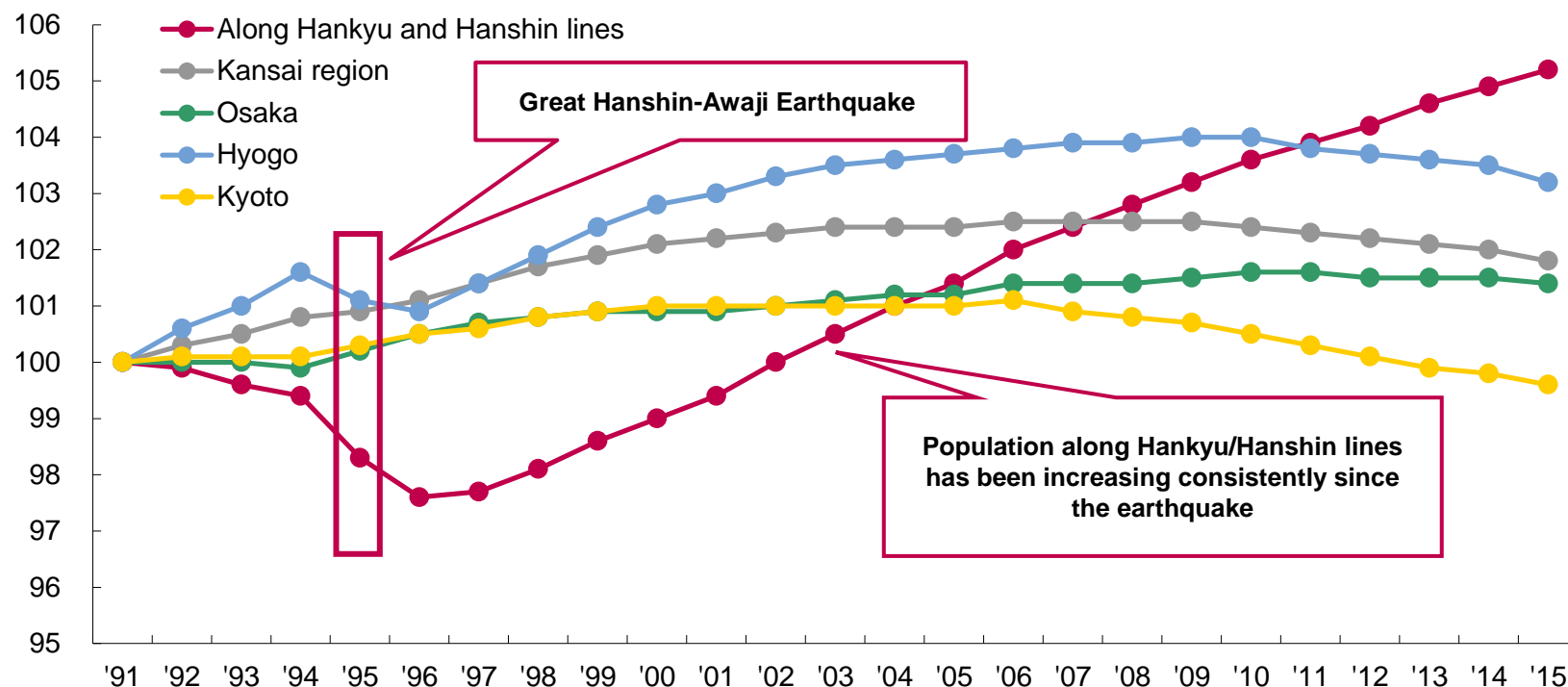
**Positive factors to profitability and stability of Hankyu REIT**

(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.

