

Hankyu REIT

Financial Results Briefing Materials
for the 23rd Fiscal period ended
November 2016



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



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

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

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

There are sections that display property names in abbreviated form.

1. Executive Summary





Objectives

Results for 23rd Fiscal Period

External Growth

- Expand opportunities to acquire properties through joint efforts with the sponsor group, and strengthen portfolio management

- Acquired two properties, expanding asset scale to JPY 141.6 billion
 - Acquired a community-based retail facility (site) through negotiated transaction utilizing the asset management company's own sourcing channels
 - Acquired a community-based retail facility developed by sponsor group company Hanshin Electric Railway Co., Ltd.
- Promoted expansion of property acquisition methods and property information sourcing channels

Internal Growth

- Maintain and improve high level of portfolio occupancy rate

- Maintained high level of portfolio occupancy rate (end of 23rd fiscal period: 99.1% (end of December 2016: 99.7% (24th fiscal period))
- For Sphere Tower Tennozu, achieved substantial increase in occupancy rate (40.9% (end of May 2016) 88.1% (December 1, 2016 (24th fiscal period))

Financial Strategies

- Continue stable financial operations and improve distributions

- LTV maintained on an ongoing basis (41.9% 43.0% (end of 23rd fiscal period))
- Refinanced investment corporation bonds, thereby striking a balance between reduction of funding costs, and extension of periods and diversification of debt repayment dates (7 years: 0.29% per annum; 15 years: 0.90% per annum)

(Unit: JPY mn)

Item	Forecast for 23rd Fiscal Period (A) (as of July 15, 2016)	Results for 23rd Fiscal Period (B) (June 1, 2016 to Nov. 30, 2016)	Change (B)-(A)
Operation period (days)	183	183	—
Operating revenues	4,715	4,721	6
Operating income	1,954	1,976	22
Ordinary income	1,567	1,570	3
Net income	1,565	1,569	3
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—
Distribution per unit (JPY)	2,620	2,626	6
FFO per unit (JPY)	4,043	4,047	4

(Main factors for increase/decrease)

(1)
Increase in income from HEP Ferris Wheel
JPY +5 mn

(2)
Decrease in repair expense JPY +26 mn
Increase in Tennozu brokerage related expenses
JPY -11 mn

(3)
Increase in other non-operating expenses
(non-deductible consumption taxes JPY -20 mn
on Itami site acquisition expenses)

Net assets per unit	JPY 122,558
Net assets per unit after reflecting unrealized income/loss	JPY 147,098

Results for 23rd fiscal period (ended November 2016)
Distribution per unit

JPY 2,626

1-3. Distribution Forecast for 24th Fiscal Period and 25th Fiscal Period

(Unit: JPY mn)

Item	Results for 23rd Fiscal Period (1) (June 1, 2016 to Nov. 30, 2016)	Forecast for 24th Fiscal Period (2) (Dec. 1, 2016 to May 31, 2017)	Change (2)-(1)	Forecast for 25th Fiscal Period (3) (June 1, 2017 to Nov. 30, 2017)	Change (3)-(2)
Operation period (days)	183	182	-1	183	1
Operating revenues	4,721	4,731	9	4,849	117
Operating income	1,976	1,945	-30	2,075	129
Ordinary income	1,570	1,573	2	1,674	101
Net income	1,569	1,571	2	1,673	101
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—	597,500	—
Distribution per unit (JPY)	2,626	2,630	4	2,800	170
FFO per unit (JPY)	4,047	4,053	6	4,219	165

[Forecast for 24th fiscal period]

Main factors for increase/decrease from 23rd fiscal period

Increase/Decrease in operating revenues/expenses

- Increase in lease operating revenues of Itami
+39 (*based on assumption of 25% rent collection)
- Increase in repair expense
-61 (Tennozu -31, LAXA -23, etc.)

Increase/Decrease in non-operating revenues/expenses

- Decrease in interest expenses, etc. (refinancing of investment corporation bonds, and increase in interest-bearing debt)
+19
- Decrease on the rebound of payment of non-deductible consumption taxes in 23rd fiscal period
+20

[Forecast for 25th fiscal period]

Main factors for increase/decrease from 24th fiscal period

Increase/Decrease in operating revenues/expenses

- Increase in lease operating revenues of Itami
+60 (*based on assumption of 25% rent collection until September 2, 2017 and 100% rent collection from the day after)

- Increase in income from lease of Tennozu
+17

- Decrease in repair expense
+43 (LAXA +18, Tennozu +16, etc.)

Increase/Decrease in non-operating revenues/expenses

- Increase in interest expenses, etc. due to conversion of short-term loans payable to long term and fixed rate (assumed for May 31, 2017)
-27

Forecast for 24th fiscal period (ending May 2017)

Distribution per unit **JPY 2,630**

Forecast for 25th fiscal period (ending November 2017)

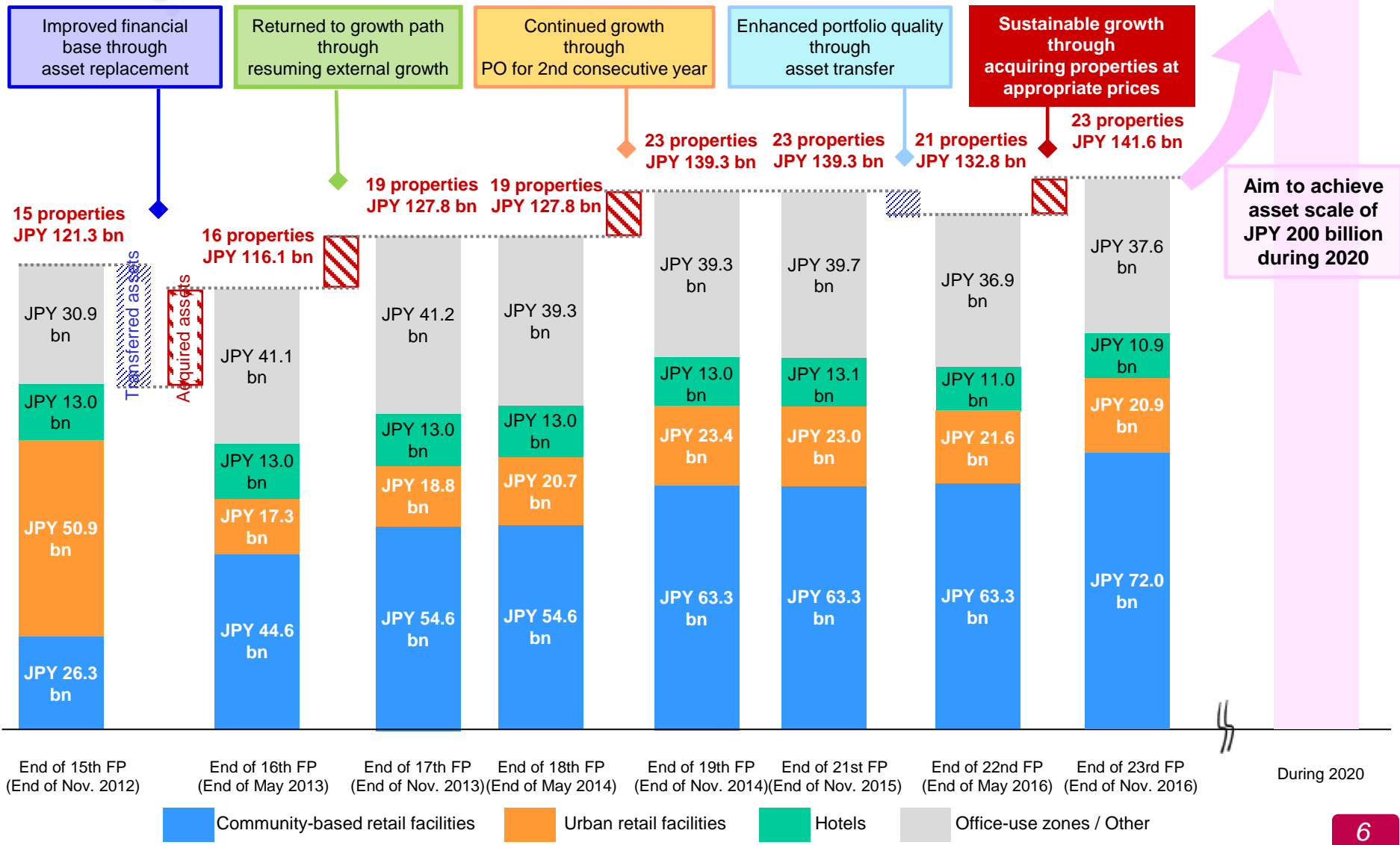
Distribution per unit **JPY 2,800**

[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 in total number of outstanding investment units through to the end of the 25th fiscal period



Place emphasis on medium to long term fair value and aim to achieve asset scale of JPY 200 billion during 2020



	End of 21st FP (End of Nov. 2015)	Transferred assets	End of 22nd FP (End of May 2016)	Acquired assets		End of 23rd FP (End of Nov. 2016)
		Namba-Hanshin Building and Richmond Hotel Hamamatsu		KOHYO Onohara Store	(Tentative name) OASIS Town Itami Konoike (site)	
Transfer/Acquisition date	-	April 8, 2016	-	July 1, 2016	November 25, 2016	-
Number of properties	23 properties	-2 properties	21 properties	+1 property	+1 property	23 properties
Transfer/Acquisition price	-	JPY 5,430 mn	-	JPY 1,631 mn	JPY 7,100 mn	-
Asset scale	JPY 139,307 mn	-	JPY 132,897 mn	-	-	JPY 141,628 mn
Average NOI yield (Note)	4.8%	3.8%	4.8%	5.3%	4.3%	4.8%
Average NOI yield after depreciation (Note)	3.4%	0.6%	3.5%	4.4%	4.3%	3.7%
Unrealized income/loss of portfolio (Note)	JPY 8,479 mn	-	JPY 12,633 mn	-	-	JPY 14,662 mn
LTV (Note)	43.2%	-	41.9%	-	-	43.0%
Interest-bearing debt ratio	43.0%	-	43.0%	-	-	44.5%

(Note) Details of the calculation method for "Average NOI yield," "Average NOI yield after depreciation," "Unrealized income/loss of portfolio" and "LTV" are presented on page 65.



Property Overview

Property name	((Tentative name) OASIS Town Itami Konoike (site))
Location	Konoike, Itami City, Hyogo Prefecture
Site area	17,997.10m ²
Acquisition price	JPY 7,100 mn
NOI yield after depreciation	4.3% (Note)
Acquisition date	November 25, 2016
Form of facility	Community-based retail facility that houses a grocery store, apparel stores, drugstores, etc.



External appearance image



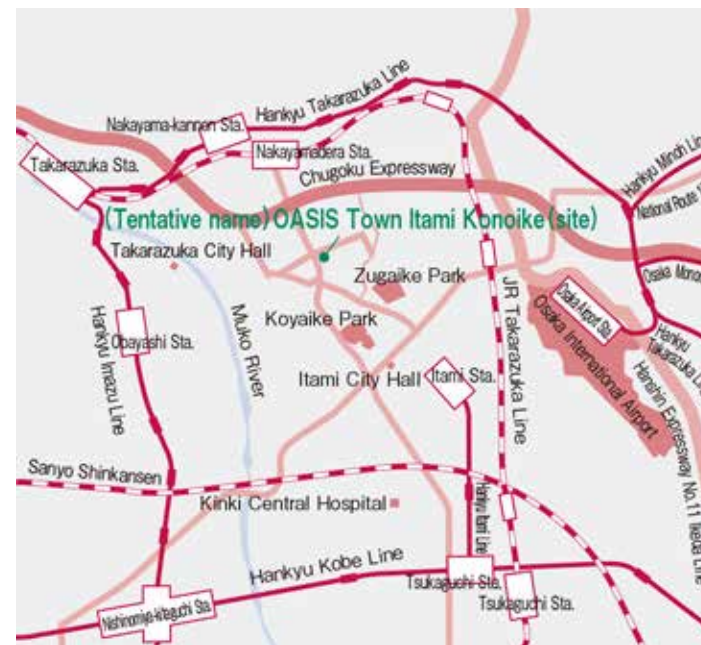
(Note) The figure is calculated based on the operating revenues and operating costs in the second year with an assumption of 100% rent collection, using the DCF method described in the appraisal report. As of January 2017, the building is under construction and the rent collectable is 25% (the rent through to the date preceding the opening date of the store of the lessee or September 2, 2017, whichever earlier, will be 25% of the rent on and after the date following the date indicated above.).

* Hankyu REIT acquired only the land. Also, since the images above are renderings of the building scheduled to be completed, these image views may differ from the actual conditions after completion.

Property Features

- Itami City is located in the area dominated by the Hankyu Hanshin Holdings Group, bounded by Hankyu Kobe Line, Takarazuka Line and Imazu Line. Since it is close to the centers of Osaka City and Kobe City with excellent access, it is popular as a commuter town. The Property is located in an area where many families live.
- Trade area population by required time from the property when using cars (Note) is approximately 58,000 within 5 minutes, approximately 254,000 within 10 minutes and approximately 599,000 within 15 minutes, enjoying abundant population.
- HANKYU OASIS, the main tenant, has 83 stores (as of July 2016) in the Kansai region with its original style of “high quality store specializing in food.” They work to differentiate themselves from other supermarket chains in the Kansai region by making the stores attractive with creative ideas such as setting up a face-to-face fresh fish section and selling vegetables by weight.

(Note) Figures based on the Basic Resident Registers in 2015





Aerial photograph taken from southwest side facing northeast

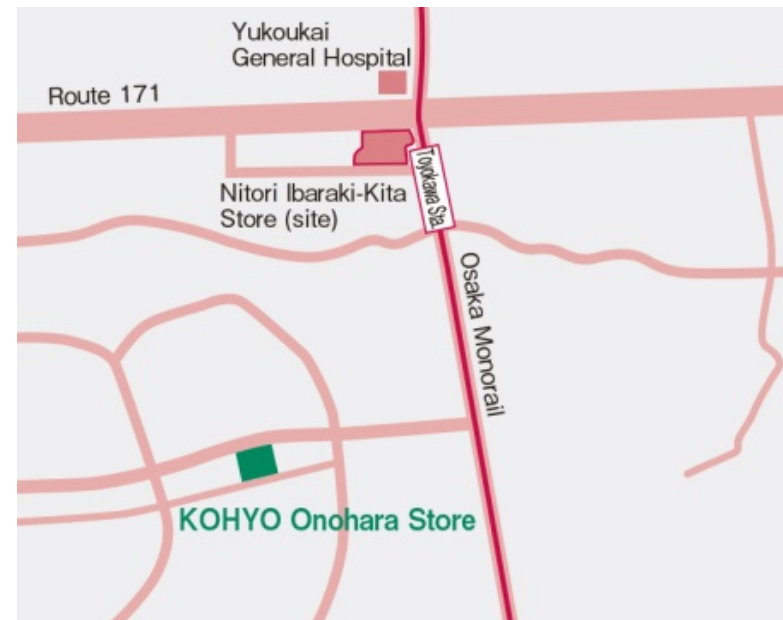
Property Overview

Property name	KOHYO Onohara Store
Location	Onohara-higashi, Minoh City, Osaka Prefecture
Site area	4,479.14m ²
Leased area	3,310.31m ²
Acquisition price	JPY 1,631 mn
NOI yield	5.3%
NOI yield after depreciation	4.4%
Acquisition date	July 1, 2016
Form of facility	Community-based retail facility that houses a grocery store, 100 yen shop and ATM



Property Features

- Municipal road Onohara-Toyonaka Road on which the property stands along is a community road that allows east-west mobility across 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



Occupancy Rate Increased to 88.1% (24th Fiscal Period)

Occupancy rate dropped to 39.0% (end of June 2014) from 89.6% due to factors such as departure of large tenants in August and September 2013

- Continued leasing activities without lowering target rent from a medium to long term perspective, even after occupancy rate decreased
- Implemented renovation of entrance, elevator hall, etc., and value-enhancement work to improve flow of people and signboards in December 2014
- Backed by the rents being on an upward trend due to decreased vacancy rate in the Tokyo metropolitan area, the rent level and the appealing point of the property of being able to provide large space all at once matched the needs of tenants
- Building location and features, such as being directly connected to a station, access to Haneda Airport and open ceiling (mansionette) of exclusive-use portion, also gained reputation

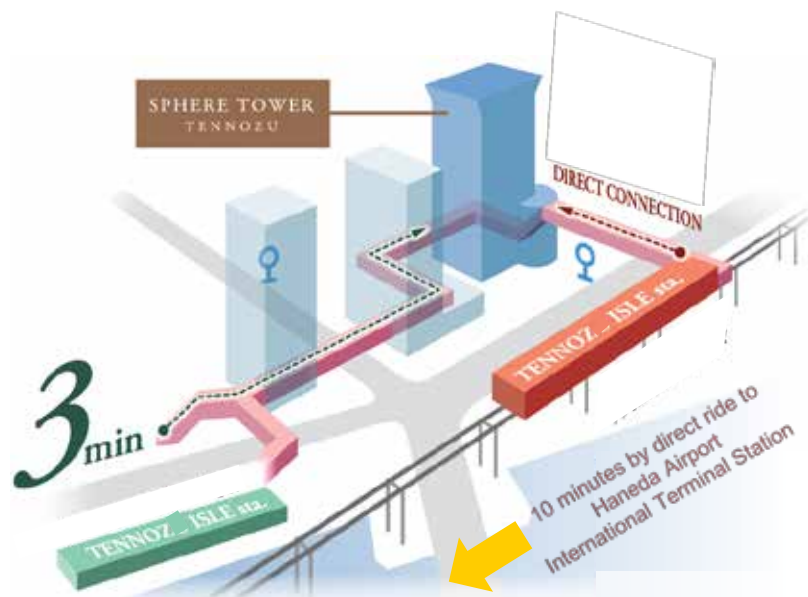
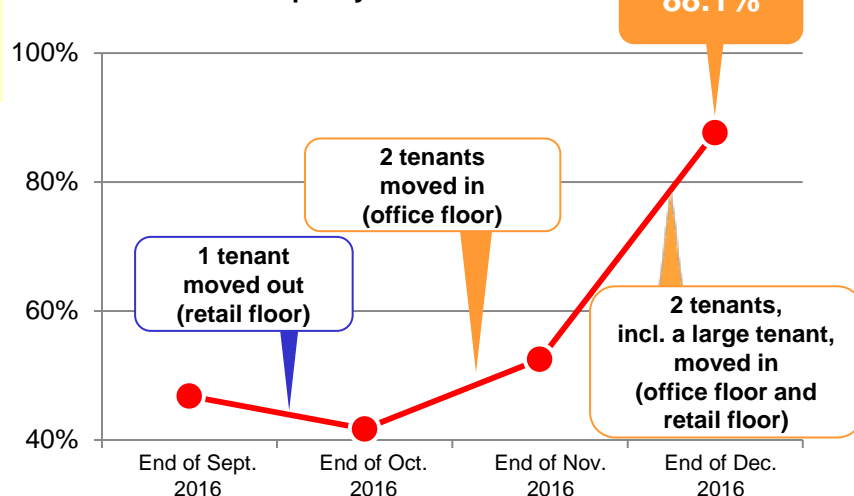
• Realized leasing to three tenants at anticipated rent level during the period from January to September 2016, and occupancy rate improved to 46.9% (end of September 2016)

• In addition, realized leasing to four tenants, including a large tenant, since October 2016, and occupancy rate increased to 88.1% in December 2016

Will focus on further improvement in occupancy rate by utilizing building location and features

Vacancies: Office floor	Approx. 1,300m ² (equivalent to 1.5 floors)
Retail floor	Approx. 1,700m ²

Trends of Occupancy Rate



Access from the nearest station



Implemented refinancing by taking full advantage of the historic low interest rate environment, thereby striking a balance between reduction of funding costs, and extension of periods and diversification of debt repayment dates

Overview of Already-Issued Bonds

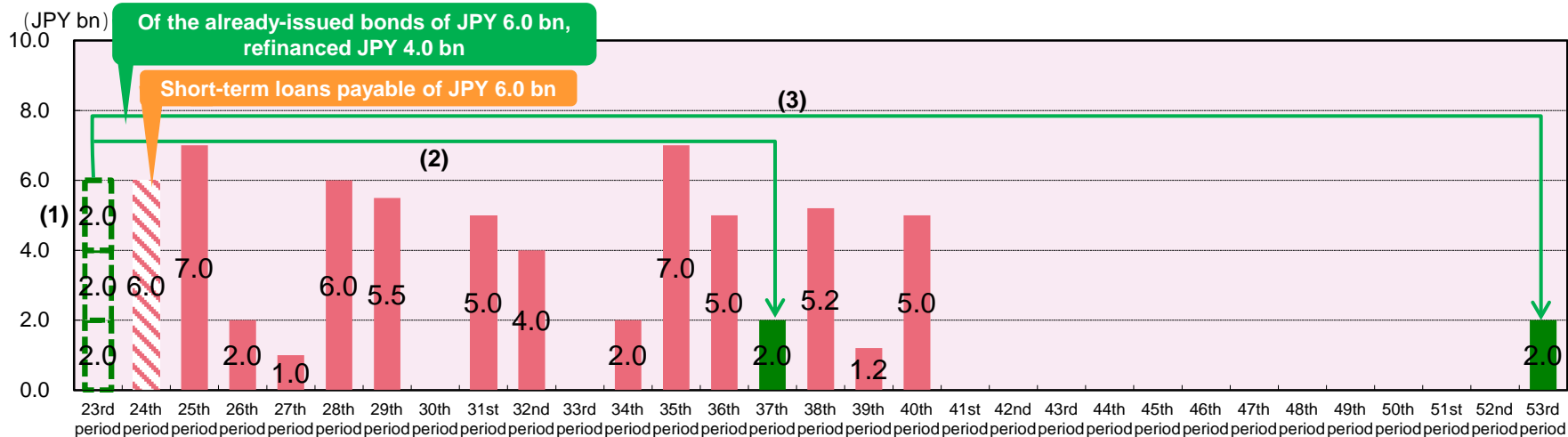
	(1) First Series
Issue amount	JPY 6.0 bn
Period	5 years
Interest rate	1.27% per annum
Issue date	November 11, 2011
Redemption date	November 11, 2016
Rating	A+ R&I (Rating and Investment Information, Inc.)



Overview of Newly-Issued Bonds

	(2) Second Series	(3) Third Series
Issue amount	JPY 2.0 bn	JPY 2.0 bn
Period	7 years	15 years
Interest rate	0.29% per annum	0.90% per annum
Issue date	November 10, 2016	
Redemption date	November 10, 2023	November 10, 2031
Rating	AA- JCR (Japan Credit Rating Agency, Ltd.)	

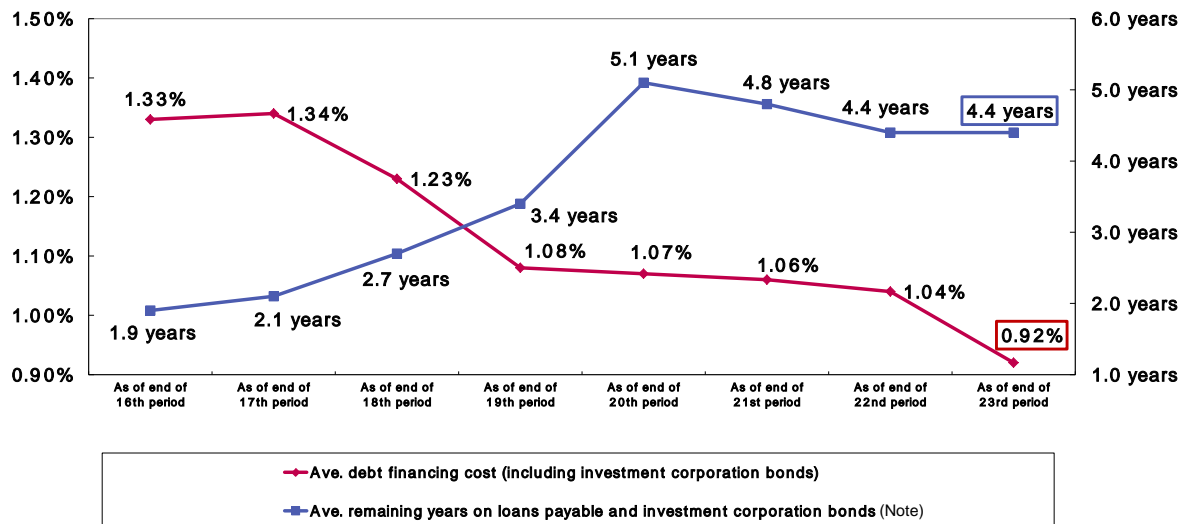
Diversification of Debt Repayment Dates





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

Trends of Debt Financing Costs and Average Remaining Years



(Note) Materials up to the previous period (22nd fiscal period): Presented data on only long-term loans payable and investment corporation bonds
Materials from the period under review (23rd fiscal period): Presenting the data with the addition of short-term loans payable (16th fiscal period to 23rd fiscal period)

Overview of New Debt Financing

Drawdown date	Amount of debt financing	Interest rate	Repayment date
Nov. 24, 2016	JPY 6.0 bn	Variable	May 31, 2017

Long-Term Debt Ratio and Fixed Debt Ratio

Long-term debt ratio	Fixed debt ratio
90.9%	81.5%

Status of Ratings

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

**Aim for sustainable growth and enhancement of portfolio quality,
while aiming to increase distributions**

- (1) Aim to achieve asset scale of JPY 200 billion during 2020
(place emphasis on medium to long term fair value)
- (2) Aim to achieve distributions of JPY 2,900 level on ongoing basis
in 26th fiscal period (ending May 2018) and subsequent fiscal periods
- (3) Systematically implement repairs and CAPEX to maintain and improve property value
- (4) Consider and implement asset replacement to improve portfolio quality
- (5) Eliminate future risk factors
- (6) Implement fund procurement in light of interest rate trends
(in principle, procurement mainly on a long-term and fixed basis)

2. Summary of Kansai Area





Decreasing Trend of Office Vacancy Rate Continuing in Osaka

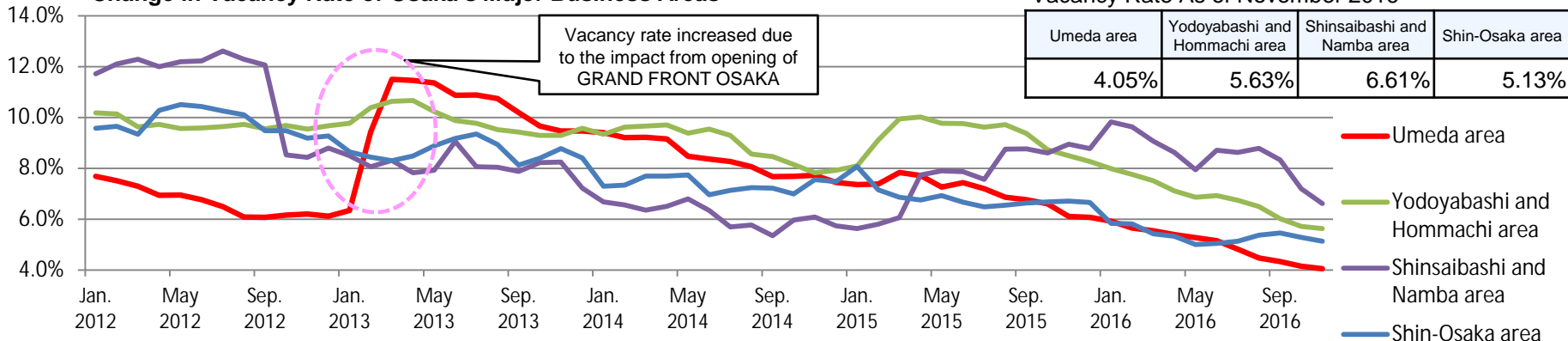
- Metabolism of Osaka office market and concentration of city functions are advancing
- Outlook is that the decreasing trend of vacancy rate will continue
(Vacancy rate of Umeda area is recently the same level as that of Tokyo's business areas in May 2016 (4.05%))



- 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

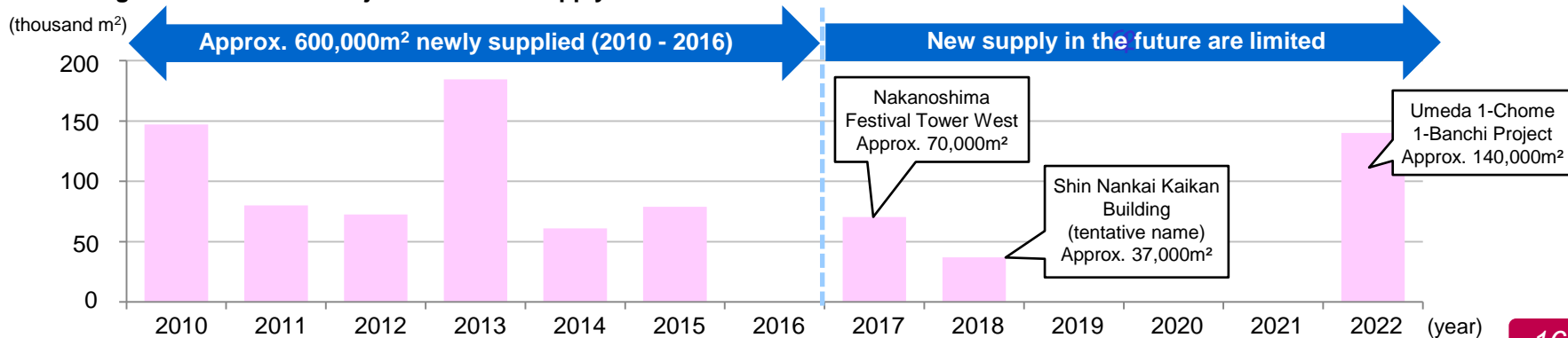
Change in Vacancy Rate of Osaka's Major Business Areas

Vacancy Rate As of November 2016



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

Change in Floor Area of Major New Office Supply in Osaka



(Source) Calculated by Hankyu REIT Asset Management, Inc. based on materials from office brokerage companies (include some estimates) (January 2017)



Department Store Sales on Decreasing Trend But Recent Signs of Pickup, and Supermarket Sales Going Strong

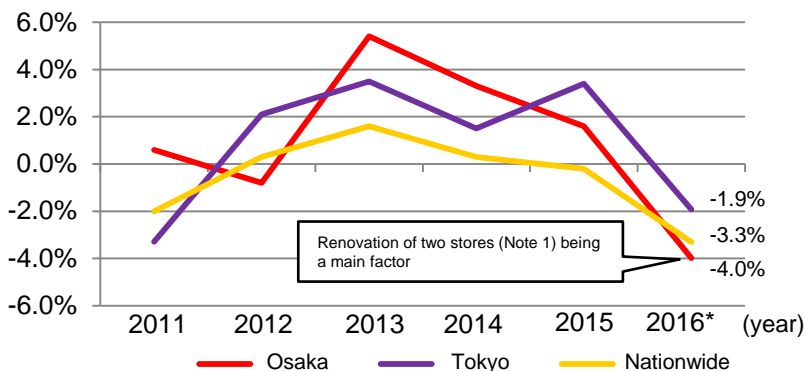
- Sales of department stores in 2016 continued to be on a decreasing trend due to the appreciation of the yen and low stock prices from the beginning of the year lowering consumer sentiment, etc., but are showing signs of picking up due to the depreciation of the yen and high stock prices toward the end of the year increasing purchases among Japan's high-net-worth individuals and foreign tourists visiting Japan
- 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



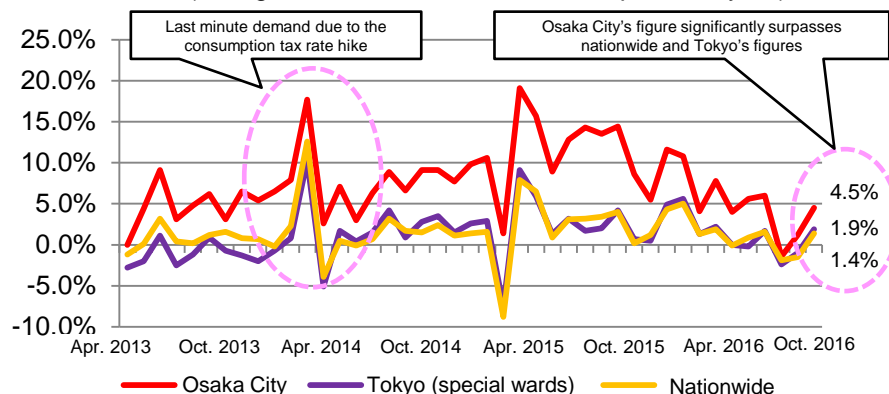
- Sales of department stores in Osaka (2016) decreased by 4.0% over the previous year, but decrease in sales due to renovation of two stores (Note 1) was a main factor, suggesting that large stores in Umeda and Namba maintained previous year levels (estimated by Hankyu REIT Asset Management, Inc.)
- Duty-free sales of department stores in the Kansai region (2016) decreased due to decrease in purchase of expensive goods, etc., but are recently in a state of picking up to previous year levels (backed by the ongoing increase in foreign tourists visiting Japan, the number of people visiting department stores for duty-free shopping increased throughout the year) (Note 2)

- Sales of supermarkets in Osaka City (2016) continued to maintain strong sales (Note 3)
Due to supermarkets yet being opened one after another in central areas

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



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



Source: Japan Department Stores Association

* Comparison based on January to November cumulative total in the case of 2016

(Note 1) Hanshin Department Store Umeda Main Building (from February 2015) and Daimaru Shinsaibashi Store (from January 2016)

(Note 2) Source: Bank of Japan Osaka Branch "Department Store Duty-Free Sales (Kansai Region)"

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

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

(Note 1) Source: Ministry of Economy, Trade and Industry "Current Survey of Commerce"



Foreign Tourists Visiting Osaka Continue to Increase in 2016

- Number of foreign tourists visiting Osaka: January to September cumulative total comparable to the previous year's annual total and set to reach the record-high annual total (Note 1)
- Visit rate by prefecture of foreign tourists visiting Japan: January to September visit rate for Osaka Prefecture comparable to Tokyo (Note 2)
- International flight passengers at Kansai International Airport: January to November cumulative total broke the record-high annual total (Note 3)

Visit Rate by Prefecture of Foreign Tourists Visiting Japan

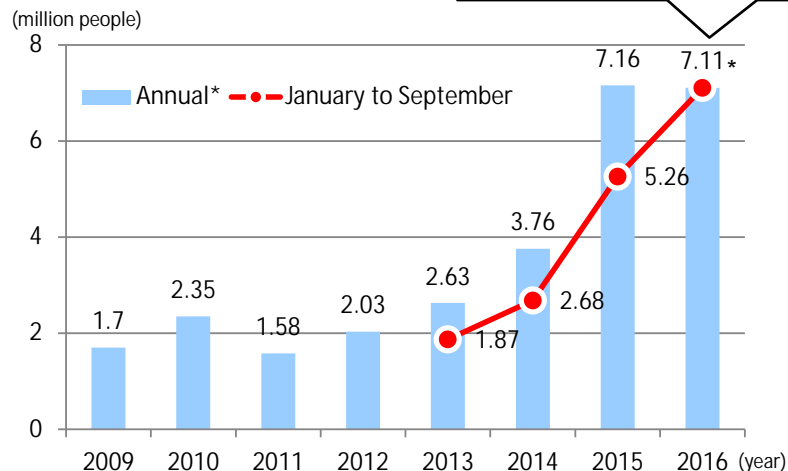
	2013	2014	2015	2016 (Note 4)
Osaka Prefecture	30.2%	34.1%	41.9%	45.3%
Tokyo	43.2%	48.5%	48.2%	45.1%

(Note 1) Source: Osaka Convention & Tourism Bureau
 (Note 2) Source: "Consumption Trend Survey for Foreigners Visiting Japan" (Japan Tourism Agency)
 (Note 3) Source: Kansai Airports
 (Note 4) Average values of January to September 2016 survey results

Consumption Targets Shift from "Things" to "Experience"

- Chinese tariff hike, increase in tourists other than those of wealthy class and other factors led to consumption shifting from watches, electrical appliances and other expensive goods to cosmetics, pharmaceuticals, etc.
- Increase in independent travelers and repeat visitors led to consumption targets diversifying
 "Entertainment services" purchase rate on increasing trend

Change in Number of Foreign Tourists Visiting Osaka

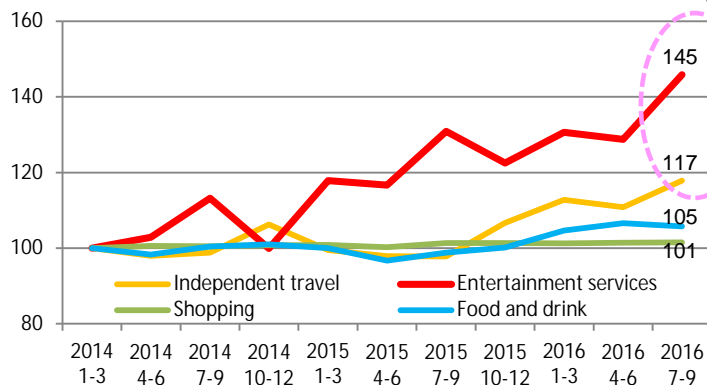


In 2016, January to September cumulative total comparable to the previous year's annual total

Source: Osaka Convention & Tourism Bureau
 *January to September cumulative total in the case of 2016

Change in Purchase Rate (by Product) and Ratio of Independent Travelers of Foreign Tourists Visiting Japan

(relative value based on January to March 2014 survey (100))