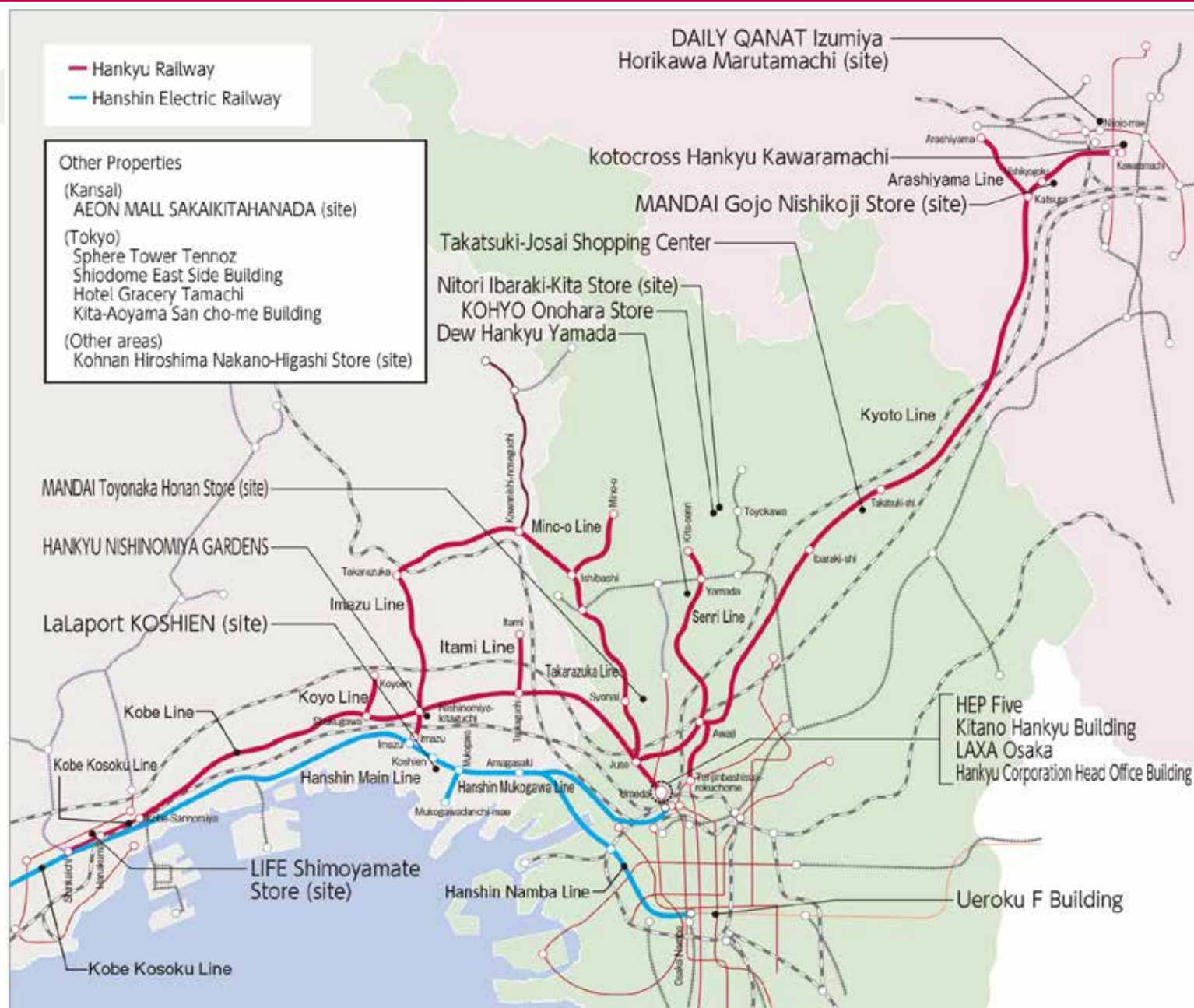


The population in the Kansai region is either remaining flat or is trending downwards due to the aging population along with decreasing birthrate but areas along Hankyu/Hanshin lines are relatively popular and the population in these areas have been increasing consistently after bottoming out in 1996



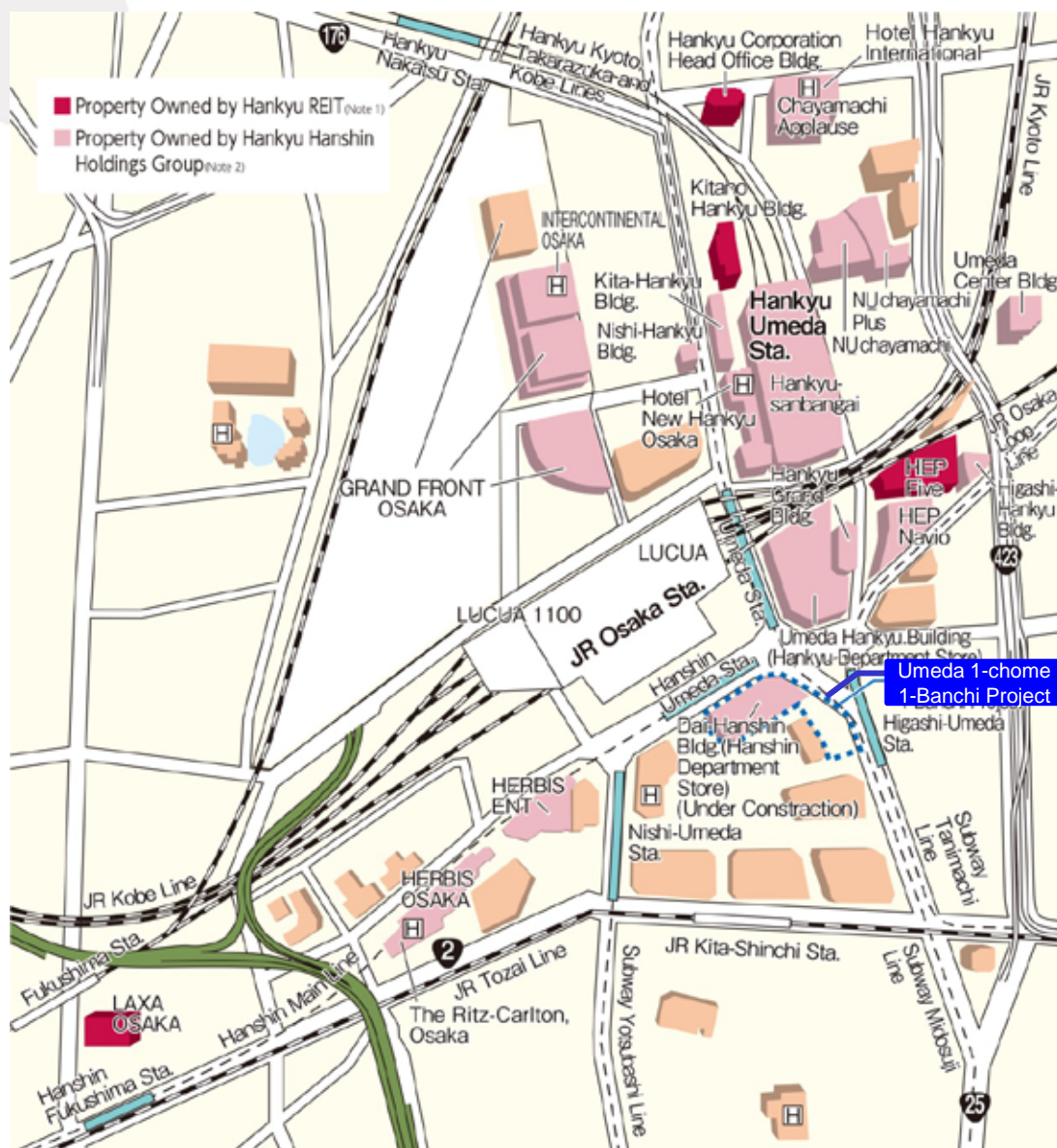
(Source) Japan Geographic Data Center "Population Summary of the Basic Resident Registers"