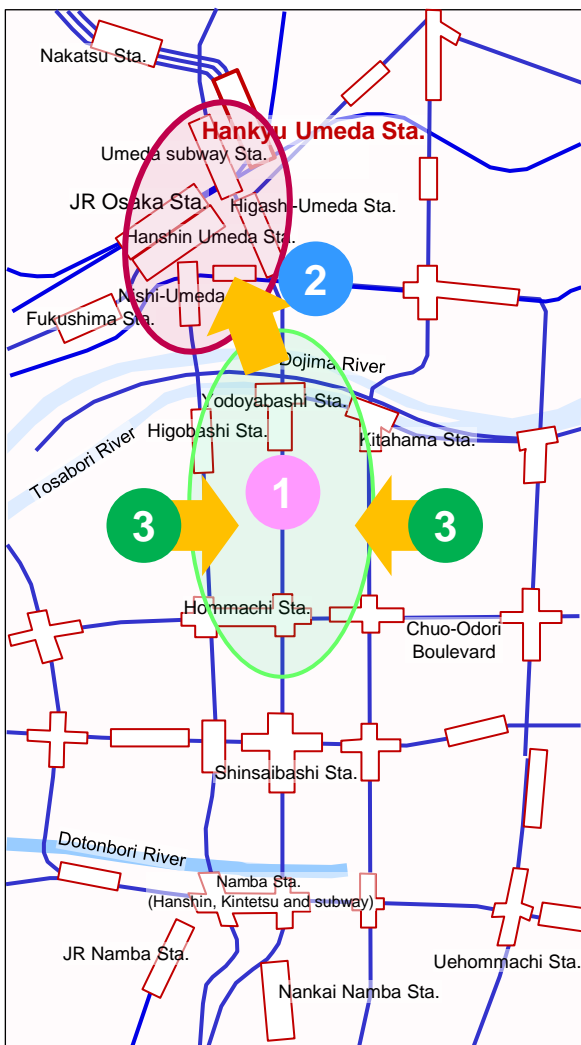


"Entertainment services" and "ratio of independent travelers" on increasing trend

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

Renewal 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

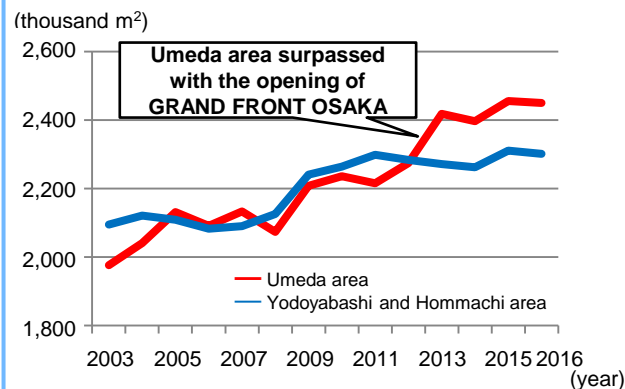


Office Trend

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

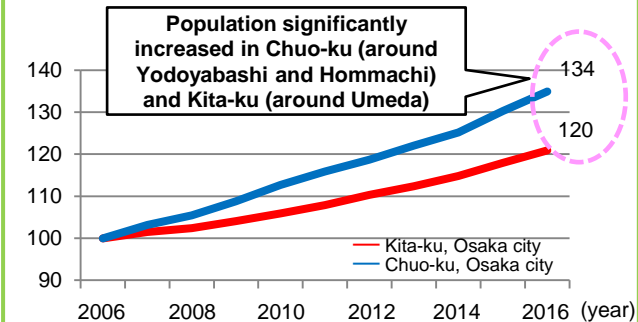


Population Trend

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 2006 (100))

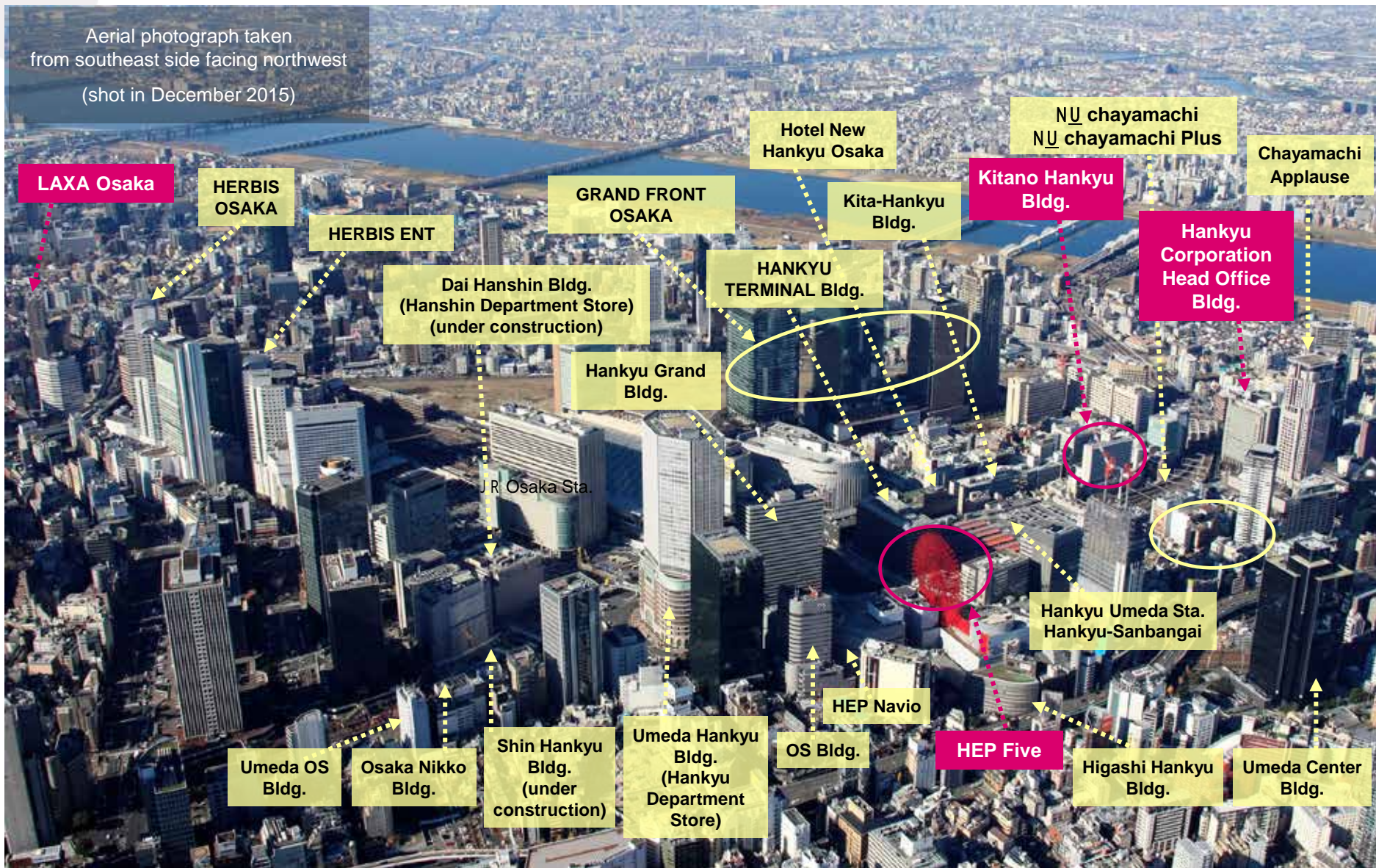


Openings of supermarkets in central Osaka has accelerated



2-5. Main Investment Area of Hankyu REIT "Umeda"

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

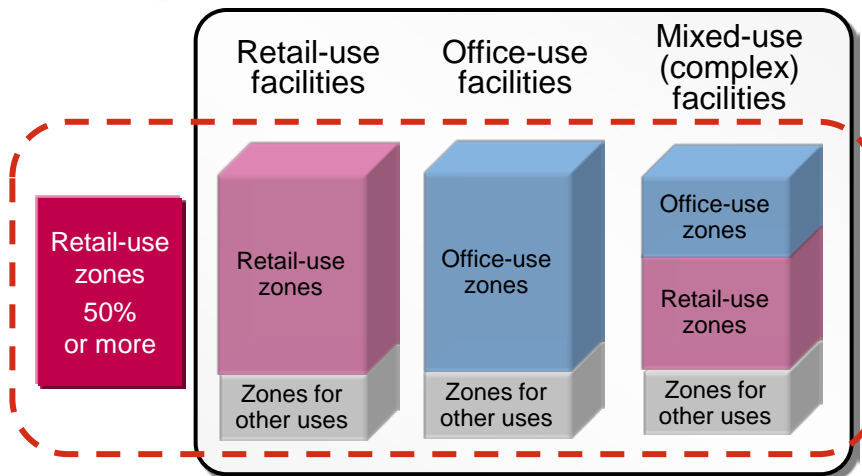
3. External Growth Strategies





Investment Targets

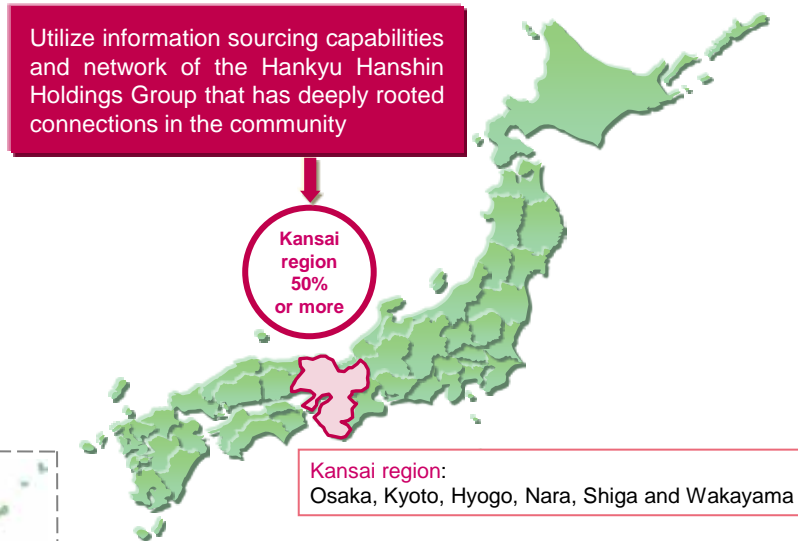
Target real estate with retail-use and office-use zones
Especially focus investment on retail-use zones



* 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

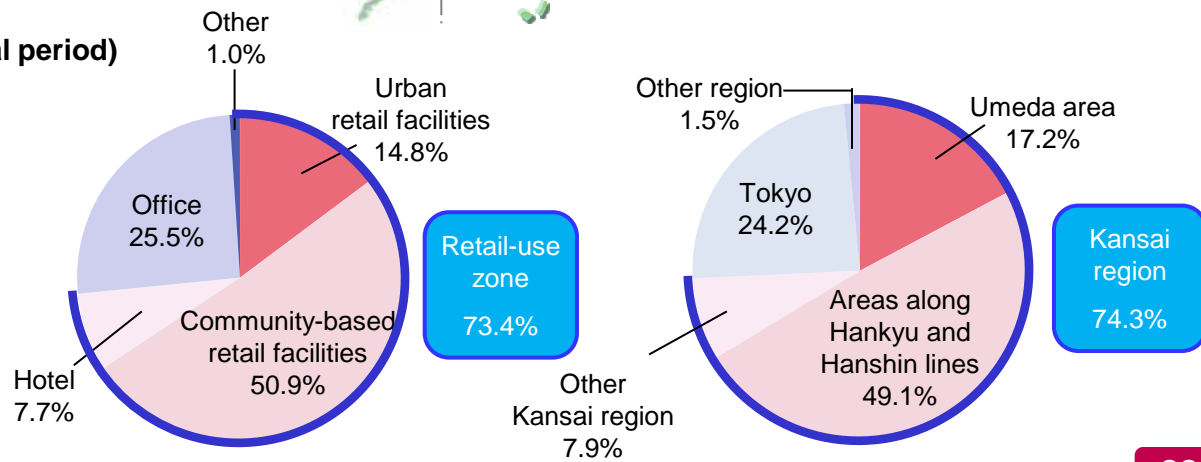
Target real estate across Japan
Investment target areas are the Tokyo metropolitan area, government-ordinance-designated cities nationwide and other comparable major cities
Of these, investment is focused on the Kansai region



Portfolio Status (end of 23rd fiscal period)

Total acquisition price:
JPY 141.62 bn

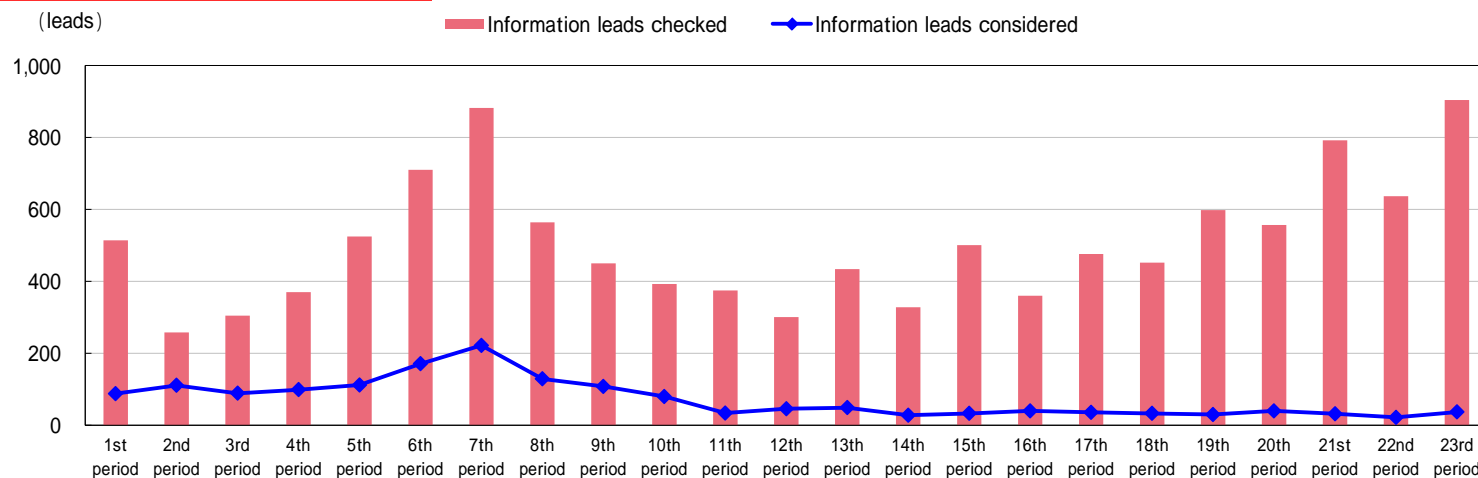
Total number of properties:
23 properties



Status of Property Acquisition Activities

Promoting consideration of property acquisitions that can contribute to improvement of portfolio profitability and stability amidst heated competition for property acquisition. Will continue to obtain quality property information utilizing the comprehensive strengths of the sponsor group through joint efforts, such as setting up a weekly forum to share property information and consideration with the sponsor group. In addition, will continue to aim for further expansion of 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 KOSHIEN (site) LAXA Osaka HANKYU NISHINOMIYA GARDENS kotocross Hankyu Kawaramachi	Shiodome East Side Building Hotel Gracery Tamachi KOHYO Onohara Store	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 AEON MALL SAKAIKITAHANADA (site)	Takatsuki-Josai Shopping Center Kohnan Hiroshima Nakano-Higashi Store (site) Sphere Tower Tennozu Kita-Aoyama San cho-me Building (Tentative name) OASIS Town Itami Konoike (site)

3-3. Information Leads and Leads Considered (23rd Fiscal Period)

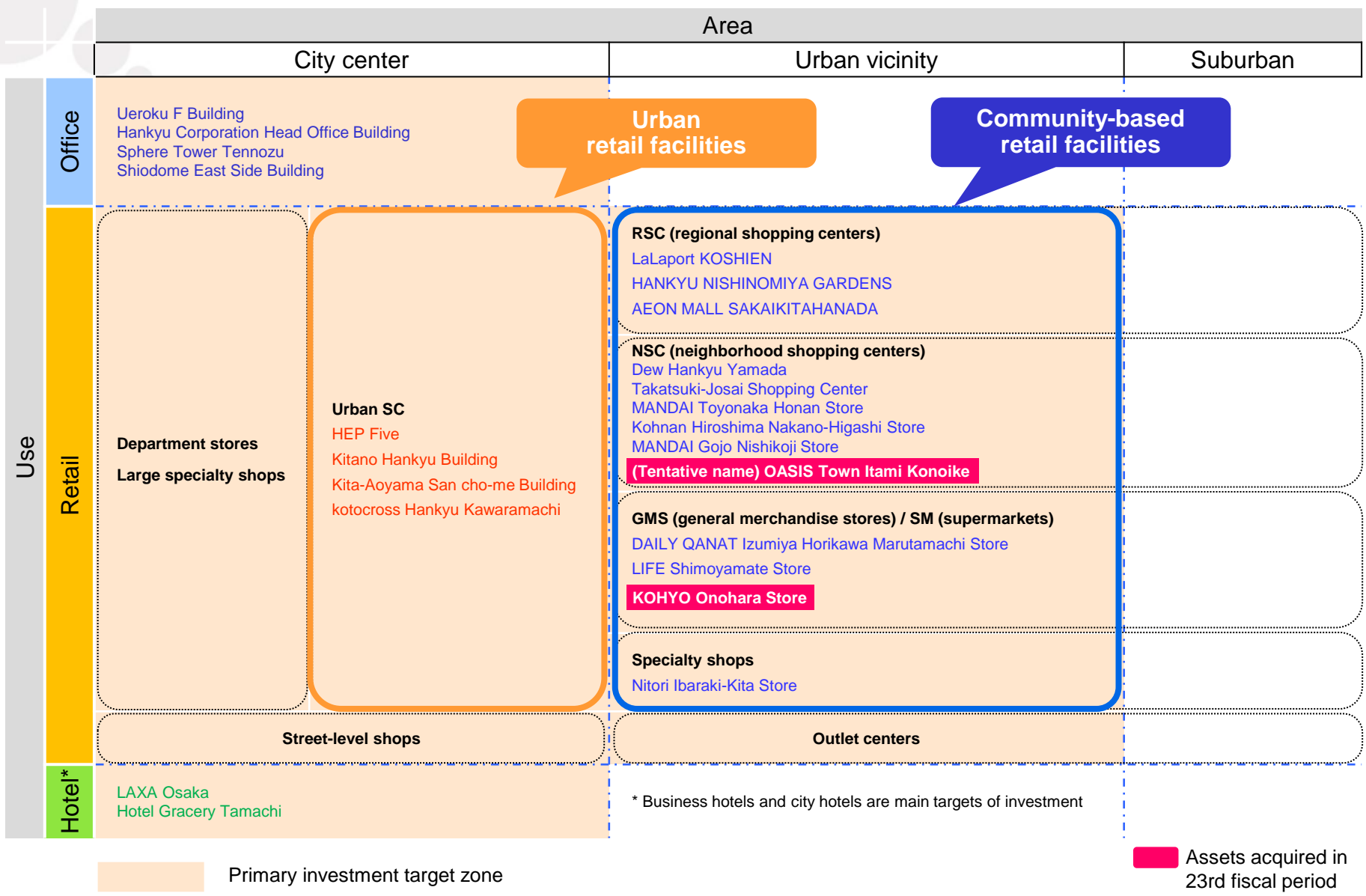
* Outer circle: Information leads Inner circle: Leads actually considered