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





## 7-8. Overview of the Hankyu Umeda Area and the “Umeda 1-Chome 1-Banchi Project”



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
Site area	Approx. 12,200m <sup>2</sup>		Total floor area: Approx. 100,000m <sup>2</sup>
Floor area ratio	2,000%		11F to 38F
Total floor area	Approx. 260,000m <sup>2</sup>	Office zone	Total floor area: Approx. 140,000m <sup>2</sup>
Number of floors	38 floors above ground and 3 floors below		11F
Height	Approx. 190m	Conference zone	Total floor area: Approx. 4,000m <sup>2</sup>
Main use	Department store, office, hall, etc.	Other (parking space, etc.)	Total floor area: Approx. 13,000m <sup>2</sup>

### Overview of “construction plan”

#### 1st phase work

July 2015: 1st phase new construction work has commenced  
 Spring 2018: Completion of 1st phase buildings  
 (Shin-Hankyu Building, east section of Daihanshin Building)  
 \* Partial opening of new department store

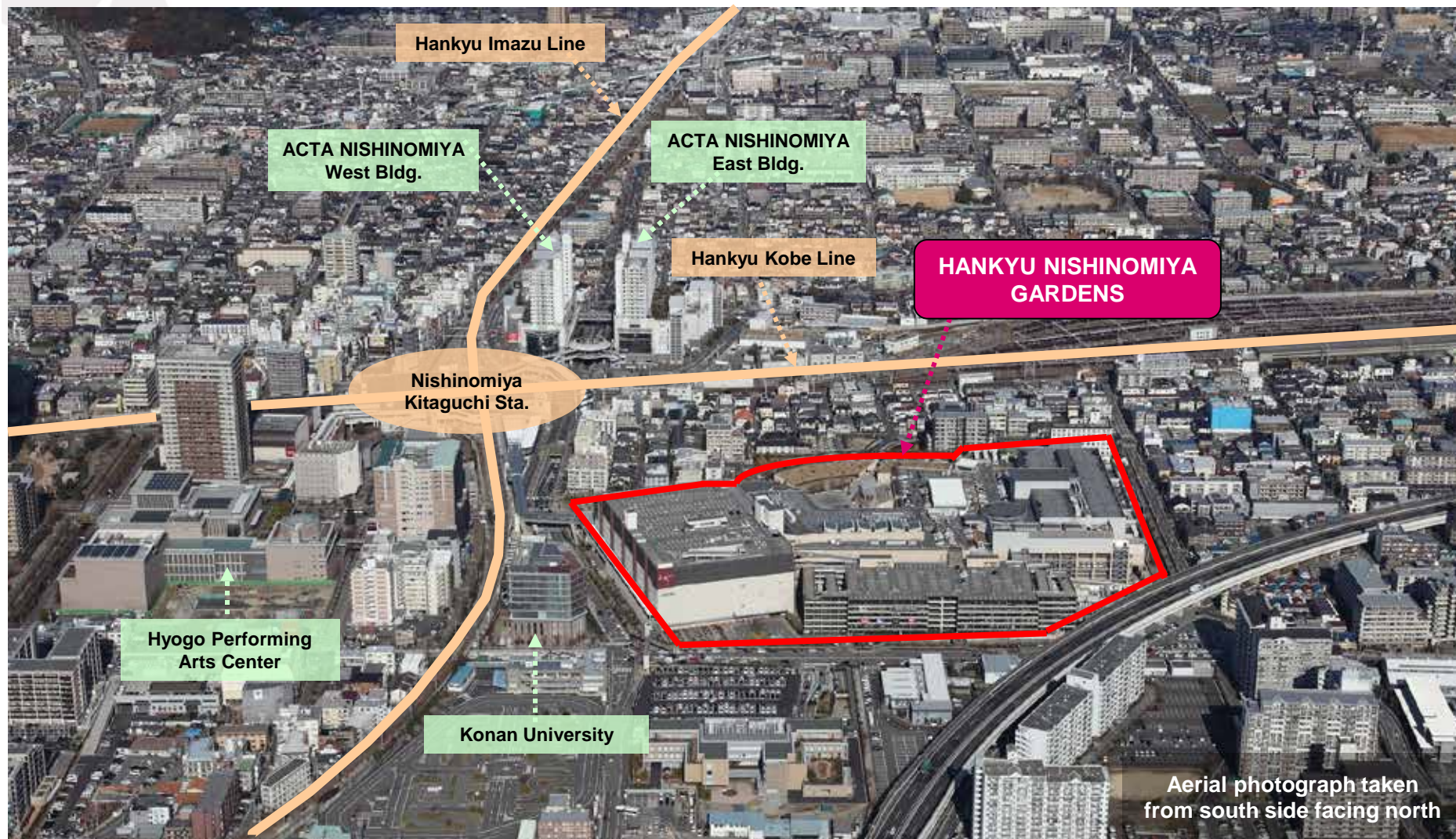
#### 2nd phase work

Spring 2018: Start demolition of west side of Daihanshin Building  
 Spring 2019: 2nd phase new construction work will commence  
 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

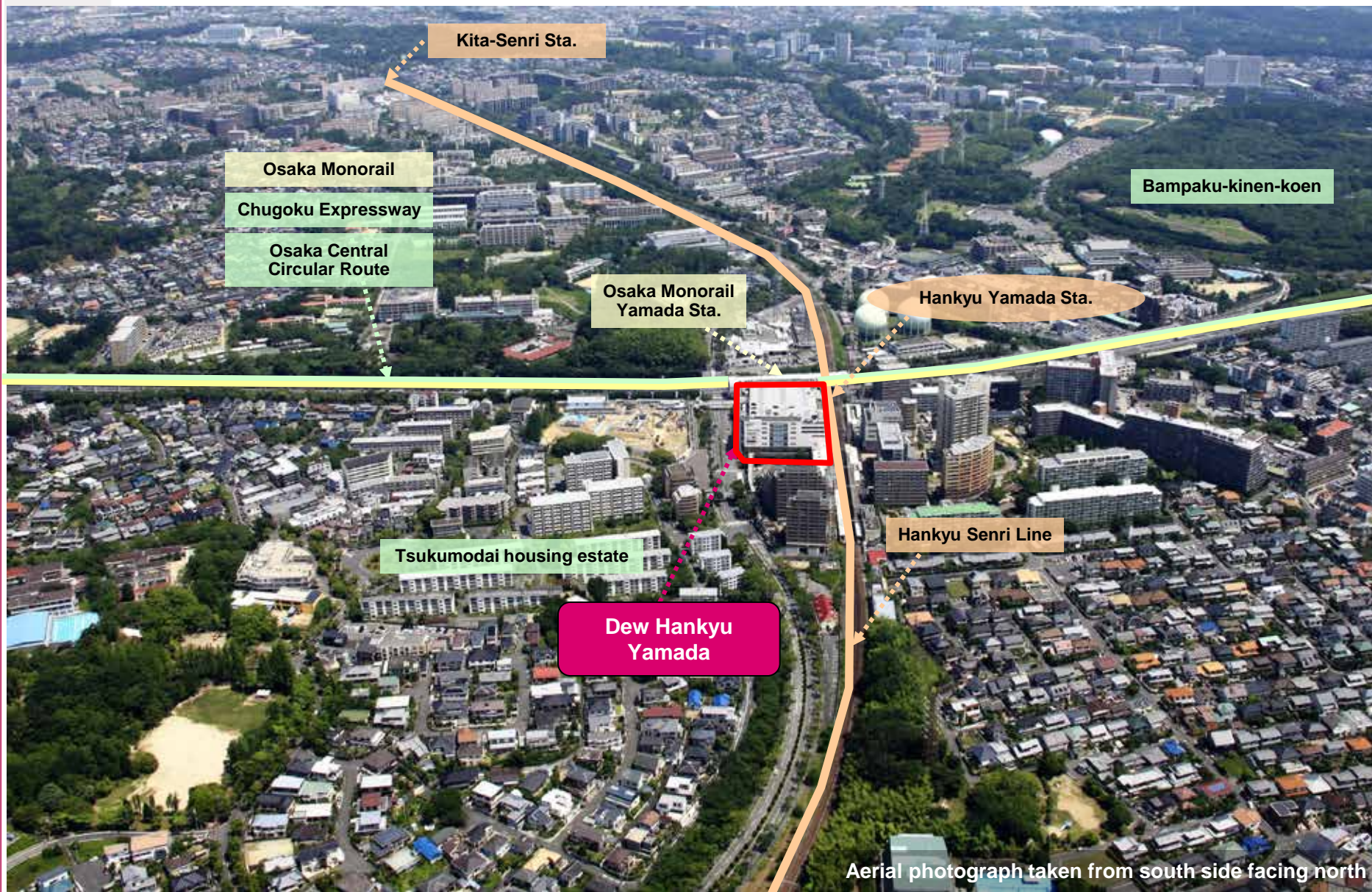
(Note 1) Includes properties jointly owned with the Hankyu Hanshin Holdings Group.

(Note 2) Includes properties jointly owned with other companies.















Average NOI yield = [Total real estate lease operation income\* - Real estate lease operation expenses\* + Total depreciation\*]  
concerning owned real estate or newly acquired assets as of each period ÷ Total acquisition price

Average yield after depreciation = [Total real estate lease operation income\* - Real estate lease operation expenses\*] concerning owned  
real estate or newly acquired assets as of each period ÷ 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 are based on results. However, for newly acquired asset (KOHYO Onohara Store), the net operating revenues and operating expenses for the first fiscal year in the discounted cash flow (DCF) method recorded in the appraisal report is used except for depreciation of the property, and figure based on Hanky REIT's accounting policy is used for the figure of depreciation. For public charges and taxes, they are posted in expense from the first fiscal year and yields on an on-going basis are calculated. Furthermore, figures for transferred assets indicated in page 6 (Namba-Hanshin Building and Richmond Hotel Hamamatsu) are calculated based on results for 20th and 21st fiscal periods

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

- 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.



As of May 31, 2016

Classification	Code	Name	PML
Retail-use facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	5.0%
	R2(K)	Kitano Hankyu Building	10.1%
	R3(K)	Dew Hankyu Yamada	4.7%
	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%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	9.2%
	R12(K)	AEON MALL SAKAIKITA HANADA (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	4.6%
	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%
	M5	Kita-Aoyama San cho-me Building	7.4%
Total			3.6%
Retail-use facilities	R18(K)	KOHO Onohara Store	5.3%

## 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 3.6%.

## 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:

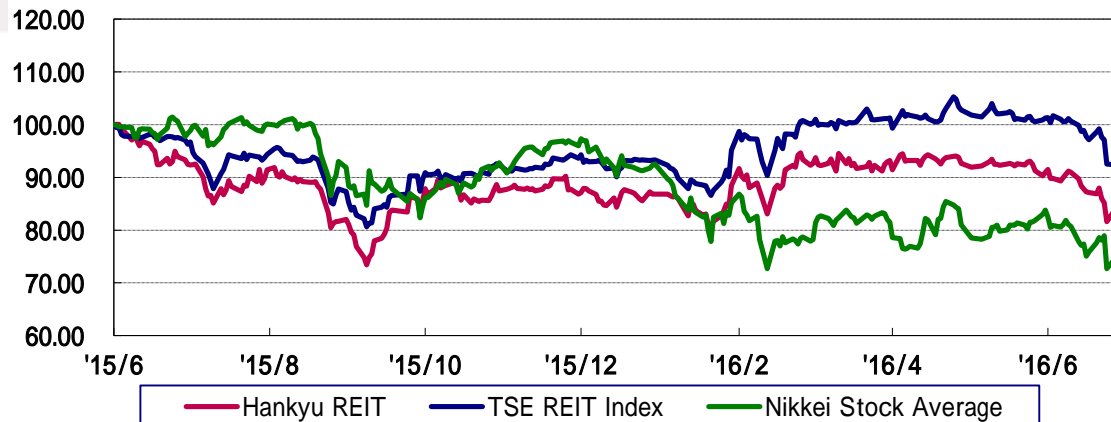
“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”

(Note) PML of LaLaport KOSHIEN (site) is calculated for the parking garage space administration building (394.88m<sup>2</sup>).



## Relative Price\*

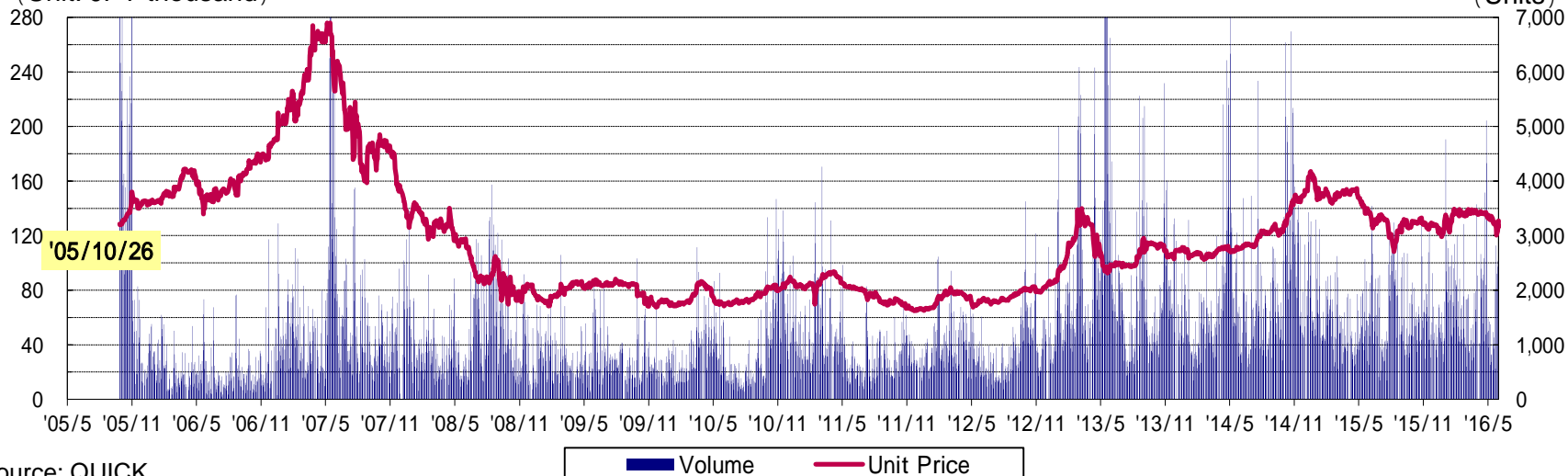
(Relative value based on 100 of the closing price basis on June 1, 2015 / closing price basis)