Use	City center			Urban vicinity			Suburban		
	Information leads	Leads actually considered	Leads actually considered	Information leads	Leads actually considered	Leads actually considered	Information leads	Leads actually considered	Leads actually considered
Office	21	62	27	9 ¹	28	1	0	0	4
Mixed (Complex)	30 ¹	124 ¹	20 ¹	38	52 ¹	6	2	4	3
Retail	11 ³	28 ²	4	14 ⁷	21 ³	4 ²	1	1	5
Hotel	14 ²	6 ¹	4	3	6 ¹	2	0	1	6
Other*	30 ¹	68	22 ¹	96 ⁸	85	5	14	15	7

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



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



Urban retail facilities

Community-based retail facilities

RSC (regional shopping centers)
 LaLaport KOSHIEN
 HANKYU NISHINOMIYA GARDENS
 AEON MALL SAKAIKITAHANADA

NSC (neighborhood shopping centers)
 Dew Hankyu Yamada
 Takatsuki-Josai Shopping Center
 MANDAI Toyonaka Honan Store
 Kohnan Hiroshima Nakano-Higashi Store
 MANDAI Gojo Nishikoji Store

(Tentative name) OASIS Town Itami Konoike

GMS (general merchandise stores) / SM (supermarkets)
 DAILY QANAT Izumiya Horikawa Marutamachi Store
 LIFE Shimoyamate Store
KOHYO Onohara Store

Specialty shops
 Nitori Ibaraki-Kita Store

* Business hotels and city hotels are main targets of investment



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



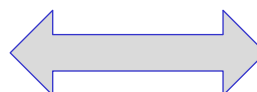
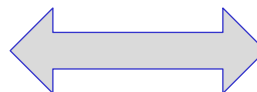
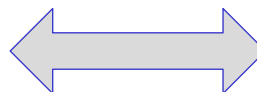
Dew Hankyu Yamada



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

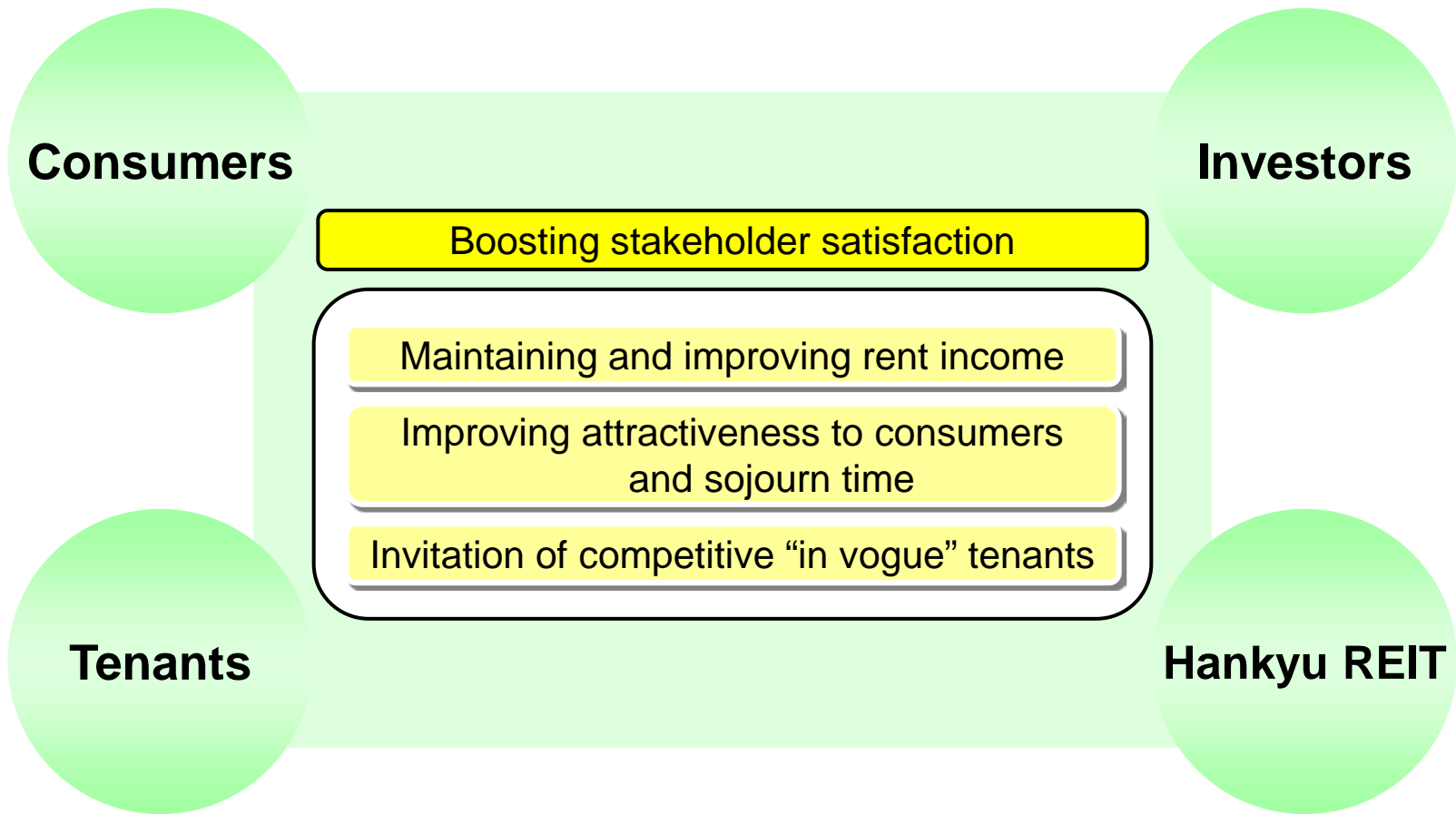
(Note) This is not intended as a guarantee that all assets held by Hankyu REIT classified as community-based retail facilities or urban retail facilities feature the qualities above. Notably, there are assets among these that employ a fixed-type master lease method and, in the case of such assets, Hankyu 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.

4. Internal Growth Strategies



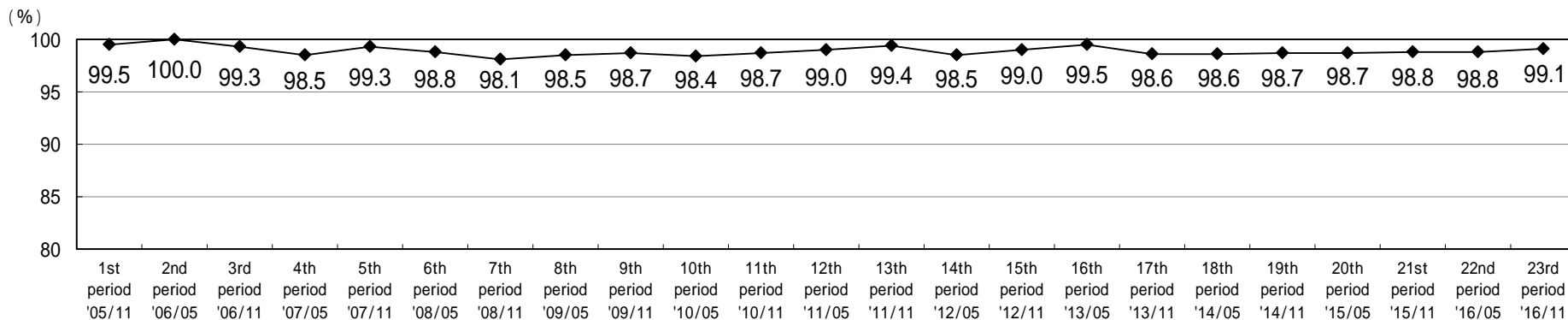


Achieving a WIN-WIN-WIN-WIN relationship in operations

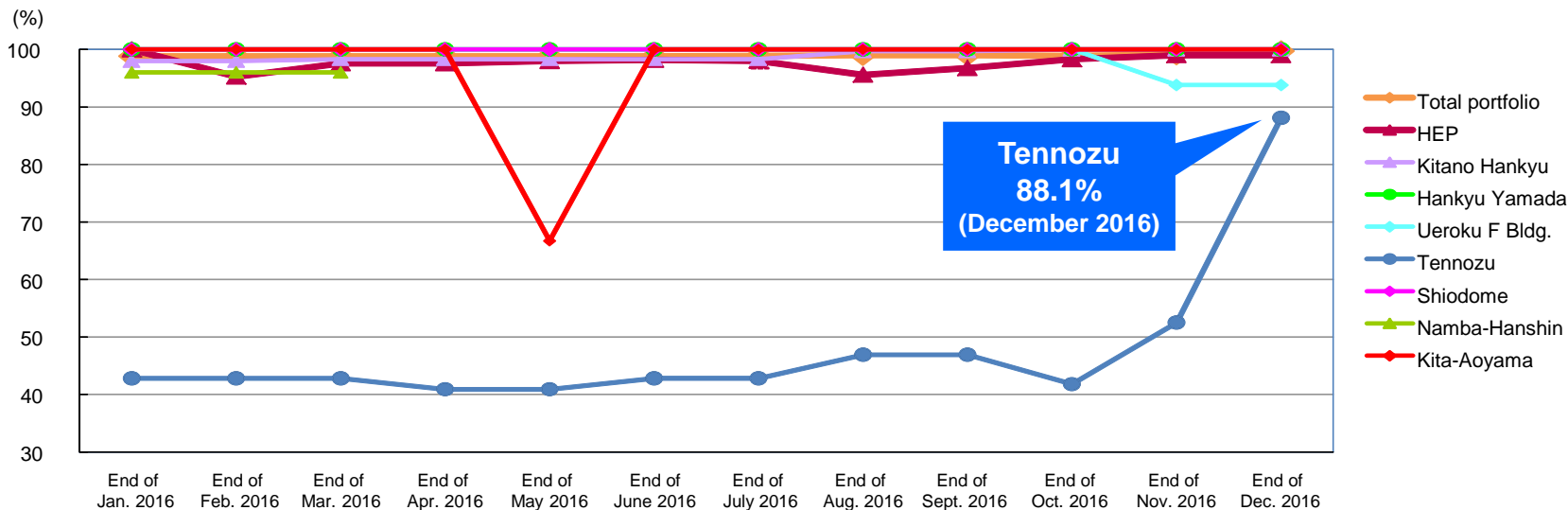




Stable occupancy rates maintained since 1st fiscal period



Total portfolio occupancy rate as of the end of November 2016 (end of 23rd fiscal period) was 99.1%
(Total portfolio occupancy rate as of the end of December 2016 was 99.7%)



The graph excludes the 16 properties (Takatsuki-Josai, Nitori Ibaraki, Kohnan Hiroshima, Tamachi, LaLaport KOSHIEN, LAXA Osaka, NISHINOMIYA GARDENS, Hankyu Corporation Head Office, AEON MALL SAKAIKITA HANADA, MANDAI Toyonaka Honan, Izumiya Horikawa Marutamachi, kotocross, LIFE Shimoyamate, MANDAI Gojo Nishikoji, KOHYO Onohara and OASIS Town Itami Konoike) leased to single tenants (occupancy rates of 100%).



Three Hotels in Hankyu REIT's Portfolio (Note 1)

Hotel Metrics Going Strong

- Performance metric RevPAR^(Note 2) recently showing a slightly decreasing trend after sharply rising up until the 21st fiscal period, but still maintaining a high level
- Ratio of use by foreign tourists visiting Japan maintained at a high level at the two Osaka hotels and on an increasing trend at Tamachi, too
- Systematically implementing measures to tap Japanese and foreign tourists, etc., such as guest room beautification work and renovation from single to twin
- Hotels highly recognized for their location and features

(Note 1) Kitano Hankyu Building (Hotel New Hankyu Annex) (fixed-type master lease contract), LAXA Osaka (Hotel Hanshin) (fixed-type master lease contract) and Hotel Gracery Tamachi (long-term fixed contract)
 (Note 2) RevPAR (Revenue Per Available Room): Guest room revenue divided by number of guest rooms available
 ADR (Average Daily Rate): Guest room revenue divided by number of guest rooms sold

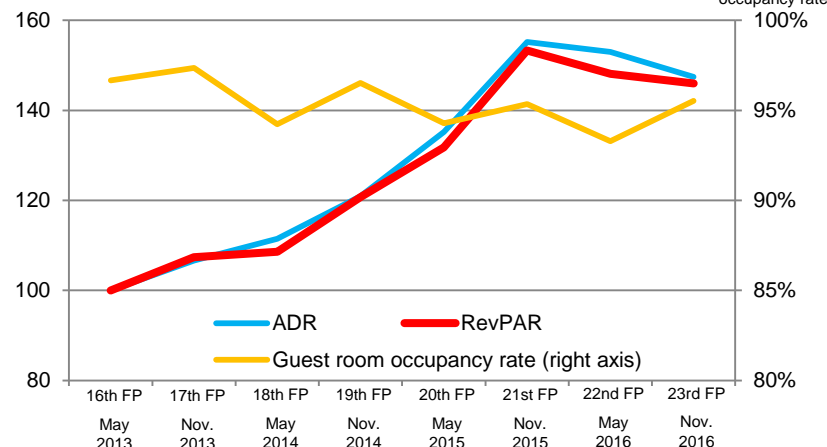
HEP Five

Ferris Wheel Sales Continue to Increase

- Striking increase in foreign tourists visiting Japan who used the Osaka Amazing Pass ^(Note) (58.8% used the Pass in the 23rd fiscal period)
- Directly contributed to income increase because Ferris Wheel operating costs are pretty much a fixed amount (Ferris Wheel sales in the 23rd fiscal period doubled that in the 16th fiscal period)

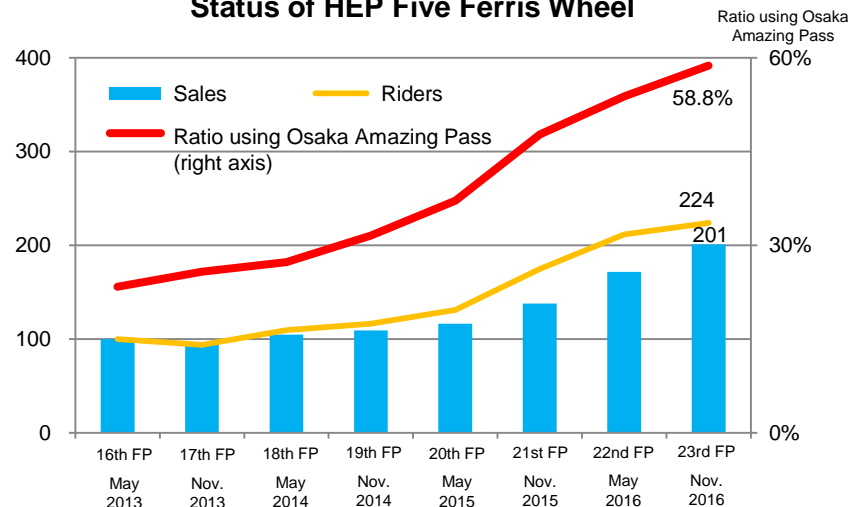
(Note) Surutto KANSAI Osaka Amazing Pass: A travel pass that offers unlimited travel on Hankyu Railway, Hanshin Electric Railway, Keihan Electric Railway, Nankai Electric Railway, Kintetsu Railway and Osaka Municipal Subway and Bus within Osaka City limits, and even admission to HEP Five Ferris Wheel, Umeda Sky Building Floating Garden Observatory and other fee-based facilities in Osaka City

Status of Hotels in Hankyu REIT's Portfolio



[Graph]
 Guest room occupancy rate: Average of three properties (Note 1) (right axis)
 RevPAR and ADR (Note 2): Relative value based on 16th fiscal period's average set as 100 (left axis)
 *Factored out Hotel Gracery Tamachi's renovation period (Jan. 2016) in the case of 22nd fiscal period

Status of HEP Five Ferris Wheel



[Graph]
 Ratio using Osaka Amazing Pass: Each fiscal period's average (right axis)
 Sales and Riders: Relative value based on 16th fiscal period's total set as 100 (left axis)

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. At JPY 79.5 billion in fiscal 2015, sales increased for the seventh consecutive year since opening in 2008. Sales in fiscal 2016, too, are going strong. The 1F food court will be completely renovated, with reopening scheduled for late April 2017.
Dew Hankyu Yamada NSC (Note 1)	Long-term, fixed (partly overage)	Implemented tenant replacement for two 1F spaces (implemented on December 1, 2016 (24th fiscal period) for one of the spaces). 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)	Having attracted new tenants to two spaces, including a restaurant targeting the young that would lead to revitalization of the facility, in the 23rd fiscal period, achieved 100% occupancy rate at the end of the 23rd fiscal period (up 1.7pt from the end of the previous period (22nd fiscal period)). Continuing to focus efforts on improving attractiveness to customers by implementing value-enhancement work on common-use portions.
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 HANKYU NISHINOMIYA GARDENS



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. Along with retaining customers through group facilities acting as one by implementing joint events, HEP FIVE internal marketing, etc., will continue to aim to attract more customers and boost sales. The number of Ferris wheel riders remained strong in the 23rd fiscal period with a 28% increase over the same period of the previous year due to increase in use by foreign tourists visiting Japan.

Properties Using the Fixed-rent System

Property name	Main rent system	Present conditions
Kita-Aoyama San cho-me Building Urban retail facility	Fixed	Occupancy rate continues to be 100%. Scheduled to implement tenant replacement for one 2F space at a higher level of rent than before (scheduled to move in in March 2017 (24th fiscal period)). 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. As a retail facility that features the characteristics of a landmark, facing the Shijo-Kawaramachi crossing, it houses merchandise shops, restaurants and service shops. The 1F and 2F tenants that were attracted in the previous period (22nd fiscal period) have strong sales, buoyed by robust demand from foreign tourists visiting Japan.
KOHYO Onohara Store SM (Note 1)	Long-term, fixed	Rent income is stable based on a fixed-type master lease method (Note 2) with KOHYO Co., Ltd. Opened in May 2016, this community-based retail facility houses not only a grocery store, but also other shops closely related to daily life, such as a 100 yen shop.
(Tentative name) OASIS Town Itami Konoike (site) NSC (Note 1)	Long-term, fixed	Rent income is stable based on a contract for fixed-term land lease for business purposes with HANKYU OASIS Co., Ltd. It is scheduled to house shops closely related to daily life, such as a grocery store, apparel store and drugstore. As of January 2017, the building is under construction and the rent collectable is 25% (the rent through to the date preceding the opening date of the store of the lessee or September 2, 2017, whichever earlier, will be 25% of the rent on and after the date following the date indicated above.).

(Note 1) NSC: Neighborhood Shopping Center; SM: Supermarket

(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	One tenant moved out, resulting in the period-end occupancy rate decreasing by 6.2pt from the end of the previous period (22nd fiscal period) to 93.8%. Will tap needs for expansion of floor area within the same property through strengthening of relations with existing tenants concurrently with leasing activities for new tenants.
Sphere Tower Tennozu Office	Fixed	Achieved four leasing contracts, including a large tenant, since October 2016, boosting occupancy rate to 88.1% in December 2016 (24th fiscal period). Will continue to promote leasing activities based on location and building features backed by an environment where vacancy rate in the Tokyo metropolitan area is decreasing, and thereby lead to further improvement in occupancy rate.
Shiodome East Side Building Office	Fixed	Occupancy rate continues to be 100%. Will continue to strive to improve satisfaction level by pursuing relations with existing tenants, while also working on preventive maintenance of the building.
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 filed a counterclaim in July 2015 for increase in the amount of rent and it is currently pending.
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 and guest room unit price of Hotel Hanshin, which is under a sublease contract, remain at a high level.
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.

(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.

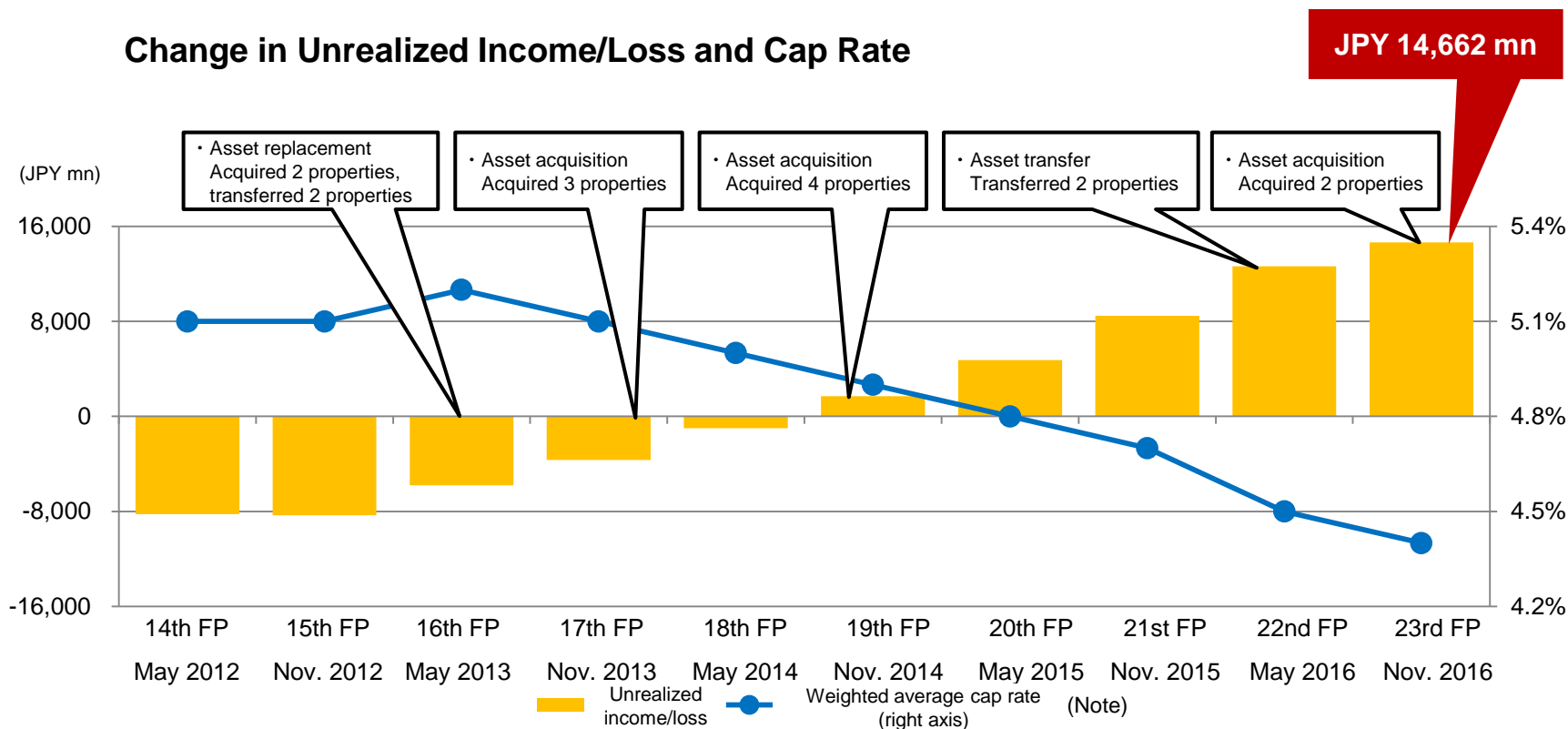
Properties Mainly Using the Fixed-rent System

Property name	Main rent system	Present conditions
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 other renovation into barrier-free space in March 2016, convenience improved for visitors who use the railways (improvement work scheduled for completion in spring 2017).
AEON MALL SAKAIKITAHAHADA (site) RSC (Note)	Long-term, fixed	Hankyu REIT owns the site only, and there is a contract for long-term, fixed-term land lease with the building owner Sumitomo Mitsui Trust Bank, Limited for the shopping center land with land leasehold right, which occupies most of the site. Sakai Kitahanada Hankyu, which has a store in AEON MALL (based on subleasing from AEON MALL Co., Ltd., which is in a tenant contract with Sumitomo Mitsui Trust Bank, Limited), announced on July 27, 2016 that it will move out at the end of July 2017, but AEON MALL Co., Ltd. announced on the same date that it will renovate it to "evolve into a completely new urban mall." Will keep a watchful eye on future developments.
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 foreign tourists visiting Japan, 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. Personal delivery service and other efforts are being well received by the residents of the neighboring areas.



Appraisal value increased by 1.2%, making unrealized income JPY 14,662 mn
 Cap rate decreased for all properties (excluding Itami acquired on November 25, 2016)

Change in Unrealized Income/Loss and Cap Rate



(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 (22nd fiscal period-end)		End of current period (23rd fiscal period-end)		Change (-) (Note2)	Change (-)/ (Note2)	Value recorded on the balance sheet at end of current period	Unrealized income/loss -	Value to book ratio /
		Appraisal value	Cap rate (Note1)	Appraisal value	Cap rate (Note1)					
HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	6,468	8,638	3.8%	8,736	3.7%	98	1.1%	5,607	3,128	155.8%
Kitano Hankyu Building	7,740	6,760	4.8%	6,970	4.7%	210	3.1%	7,663	-693	90.9%
Dew Hankyu Yamada	6,930	8,520	4.7%	8,530	4.6%	10	0.1%	5,585	2,944	152.7%
Takatsuki-Josai Shopping Center	8,600	8,150	5.2%	8,160	5.1%	10	0.1%	7,139	1,020	114.3%
Nitori Ibaraki-Kita Store (Site)	1,318	1,640	5.0%	1,690	4.9%	50	3.0%	1,340	349	126.1%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,890	5.8%	1,890	5.7%	0	0.0%	2,280	-390	82.9%
Hotel Gracery Tamachi	4,160	4,340	4.6%	4,390	4.5%	50	1.2%	3,717	672	118.1%
LaLaport KOSHIEN (site)	7,350	7,500	4.5%	7,650	4.4%	150	2.0%	7,748	-98	98.7%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	23,576	4.5%	23,996	4.4%	420	1.8%	17,607	6,388	136.3%
AEON MALL SAKAIKITA HANADA (site)	8,100	9,410	4.5%	9,540	4.4%	130	1.4%	8,189	1,350	116.5%
MANDAI Toyonaka Honan store (site)	1,870	2,240	4.6%	2,260	4.5%	20	0.9%	1,889	370	119.6%
DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	3,100	3,410	4.5%	3,490	4.4%	80	2.3%	3,127	362	111.6%
kotocross Hankyu Kawaramachi	2,770	3,180	4.6%	3,230	4.5%	50	1.6%	2,708	521	119.3%
LIFE Shimoyamate Store (site)	1,421	1,570	4.5%	1,590	4.4%	20	1.3%	1,434	155	110.9%
MANDAI GOJO Nishikoji Store (site)	4,182	4,550	4.6%	4,600	4.5%	50	1.1%	4,213	386	109.2%
KOHYO Onohara Store	1,631	-	-	1,670	5.1%	-	-	1,655	14	100.9%
(Tentative name) OASIS Town Itami Konoike (site)	7,100	-	-	7,120	4.2%	-	-	7,382	-262	96.4%
Shiodome East Side Bldg.	19,025	13,900	4.2%	14,100	4.1%	200	1.4%	17,385	-3,285	81.1%
Hankyu Corporation Head Office Building	10,200	11,600	4.3%	11,700	4.2%	100	0.9%	9,704	1,995	120.6%
Ueroku F Building	2,980	2,790	5.4%	2,700	5.3%	-90	-3.2%	2,643	56	102.1%
Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,765	4.7%	6,765	4.2%	0	0.0%	8,578	-1,813	78.9%
LAXA Osaka	5,122	5,500	5.0%	5,600	4.9%	100	1.8%	4,317	1,282	129.7%
Kita-Aoyama San cho-me Building	1,680	1,910	3.7%	1,940	3.6%	30	1.6%	1,733	206	111.9%
Total	141,628	137,839	4.5%	148,317	4.4%	1,688	1.2%	133,654	14,662	111.0%

(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 KOSHIEN (site), AEON MALL SAKAIKITA HANADA (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) Change are the figures excluding KOHYO Onohara Store and (Tentative name) OASIS Town Itami Konoike (site) that were acquired in the 23rd fiscal period.

5. Financial Strategies



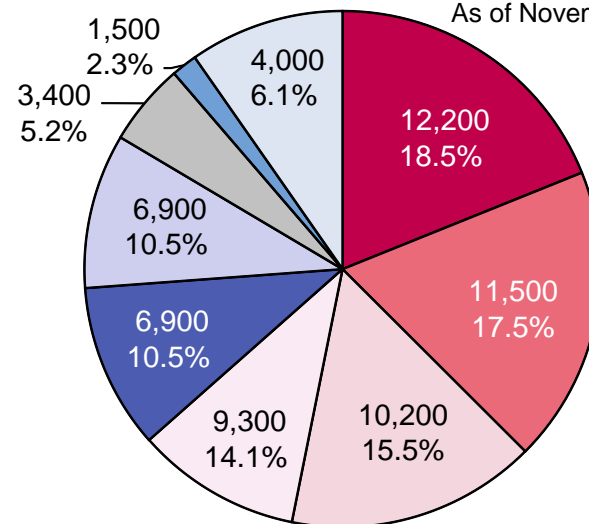
Basic Financial Policy

- 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 22nd fiscal period	As of end of 23rd fiscal period
Interest-bearing debt	JPY 61.9 bn	JPY 65.9 bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	1.02%	0.90%
Avg. debt financing cost (including investment corporation bonds)	1.04%	0.92%
Avg. remaining years on loans payable and investment corporation bonds (Note 1)	4.4 years	4.4 years
Long-term debt ratio	100.0%	90.9%
Fixed debt ratio	90.0%	81.5%
LTV (Note 2)	41.9%	43.0%
Interest-bearing debt ratio	43.0%	44.5%
Investment corporation bonds	JPY 6.0 bn	JPY 4.0 bn
Investor rating (R&I)	A+ (Stable)	A+ (Stable)
Investor rating (JCR)	AA- (Stable)	AA- (Stable)

Debt Outstanding by Lender (JPY mn)

As of November 30, 2016



- Mitsubishi UFJ Trust and Banking Corporation
- Development Bank of Japan Inc.
- Sumitomo Mitsui Banking Corporation
- Sumitomo Mitsui Trust Bank, Limited
- Mizuho Bank, Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Senshu Ikeda Bank, Ltd.
- Mizuho Trust and Banking Co., Ltd
- Investment corporation bonds

Total JPY 65.9 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

(Note 1) Average remaining years

Materials up to the previous period (22nd fiscal period): Presented data on only long-term loans payable and investment corporation bonds

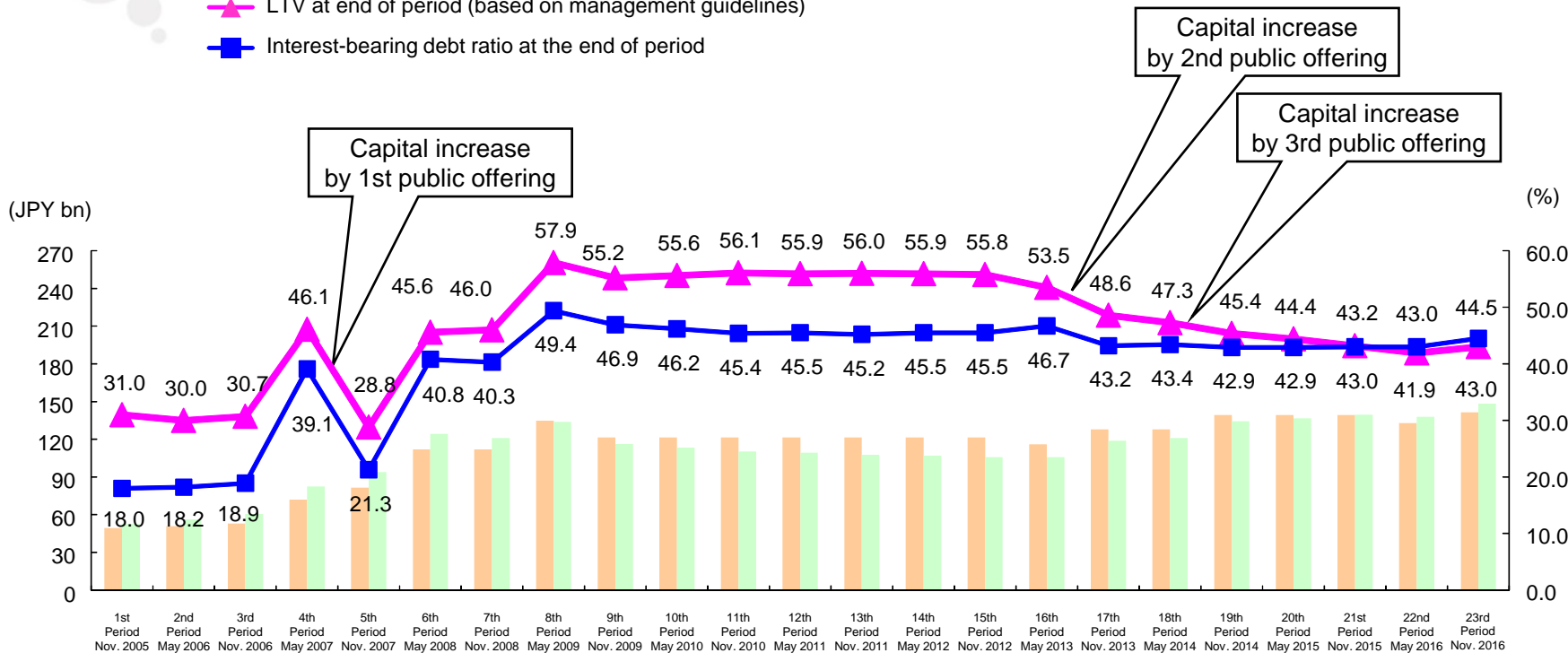
Materials from the period under review (23rd fiscal period): Presenting the data with the addition of short-term loans payable(both 22nd and 23rd fiscal periods)

(Note 2) Details of the calculation method for "LTV" are presented on P65.



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

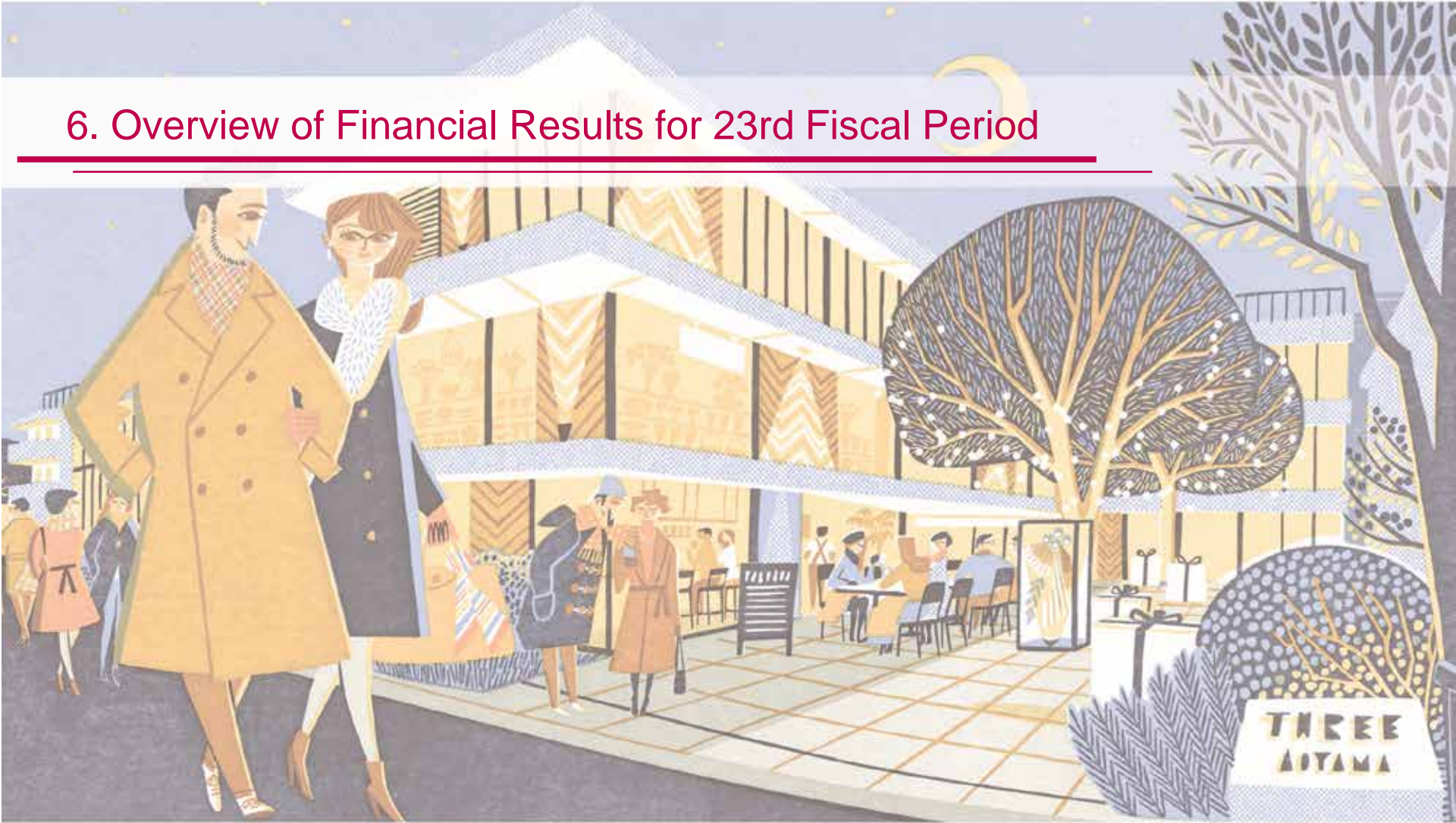
- Total acquisition price
- Total appraisal value at the end of period
- LTV at end of period (based on management guidelines)
- Interest-bearing debt ratio at the end of period