Source: QUICK

## Unit Price (closing price basis)\*

(Unit: JPY thousand)



Source: QUICK

## Per Unit Trading Trends\*

(Oct. 26, 2005 — June 30, 2016)

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

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

## June 1, 2015 — June 30, 2016

High (closing price basis) JPY 147,500  
(June 2/3, 2015)

Low (closing price basis) JPY 108,200  
(Sept. 8, 2015)

## Price on June 30, 2016 (closing price basis)

JPY 130,900

\* 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.



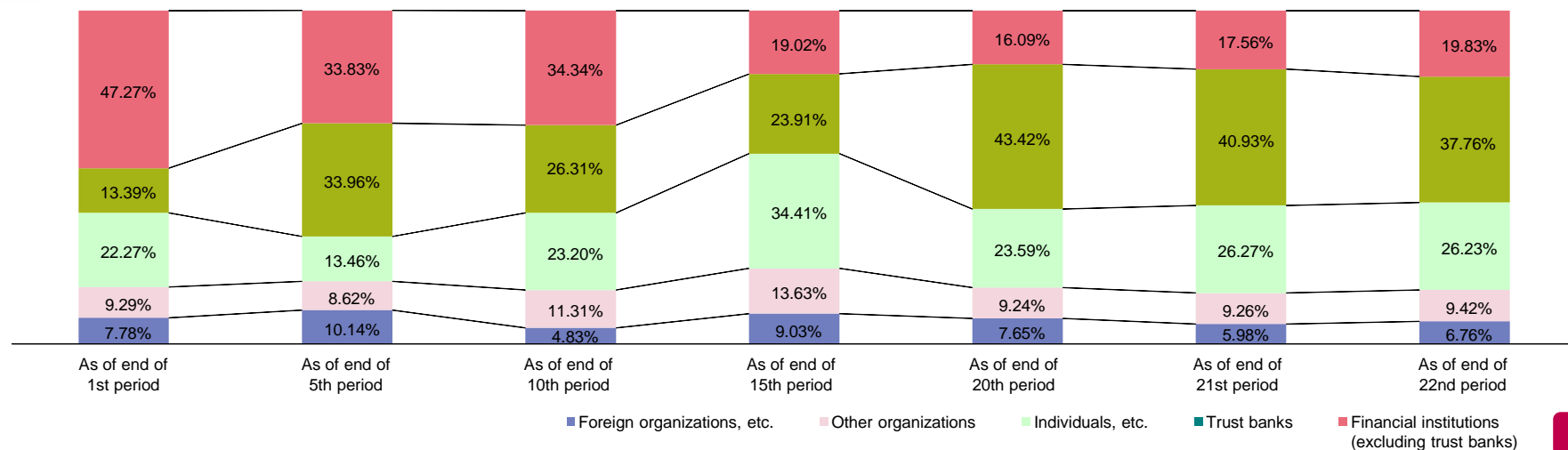
## Unitholder Composition

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)	101	0.73%	118,480	19.83%
Trust banks	9	0.07%	225,593	37.76%
Individuals, etc.	13,320	96.70%	156,716	26.23%
Other organizations	237	1.72%	56,310	9.42%
Foreign organizations, etc.	108	0.78%	40,401	6.76%
Total	13,775	100.00%	597,500	100.00%