No. of properties	5	6	7	8	9	11	11	16	15	15	15	15	15	15	15	15	16	19	19	23	23	23	21	23
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LTV remains on an ongoing basis

6. Overview of Financial Results for 23rd Fiscal Period



Income Statement

(Unit: JPY mn)

Item	22nd Fiscal Period (Operation period:183 days) Dec. 1, 2015 to May 31, 2016		23rd Fiscal Period (Operation period:183 days) June 1, 2016 to Nov. 30, 2016		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	5,527	100.0	4,721	
Lease operating revenues	4,795		4,721		
Income on sale of real estate, etc.	731		—		
2. Operating expenses	3,474	62.9	2,745	58.1	-728 (2)
Lease operating costs	2,387		2,284		
Loss on sale of real estate, etc.	633		—		
Asset management remuneration	339		334		
Officer remuneration	3		3		
Asset consignment remuneration	18		18		
Administrative agency remuneration	36		37		
Auditor remuneration	10		11		
Other operating expenses	44		56		
Operating income	2,053	37.1	1,976	41.9	-76
3. Non-operating revenues	2	0.0	1	0.0	-0
Interest earned	1		0		
Other non-operating revenues	0		1		
4. Non-operating expenses	395	7.2	406	8.6	11
Interest expenses	288		285		
Loan related expense	54		54		
Interest due on investment corporation bonds	38		35		
Amortization of investment corporation bond issuance costs	3		2		
Other expenses	11		29		
Ordinary income	1,659	30.0	1,570	33.3	-88
Pretax net income for current period	1,659		1,570		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	0		-0		
Net income for current period	1,657	30.0	1,569	33.2	-88
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,658		1,569		

Cash Distribution Statement

(Unit: JPY thousand)

Item	22nd Fiscal Period	23rd Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,658,233	1,569,370	-88,863
Distributions	1,658,062	1,569,035	-89,027
(Distribution per unit (JPY))	(2,775)	(2,626)	(-149)
Retained earnings carried forward	171	335	163

(Main factors for increase/decrease)

(1) Increase in operating revenues

Decrease in income on sale of real estate (Hamamatsu)
JPY -731 mn

Decrease in income from lease, etc. (Namba and Hamamatsu)
JPY -152 mn

Increase in operating revenues due to contribution of
properties acquired in 23rd fiscal period
JPY +43 mn

(2) Increase in operating expenses

Decrease in loss on sale of real estate (Namba)
JPY -633 mn

Decrease in lease operating costs (Namba and Hamamatsu)
JPY -139 mn

Lease operating revenues/costs

Breakdown: See pages 44 and 45

(Unit: JPY mn)

Item	22nd Fiscal Period (as of May 31, 2016)		23rd Fiscal Period (as of Nov. 30, 2016)		Change Amount	Item	22nd Fiscal Period (as of May 31, 2016)		23rd Fiscal Period (as of Nov. 30, 2016)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)			Amount	Ratio (%)	Amount	Ratio (%)	
Assets						Liabilities					
I. Current assets total	18,275	12.7	13,822	9.3	-4,452	I. Current liabilities total	7,846	5.5	14,744	10.0	6,897
Currency and demand deposit	10,465		5,604			Operating accounts payable	439		572		
Currency and demand deposit in trust	7,481		7,722			Short-term loans payable	—		6,000		
Operational income receivable	4		7			Investment corporation bonds (due within 1 year)	6,000		—		
Deposit paid	94		80			Long-term loans payable (due within 1 year)	—		7,000		
Consumption taxes receivable	—		258			Accrued dividend	10		10		
Prepaid expense	226		144			Accrued expenses	171		167		
Others	2		3			Income taxes payable	1		1		
II. Fixed assets total	125,686	87.3	134,111	90.6	8,424	Accrued consumption tax	348		79		
1. Tangible fixed assets						Advance received	646		691		
Buildings	1,919		2,224			Current deposit received	0		1		
Structures	203		219			Security deposits (return within 1 year)	228		218		
Tools, furniture and fixtures	0		0			II. Total noncurrent liabilities	62,800	43.6	59,985	40.5	-2,814
Land	9,485		18,130			Investment corporation bonds	—		4,000		
Buildings in trust	26,331		25,846			Long-term loans payable	55,900		48,900		
Structures in trust	551		541			Security deposits	1,251		1,391		
Machinery and equipment in trust	160		143			Security deposits in trust	5,649		5,694		
Tools, furniture and fixtures in trust	59		56			Liabilities total	70,647	49.1	74,730	50.5	4,082
Land in trust	85,466		85,466			Net assets					
Trust construction account	18		48			I. Unitholders capital	71,659	49.8	71,659	48.4	
Tangible fixed assets total	124,195	86.3	132,678	89.7	8,482	II. Total surplus	1,658	1.2	1,569	1.1	
2. Intangible fixed assets						Unappropriated income for current period	1,658		1,569		
Land leasehold	957		957			Net assets total	73,317	50.9	73,228	49.5	-88
Others	71		67								
Intangible fixed assets total	1,028	0.7	1,024	0.7	-4						
3. Investments, other assets											
Long-term prepaid expenses	452		398								
Guarantee money deposit	10		10								
Investment, other assets total	462	0.3	408	0.3	-54						
III. Total deferred assets	2	0.0	24	0.0	22						
Investment corporation bond issuance costs	2		24								
Assets total	143,964	100.0	147,958	100.0	3,993	Liabilities and net assets total	143,964	100.0	147,958	100.0	3,993

Interest-bearing
debt
JPY 65,900 mn

Total
security deposits
JPY 7,304 mn
↓
JPY 1,485 mn
was allocated for
property
acquisitions

6-3. Income and Expenditure by Property (1)

(Unit: JPY mn)

Item	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kitano Hankyu Building	Dew Hankyu Yamada	Takatsuki-Josai Shopping Center	Nitori Ibaraki-Kita Store (site) (Note 1)	Kohnan Hiroshima Nakano-Higashi Store (site)	Hotel Gracery Tamachi	LaLaport KOSHIEEN (site)	HANKYU 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)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site) (Note 1)
Number of operating days of 23rd fiscal period	183	183	183	183	183	183	183	183	183	183	183	183
Lease operating revenues total	308	578	379	284		68	121	257	618			
Income from lease	242	378	258	283		68	116	257	617			
Utilities expense income	14	137	53	—		—	—	—	—			
Other incomes	51	62	66	0		0	4	0	0			
Lease operating costs total	181	411	252	129		6	51	106	212			
Property/Facility management fees	43	113	75	10		0	1	1	0			
Utilities expense	23	149	53	0		—	—	—	—			
Rent paid	3	0	1	22		—	—	0	6			
Advertising and promotion expenses	25	1	4	—		—	—	—	—			
Repair expense	11	8	22	0		—	0	—	0			
Nonlife insurance premium	0	1	0	1		—	0	0	2			
Tax and public dues	24	49	26	26		6	14	102	58			
Other expenses	6	1	4	0		—	0	1	0			
Depreciation	40	85	62	68		—	32	0	142			
NOI (Lease operating income + Depreciation)	168	251	189	223	60	62	102	150	548	211	53	88
Lease operating income	127	166	127	155	60	62	69	150	406	211	53	88
Capital expenditure	20	85	1	—	—	—	3	0	14	—	—	—

(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.

6-3. Income and Expenditure by Property (2)

(Unit: JPY mn)

Item	kotocross Hankyu Kawaramachi	LIFE Shimoyamate Store (site) (Note 1)	MANDAI Gojo Nishikoji Store (site) (Note 1)	KOHYO Onohara Store (Note 1) (Note 2)	(Tentative name) OASIS Town Itami Konoike (site) (Note 1) (Note 3)	Shiodome East Side Building	Hankyu Corporation Head Office Building	Ueroku F Building	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	LAXA Osaka	Kita-Aoyama San cho-me Building (Note 1)	Total (23 properties)
Number of operating days of 23rd fiscal period	183	183	183	153	6	183	183	183	183	183	183	—
Lease operating revenues total	102					405	359	140	123	255		4,721
Income from lease	102					380	359	120	90	254		4,247
Utilities expense income	—					20	—	11	12	—		251
Other incomes	0					3	—	7	20	0		223
Lease operating costs total	46					182	160	89	194	168		2,284
Property/Facility management fees	1					18	1	22	42	2		346
Utilities expense	—					25	—	11	42	—		306
Rent paid	12					0	—	—	—	17		65
Advertising and promotion expenses	—					—	—	—	—	—		32
Repair expense	0					0	0	4	7	33		90
Nonlife insurance premium	0					0	1	0	0	2		14
Tax and public dues	10					21	47	12	29	47		543
Other expenses	0					2	0	1	12	1		35
Depreciation	20					113	109	37	60	63		849
NOI (Lease operating income + Depreciation)	76	34	109	40	1	336	307	88	-10	150	39	3,286
Lease operating income	55	34	109	33	1	222	198	50	-71	87	35	2,437
Capital expenditure	0	—	—	—	—	0	—	27	24	74	0	254

(Main capital expenditure)

Kitano Hankyu Building	Elevator modernization	JPY 30 mn
	Common-use portion beautification	JPY 29 mn
LAXA Osaka	Central monitoring equipment upgrading	JPY 59 mn
	Hot water boiler upgrading	JPY 10 mn
Ueroku F Building	Elevator modernization	JPY 19 mn
Sphere Tower Tennozu	Preparation work for tenant moving in	JPY 18 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) Acquired on July 1, 2016.

(Note 3) Acquired on November 25, 2016.

Item	22nd Fiscal Period	23rd Fiscal Period	Remarks
Operation period	183 days	183 days	22nd fiscal period: December 1, 2015 to May 31, 2016 23rd fiscal period: June 1, 2016 to November 30, 2016
Return On Assets (ROA)	1.2%	1.1%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.3%	2.1%	Calculated from duration of operation
Return On Equity (ROE)	2.3%	2.1%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.5%	4.3%	Calculated from days of operation
Ratio of net assets at end of period	50.9%	49.5%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	41.9% (45.8%)	43.0% (47.4%)	(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%	44.5%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	8.9 times	8.5 times	Pre-interest and pre-depreciation net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 3,335 mn	JPY 3,286 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 2,486 mn	JPY 2,418 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate

7. APPENDIX



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)	End of 23rd FP (End of Nov. 2016)
Average NOI yield (Note 1)	4.8%	4.8%	4.8%	4.8%	4.8%
Average NOI yield after depreciation (Note 1)	3.4%	3.4%	3.4%	3.5%	3.7%
Unrealized income/loss (Note 1)	JPY 1.6 bn	JPY 4.7 bn	JPY 8.4 bn	JPY 12.6 bn	JPY 14.6 bn

Stability of Financial Foundation

	End of 20th FP (End of May 2015)	End of 21st FP (End of Nov. 2015)	End of 22nd FP (End of May 2016)	End of 23rd FP (End of Nov. 2016)
LTV (Note 1)	44.4%	43.2%	41.9%	43.0%
Interest-bearing debt ratio	42.9%	43.0%	43.0%	44.5%
Average debt financing costs (including investment corporation bonds)	1.07%	1.06%	1.04%	0.92%
Average remaining years on loans payable and investment corporation bonds (Note 2)	5.1 years	4.8 years	4.4 years	4.4 years

(Note 1) Details of the calculation method for "Average NOI yield," "Average NOI yield after depreciation," "Unrealized income/loss" and "LTV" are presented on page 65.

(Note 2) Materials up to the previous period (22nd fiscal period): Presented data on only long-term loans payable and investment corporation bonds
Materials from the period under review (23rd fiscal period): Presenting the data with the addition of short-term loans payable (20th fiscal period to 23rd fiscal period)

7-2. Portfolio List (As of End of 23rd Fiscal Period) (1)

As of November 30, 2016

Classification	Code (Note 1)	Name	Location	Completion date	Building age (years) (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	18.1	6,337.37 (2,958.94)	100.0% (99.0%)	1 (128)	5.0%	Feb. 1, 2005	6,468	4.6%	8,736	3.7%
	R2(K)	Kitano Hankyu Building	Kita-ku, Osaka City	June 1985	31.5	28,194.15 (18,477.35)	100.0% (100.0%)	2 (25)	10.1%	Feb. 1, 2005	7,740	5.5%	6,970	4.7%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	13.2	13,027.28	100.0%	28	4.7%	Feb. 1, 2005	6,930	4.9%	8,530	4.6%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	13.7	31,451.81	100.0%	1	5.9%	Nov. 15, 2005	8,600	6.1%	8,160	5.1%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	0.9%	1,690	4.9%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki-ku, Hiroshima City	—	—	25,469.59	100.0%	1	—	Oct. 2, 2006	2,170	1.5%	1,890	5.7%
						60.14				Apr. 9, 2007	5			
	R8	Hotel Gracery Tamachi	Minato-ku, Tokyo	Sep. 2008	8.2	4,943.66	100.0%	1	10.3%	Dec. 25, 2008	4,160	2.9%	4,390	4.5%
	R9(K)	LaLaport KOSHIEEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.4%	Jan. 22, 2009	7,350	5.2%	7,650	4.4%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	8.2	65,372.41	100.0%	1	9.2%	Apr.16, 2013	18,300	12.9%	23,996	4.4%
	R12(K)	AEON MALL SAKAIKITAHAHADA (site)	Kita-ku, Sakai City	—	—	64,104.27	100.0%	2	—	June 27, 2013	8,100	5.7%	9,540	4.4%
	R13(K)	MANDAI Toyonaka Honan Store (site)	Toyonaka City Osaka Prefecture	—	—	8,159.41	100.0%	1	—	June 27, 2013	1,870	1.3%	2,260	4.5%
	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%	3,490	4.4%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto City	Oct. 2007	9.2	4,400.13	100.0%	1	2.6%	June 4, 2014	2,770	2.0%	3,230	4.5%
	R16(K)	LIFE Shimoyamate Store (site)	Chuo-ku, Kobe City	—	—	2,397.83	100.0%	1	—	June 4, 2014	1,421	1.0%	1,590	4.4%
	R17(K)	MANDAI Gojo Nishikoji Store (site)	Ukyo-ku, Kyoto City	—	—	9,182.80	100.0%	1	—	June 24, 2014	4,182	3.0%	4,600	4.5%
	R18(K)	KOHOYO Onohara Store	Minoh City, Osaka Prefecture	May 2016	0.6	3,310.31	100.0%	1	5.3%	July 1, 2016	1,631	1.2%	1,670	5.1%
	R19(K)	(Tentative name) OASIS Town Itami Konoike (site)	Itami City, Hyogo Prefecture	—	—	17,997.10	100.0%	1	—	Nov. 25, 2016	7,100	5.0%	7,120	4.2%

7-2. Portfolio List (As of End of 23rd Fiscal Period) (2)

Classification	Code (Note 1)	Name	Location	Completion date	Building age (years) (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 Building	Chuo-ku, Tokyo	Aug. 2007	9.3	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	13.4%	14,100	4.1%
	O2(K)	Hankyu Corporation Head Office Building	Kita-ku, Osaka City	Sep. 1992	24.2	27,369.37	100.0%	1	3.7%	Apr. 10, 2013	10,200	7.2%	11,700	4.2%
Mixed-use (complex) facilities	M1(K)	Ueroku F Building	Chuo-ku, Osaka City	Sep. 1993	23.2	4,611.82	93.8%	11	3.2%	Nov. 1, 2005	2,980	2.1%	2,700	5.3%
	M2	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa-ku, Tokyo	Apr. 1993 (Note 6)	23.7	8,818.09	52.5%	21	2.7%	Oct. 2, 2007	9,405	6.6%	6,765	4.2%
	M3(K)	LAXA Osaka	Fukushima-ku, Osaka City	Feb. 1999	17.8	30,339.91	100.0%	1	3.7%	Jan. 22, 2009	5,122	3.6%	5,600	4.9%
	M5	Kita-Aoyama San cho-me Building	Minato-ku, Tokyo	Sep. 2013	3.2	619.76	100.0%	3	7.4%	Nov. 12, 2013	1,680	1.2%	1,940	3.6%
Total (at end of 23rd fiscal period)					15.2	501,823.43 (488,728.20)	99.1% (99.1%)	89 (239)	3.5%	—	141,628	100.0%	148,317	4.4%

(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 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 6) 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



KOHYO Onohara Store





Community-based Retail Facilities (2)

DAILY QANAT Izumiya Horikawa Marutamachi Store (site)



(Tentative name) OASIS Town Itami Konoike (site)



External appearance image

MANDAI Gojo Nishikoji Store (site)



LIFE Shimoyamate Store (site)





Community-based Retail Facilities (3)

LaLaport KOSHIEN (site)



MANDAI Toyonaka Honan Store (site)



Takatsuki-Josai Shopping Center



Kohnan Hiroshima Nakano-Higashi Store (site)



AEON MALL SAKAIKITA HANADA (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