## Top 10 Unitholders

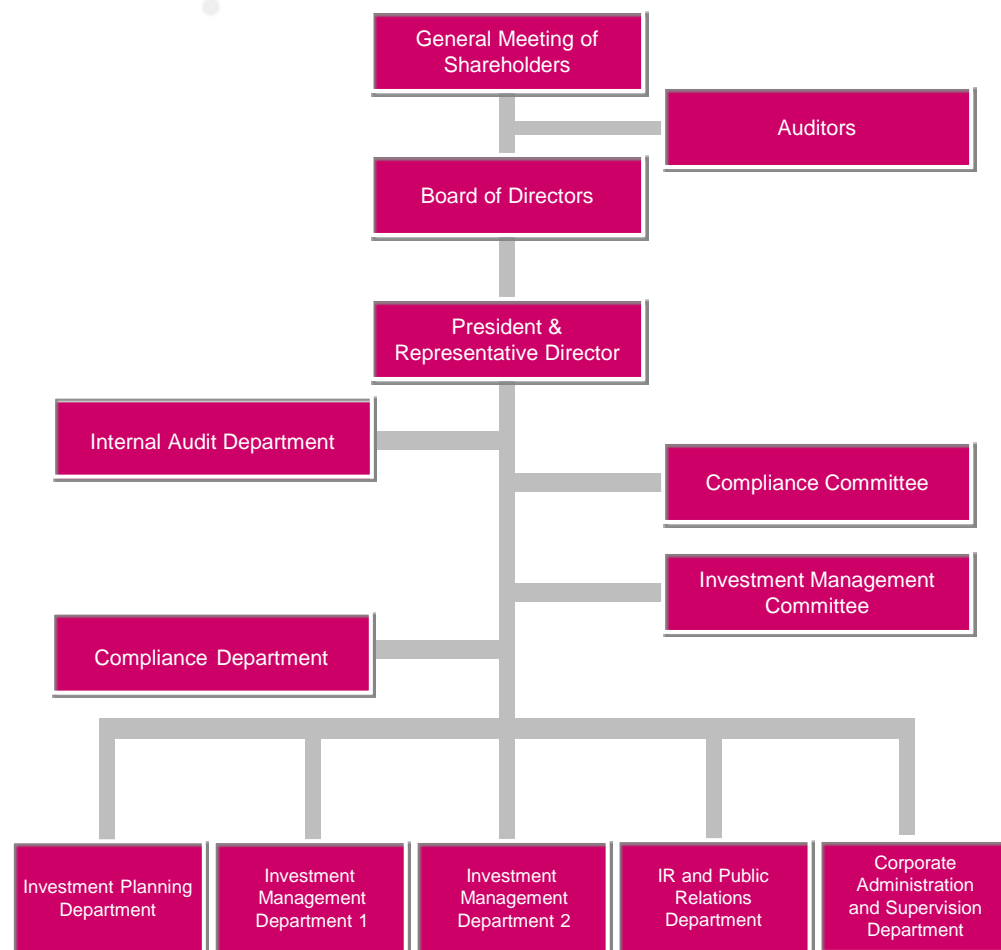
Unitholder name	Number of units held	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	135,527	22.68%
The Master Trust Bank of Japan, Ltd. (Trust account)	44,416	7.43%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	22,570	3.78%
Hankyu Corporation	21,000	3.51%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	16,938	2.83%
The Senshu Ikeda Bank, Ltd.	12,500	2.09%
STATE STREET BANKAND TRUST COMPANY 505223	8,648	1.45%
The Hachijuni Bank, Ltd.	8,420	1.41%
THE CHUKYO BANK, Ltd.	7,905	1.32%
Shikoku Railway Company	5,884	0.98%
Total investment	283,808	47.50%
Number of outstanding units	597,500	100.00%

## Ratio of Units by Unitholder Category





(As of May 31, 2016)