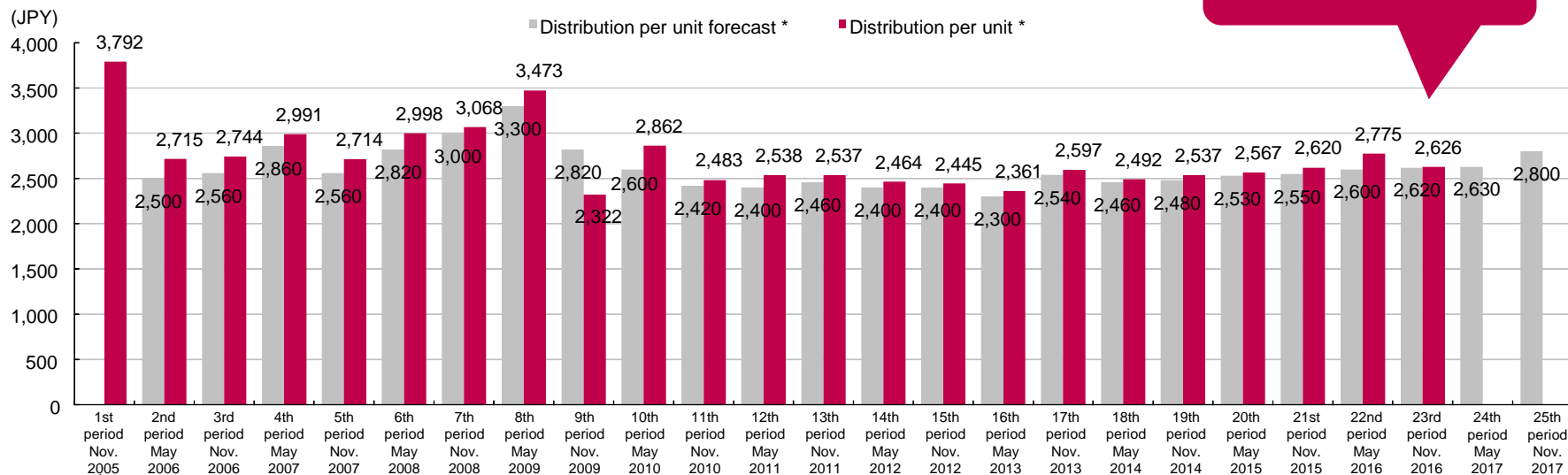
Sphere Tower Tennozu





7-4. Trends of Distribution per Unit

JPY 2,626

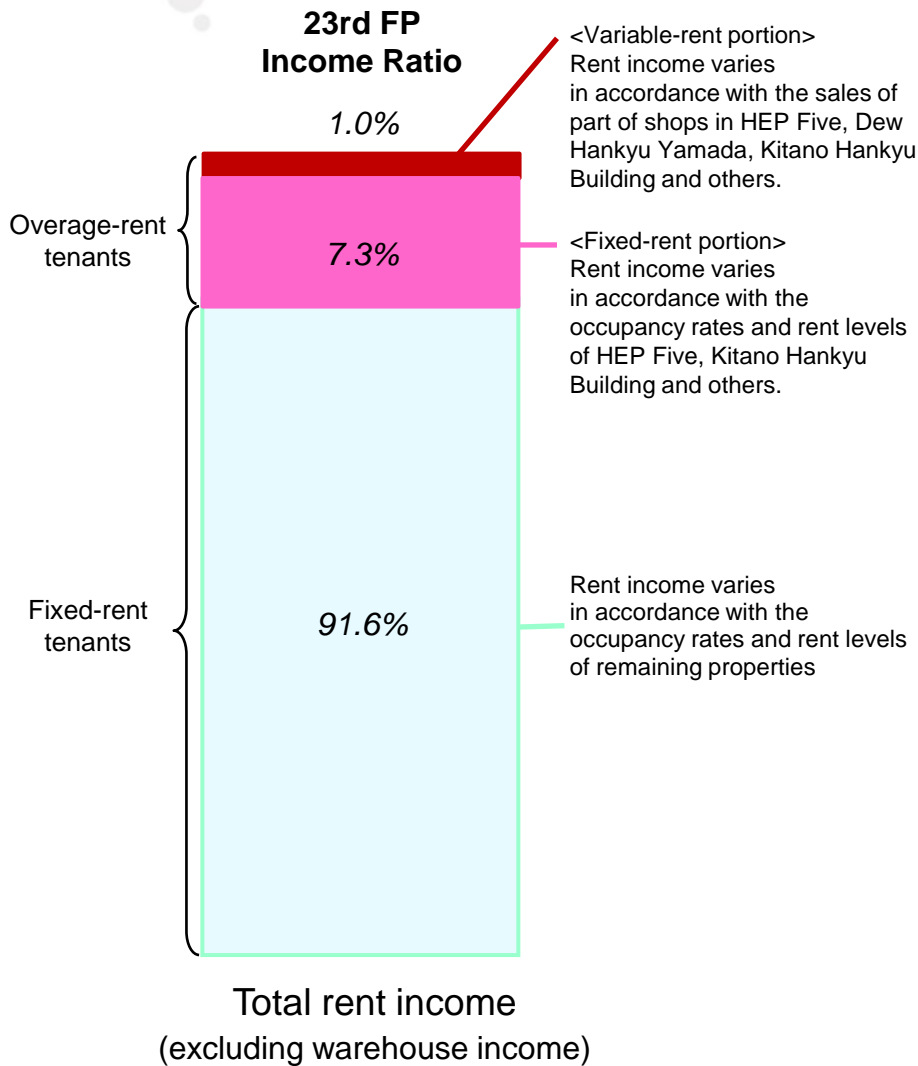


Irregular period (303 days)

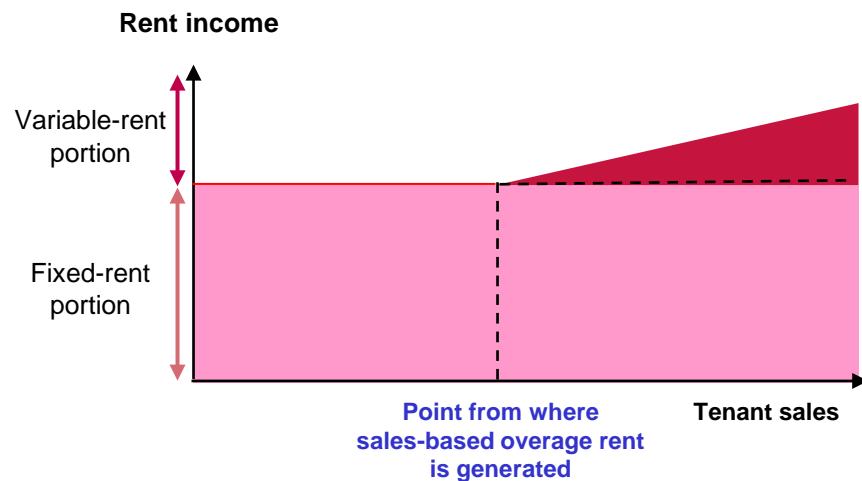
* Hankyu REIT implemented a five-for-one split of its investment units with December 1, 2014 as the effective date. The graph shows figures that retrospectively reflect the implementation of the five-for-one split.



Income Ratio by Rent Category and Variation Factors



Concept Diagram of General Sales-Based Overage Rent System

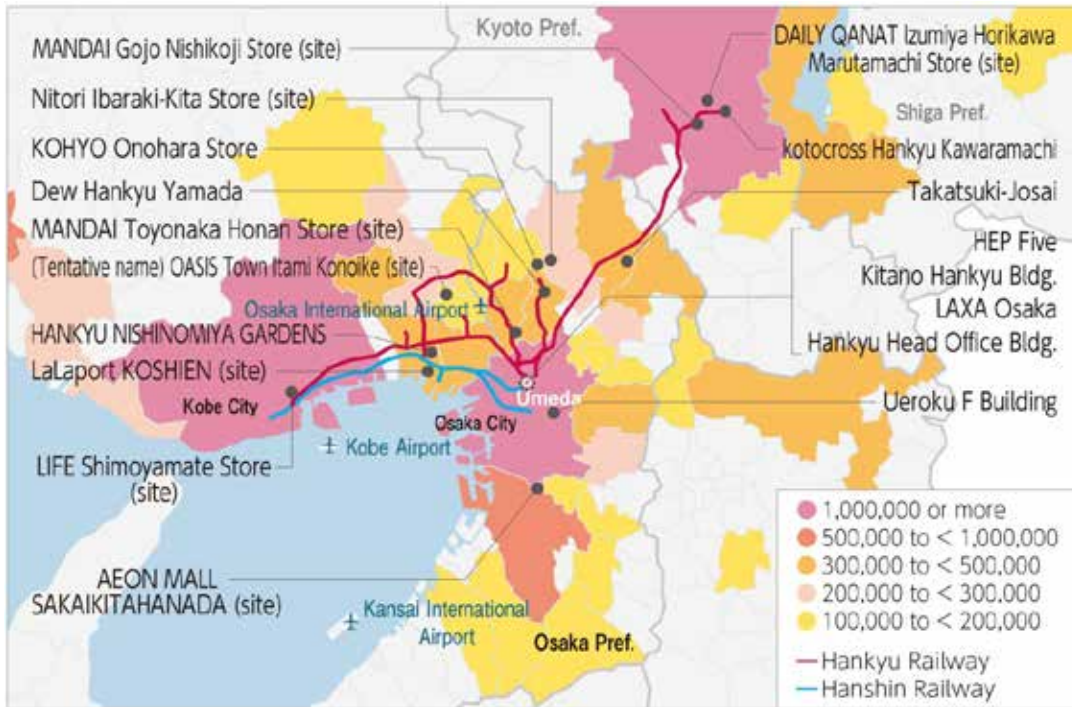




Concentration of population will heighten due to return of population to city center and urban vicinity

Retail facilities of Hankyu REIT are located in most populous municipal regions

<Populations as of January 1, 2016 of municipal regions with populations of 100,000 or more>



Population of Kansai is 20.46 million

Osaka Prefecture: approx. 8.65 million
Of which, 62% reside in the top 7 municipal regions (population of 300,000 or more) including Osaka City

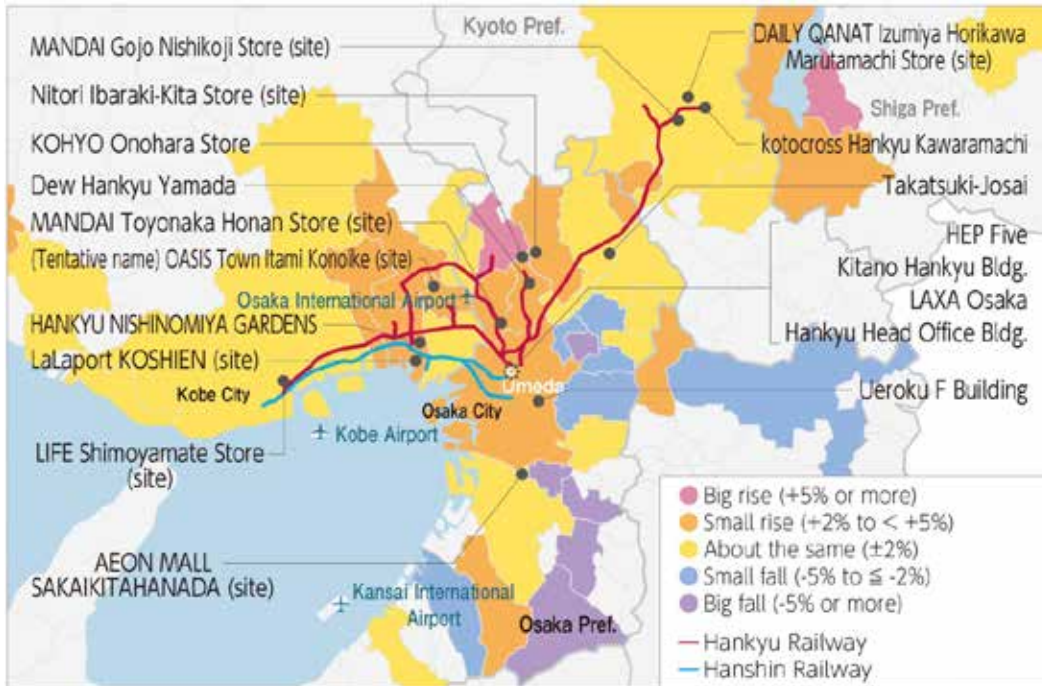
Hyogo Prefecture: approx. 5.52 million
Of which, 68% reside in the top 7 municipal regions (population of 200,000 or more) including Kobe City

(Source) Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2016)



- 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 -1.0% (10-year period), the population of city centers increase such as in Osaka City +2.2%

Areas along Hankyu/Hanshin lines increased (+3.5%)

Reason for differentiation:
High transportation convenience
High concentration of city facilities

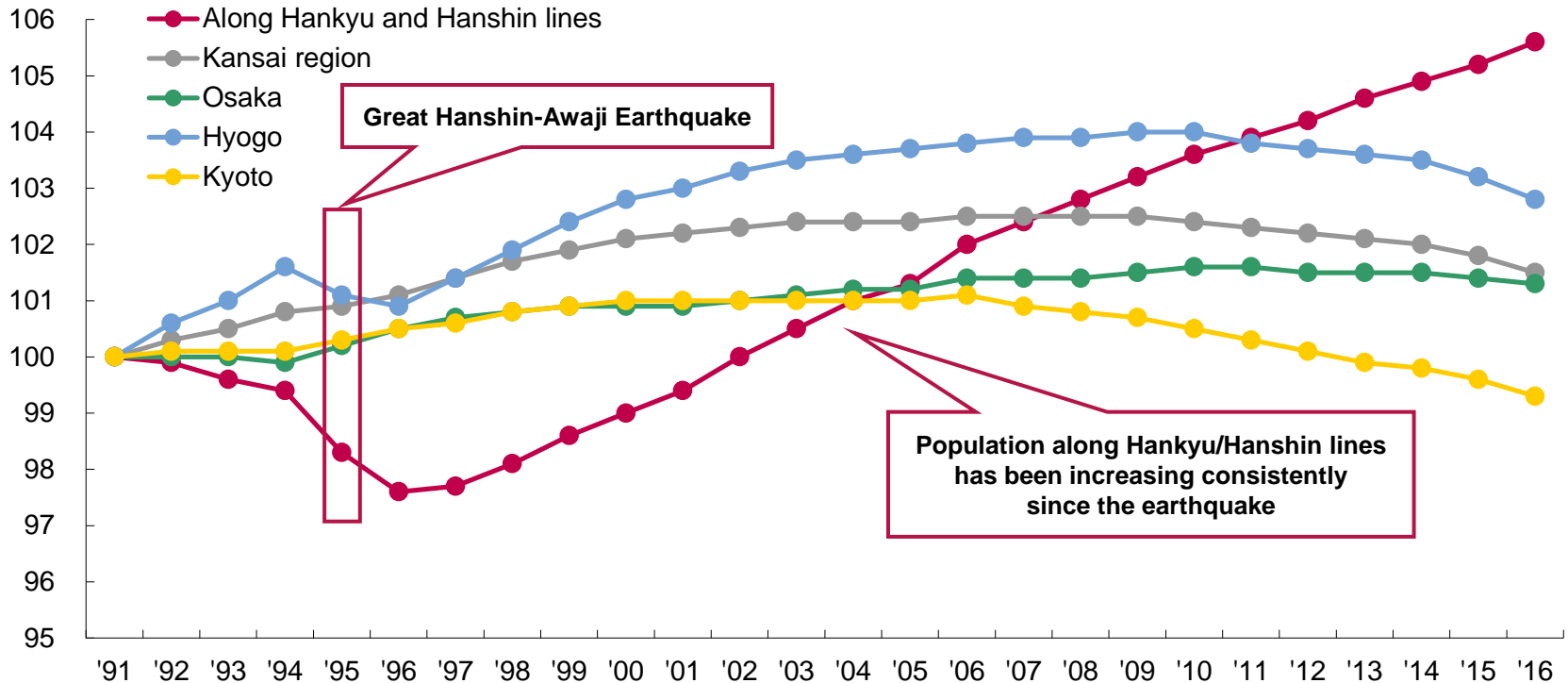
Positive factors to profitability and stability of Hankyu REIT

(Source) Japan Geographic Data Center "Population Summary of the Basic Resident Registers" (2006, 2016)

(Note) With change of the research period for the Basic Resident Registers, comparison is of the population as at the end of March 2006 in the 2006 version and as at January 1, 2016 in the 2016 version.