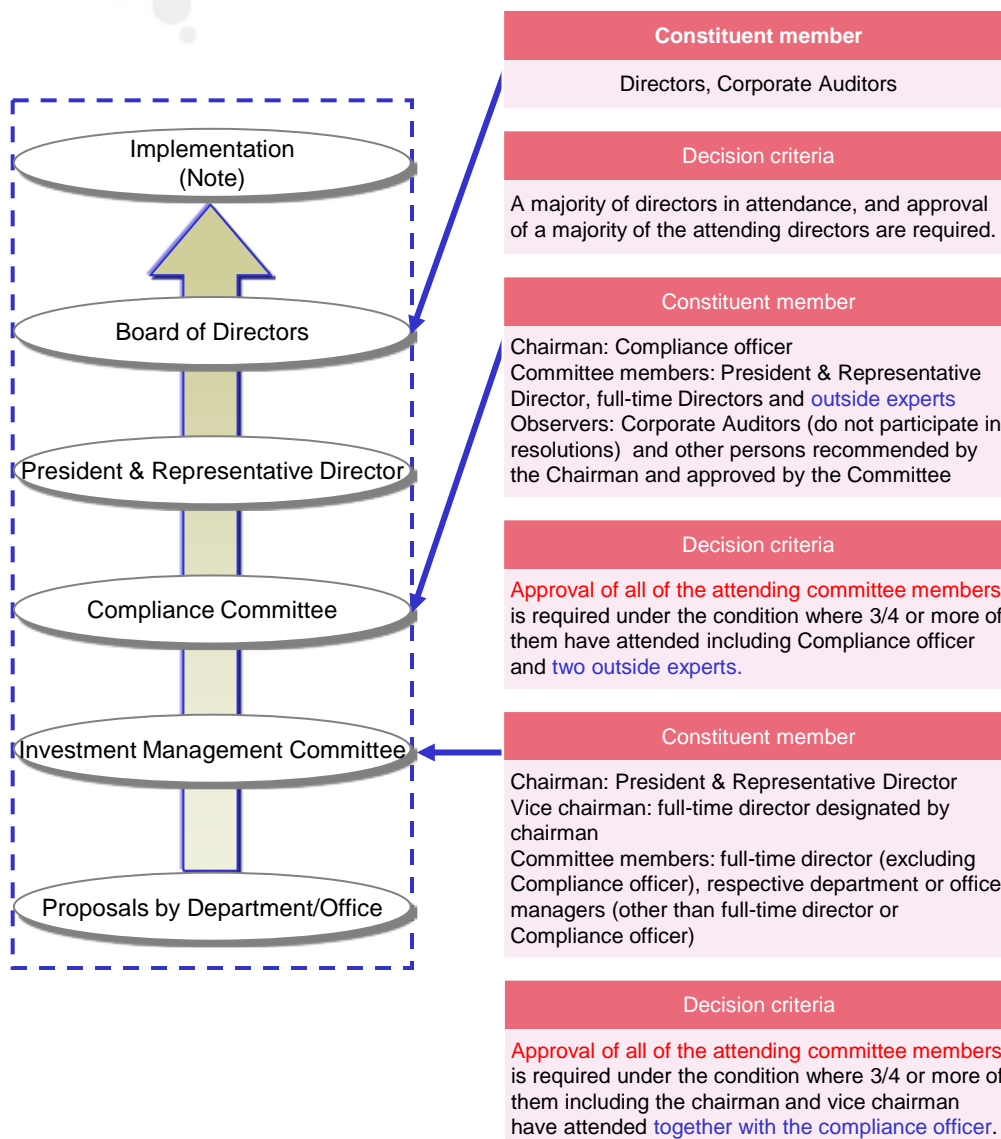


Corporate Data		
Trade name	Hankyu REIT Asset Management, Inc.	
Headquarters	19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan	
Established	March 15, 2004	
Paid-in capital	JPY 300 mn	
Shareholder	Hankyu Corporation (100%)	
Number of officers and employees	28	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Managing 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)	
	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

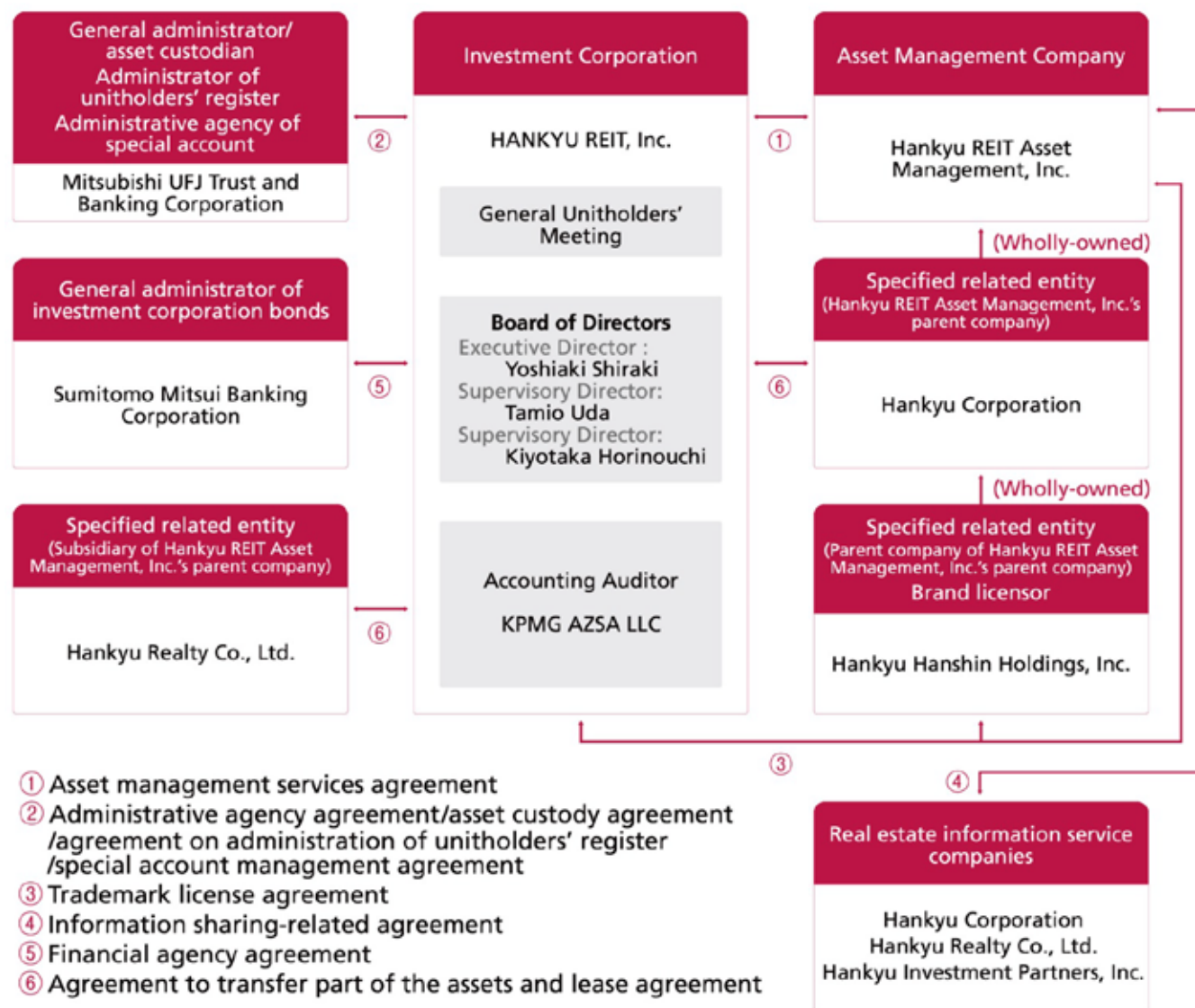
## Internal Audit System

- | 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 May 31, 2016)



(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.