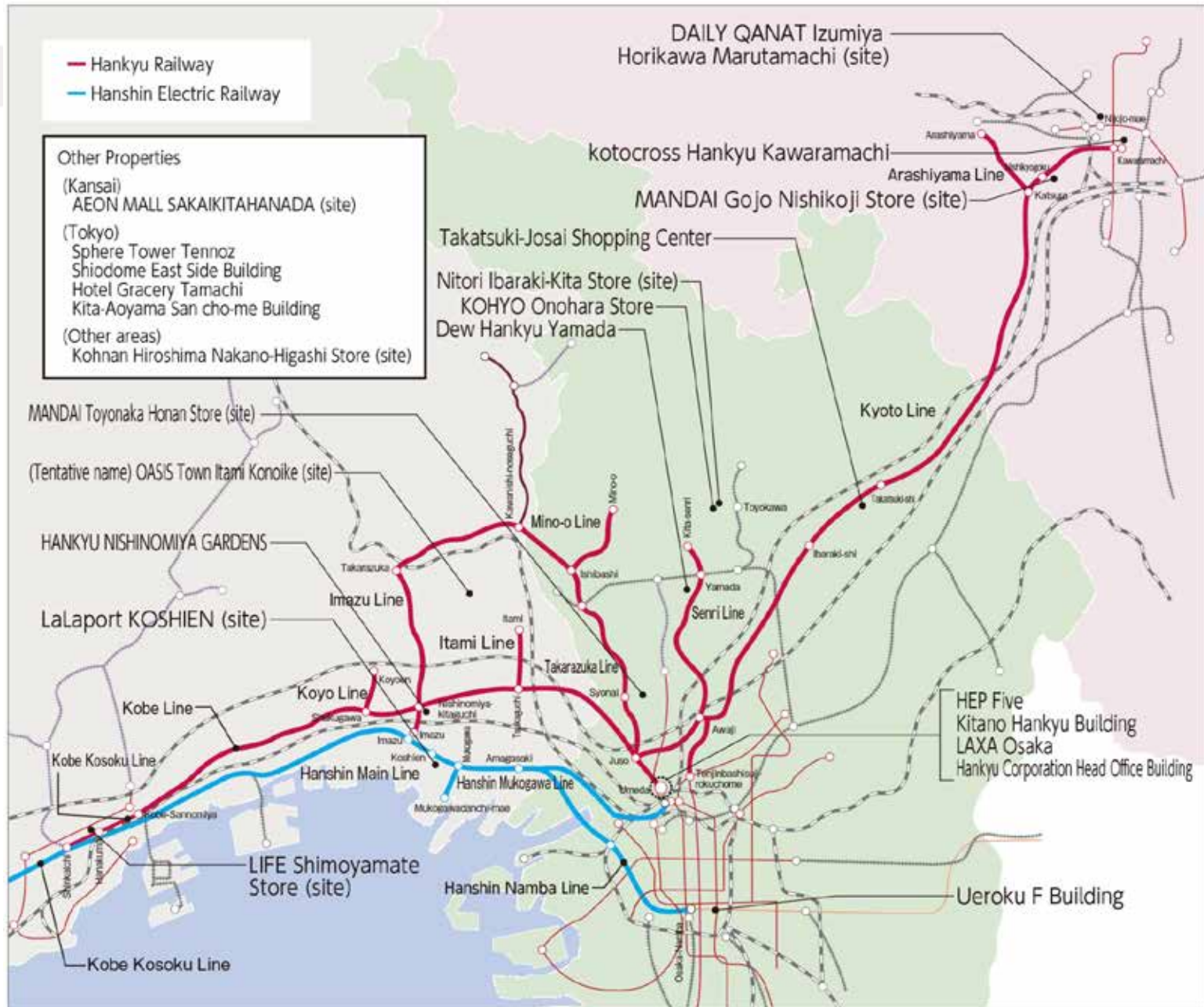


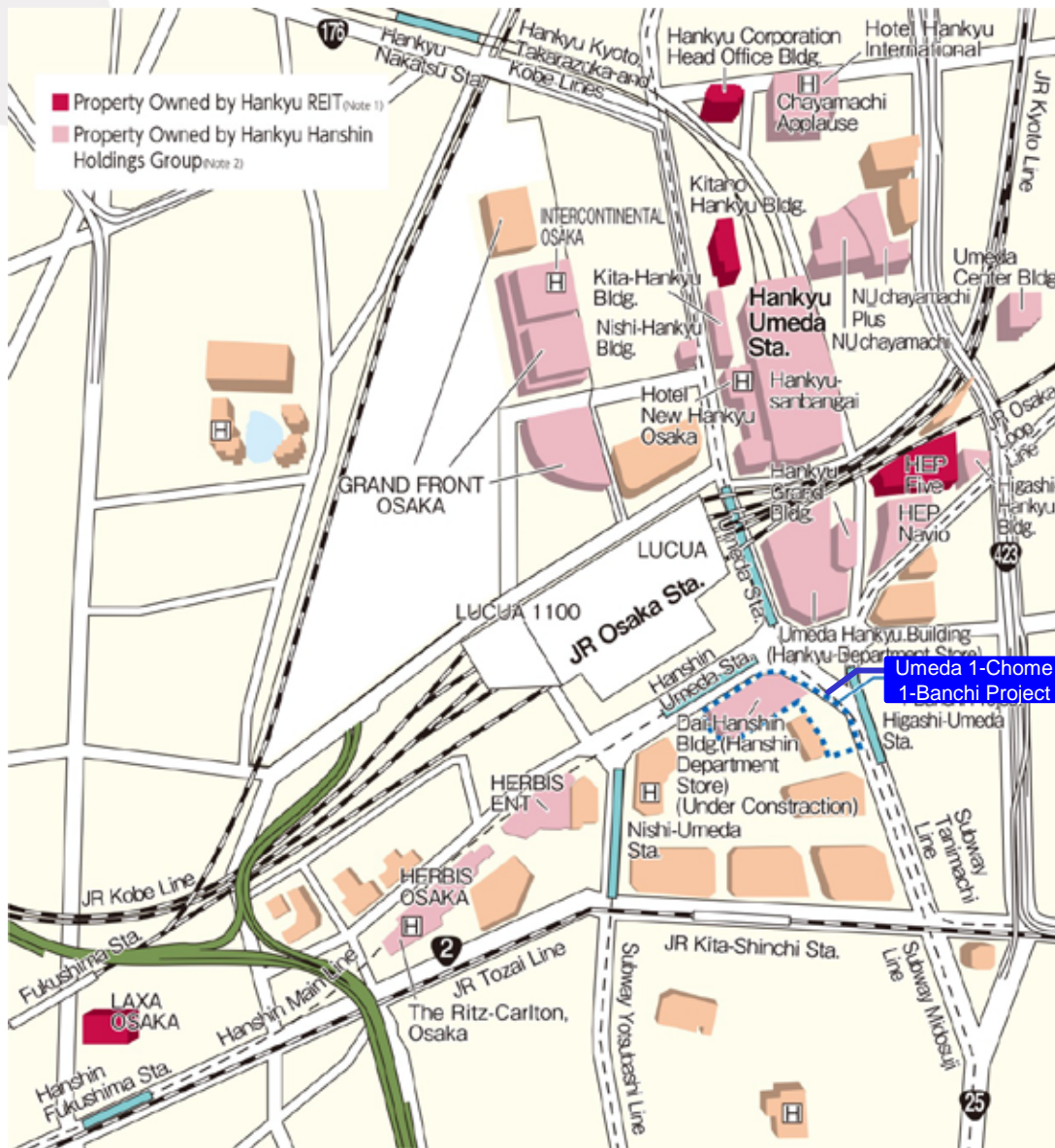
The population in the Kansai region is either remaining flat or is trending downwards due to the aging population along with decreasing birthrate but areas along Hankyu/Hanshin lines are relatively popular and the population in these areas have been increasing consistently after bottoming out in 1996



(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.





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 ²		Total floor area: Approx. 100,000m ²
Floor area ratio	2,000%	Office zone	11F to 38F
Total floor area	Approx. 260,000m 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

- 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

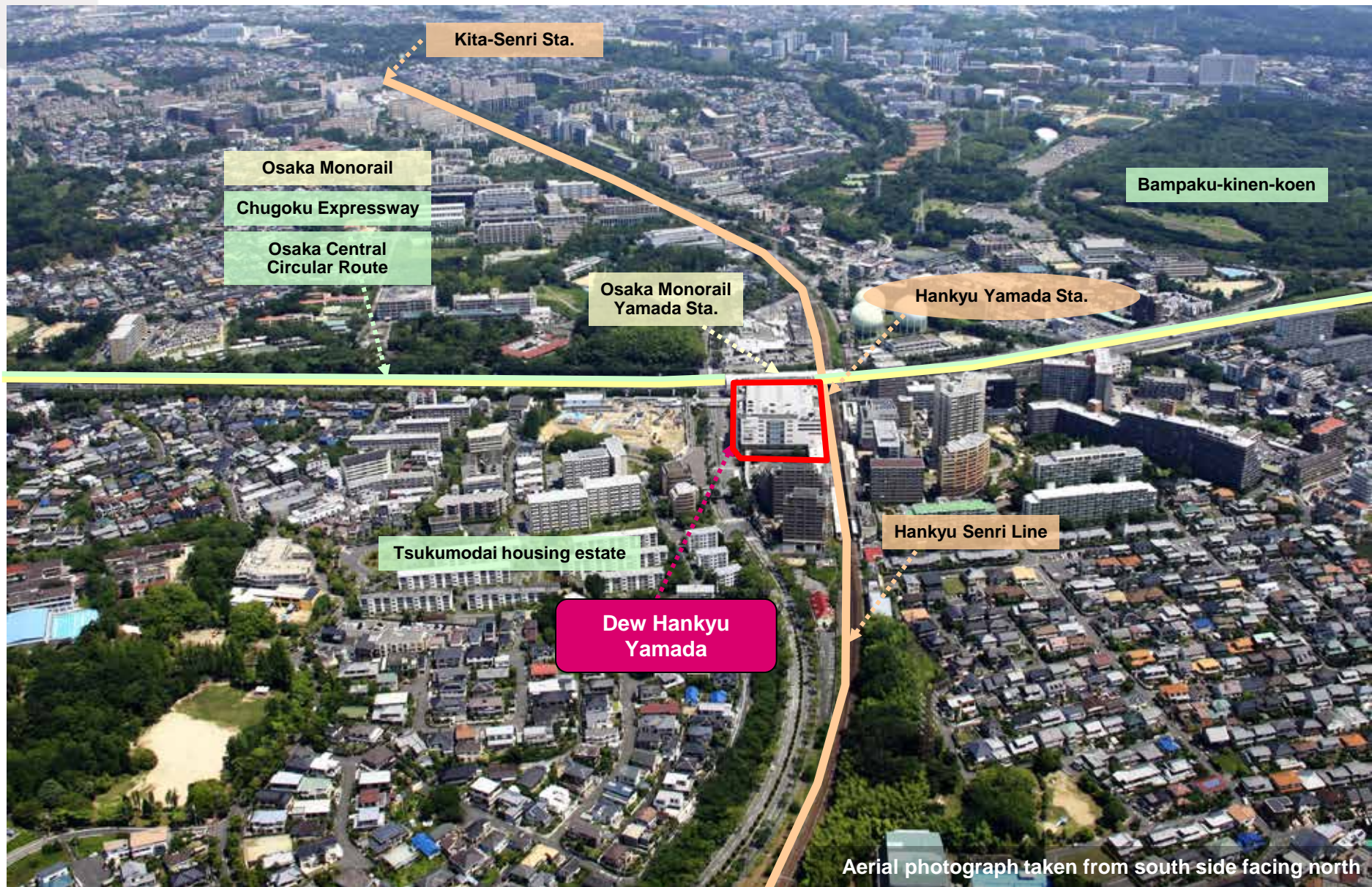
2nd phase work

- 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

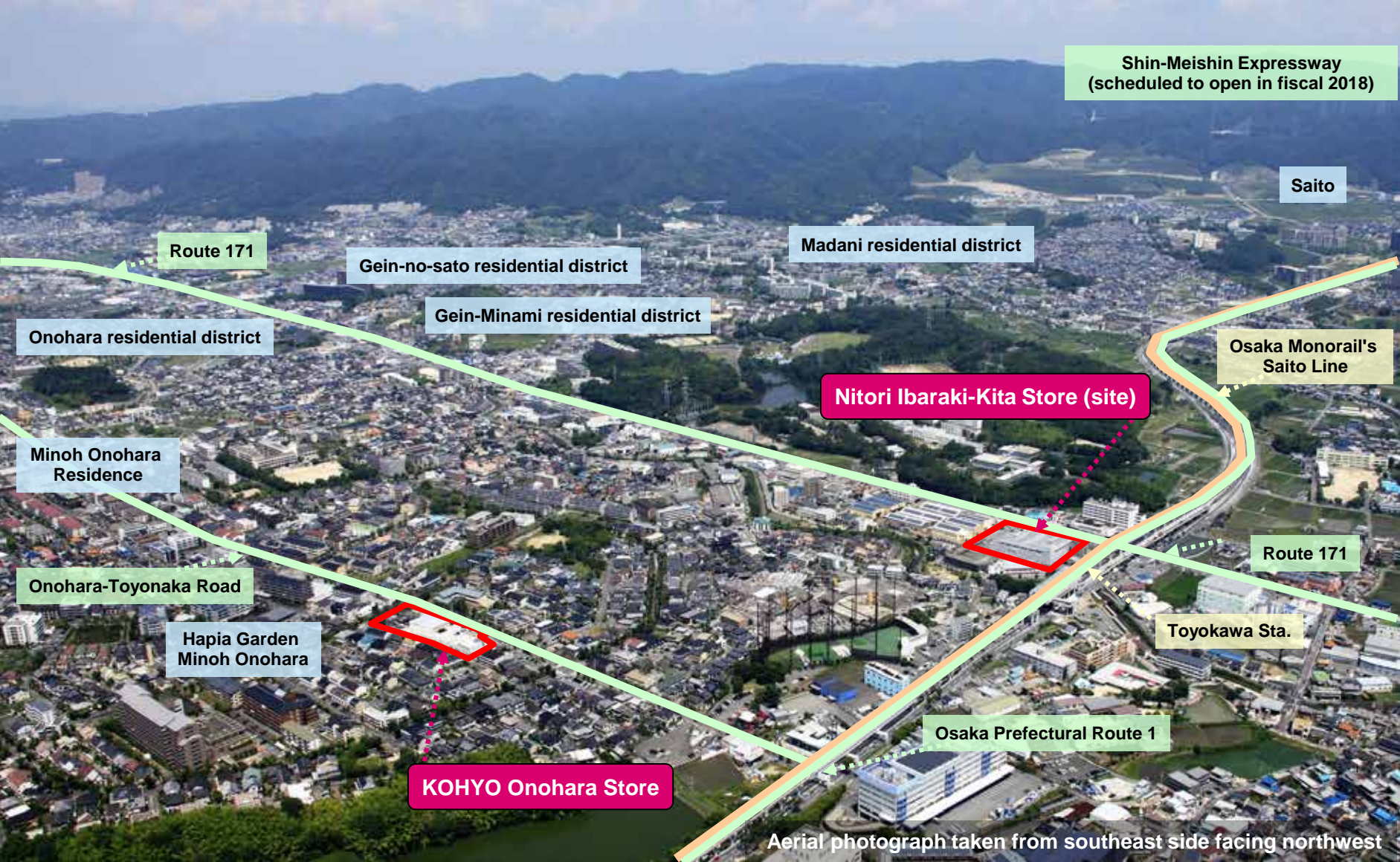
(Note 1) Includes properties jointly owned with the Hankyu Hanshin Holdings Group.

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





Aerial photograph taken from south side facing north



Aerial photograph taken from southeast side facing northwest

Residential districts developed by the sponsor group

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 KOHYO Onohara Store and (Tentative name) OASIS Town Itami Konoike (site), the net operating revenues and operating expenses in the first fiscal year (second year in the case of (Tentative name) OASIS Town Itami Konoike (site)) based on the discounted cash flow (DCF) method recorded in the appraisal report are used except for depreciation, and figures based on Hankyu REIT's accounting policy are used for 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 (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 November 30, 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	5.9%
	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)	—	
R18(K)	KOHO Onohara Store	5.3%	
R19(K)	(Tentative name) OASIS Town Itami Konoike (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			3.5%

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:

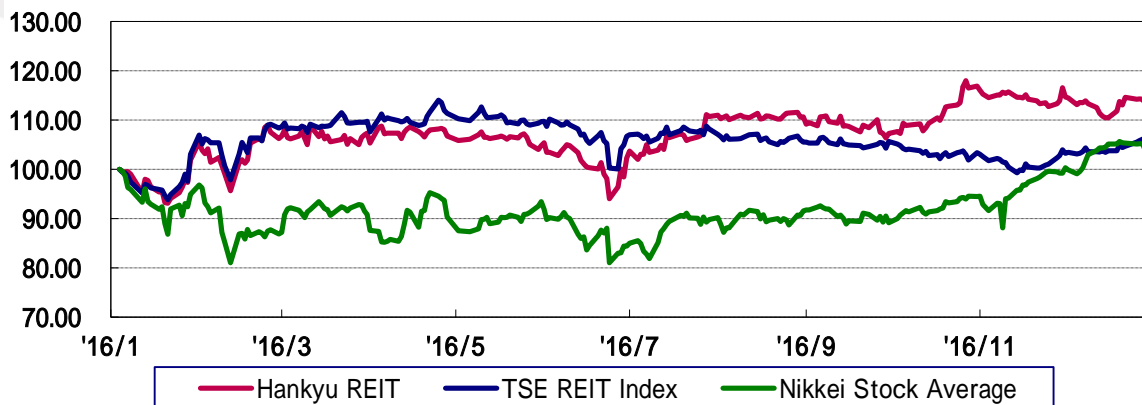
“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”

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



Relative Price*

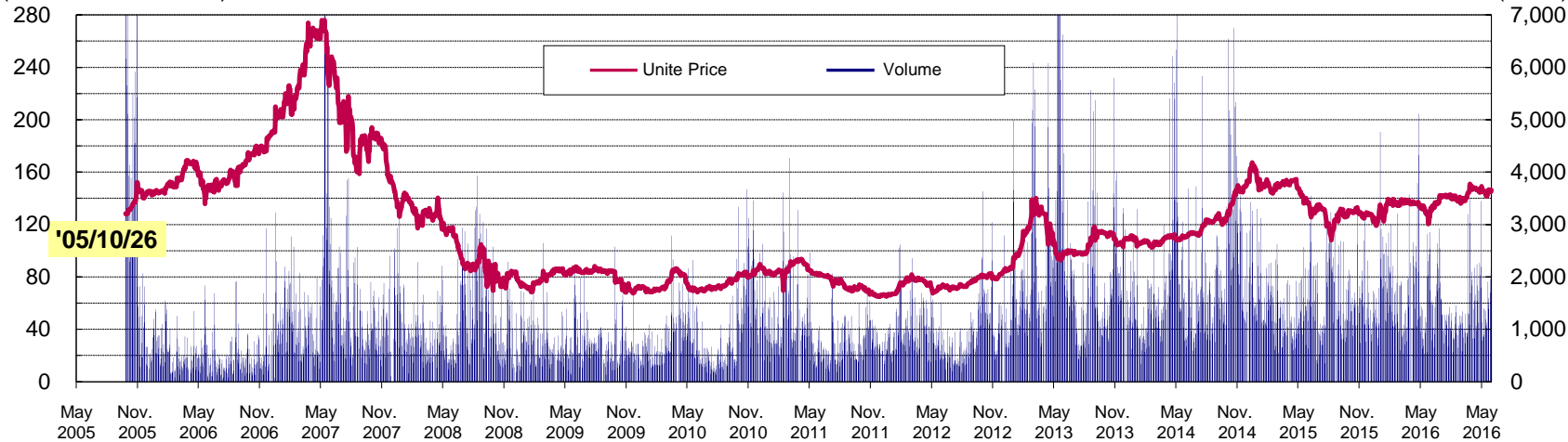
(Relative value based on 100 of the closing price basis on Jan. 4, 2016 / closing price basis)



Source: QUICK

Unit Price (closing price basis)*

(Unit: JPY thousand)



Source: QUICK

Per Unit Trading Trends*

(Oct. 26, 2005 — Dec. 30, 2016)

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

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

Jan. 4, 2016 — Dec. 30, 2016

High (closing price basis) JPY 151,000 (Oct. 27, 2016)

Low (closing price basis) JPY 119,200 (Jan. 21, 2016)

Price on Dec. 30, 2016 (closing price basis)

JPY 146,100

* 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.

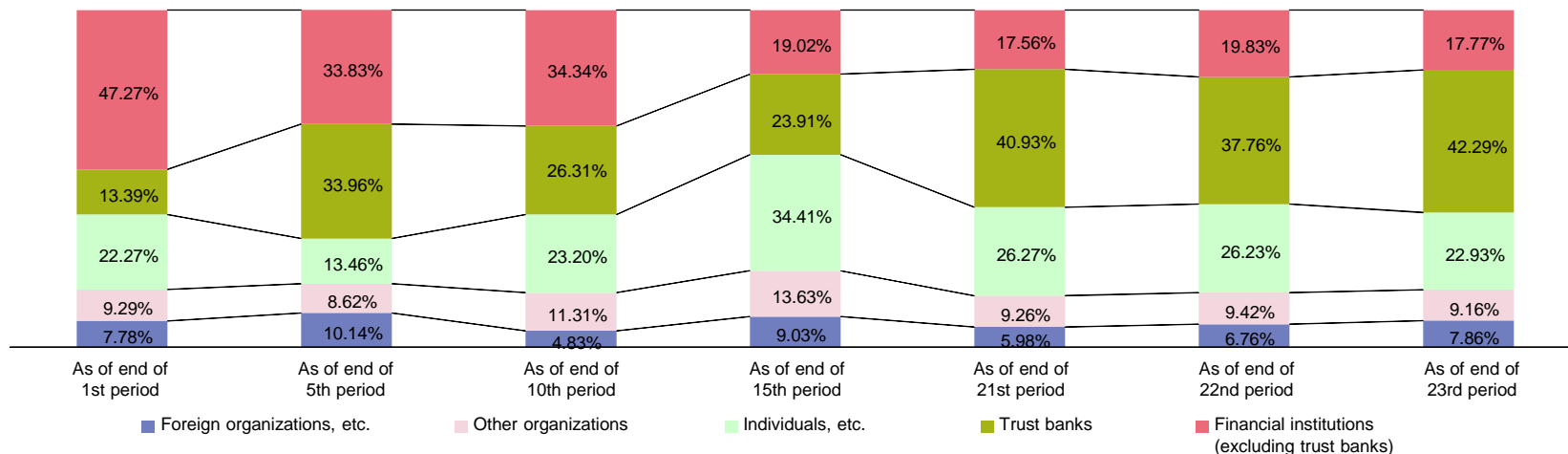
Unitholder Composition

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)	93	0.75%	106,150	17.77%
Trust banks	9	0.07%	252,708	42.29%
Individuals, etc.	12,023	96.50%	136,992	22.93%
Other organizations	218	1.75%	54,706	9.16%
Foreign organizations, etc.	116	0.93%	46,944	7.86%
Total	12,459	100.00%	597,500	100.00%

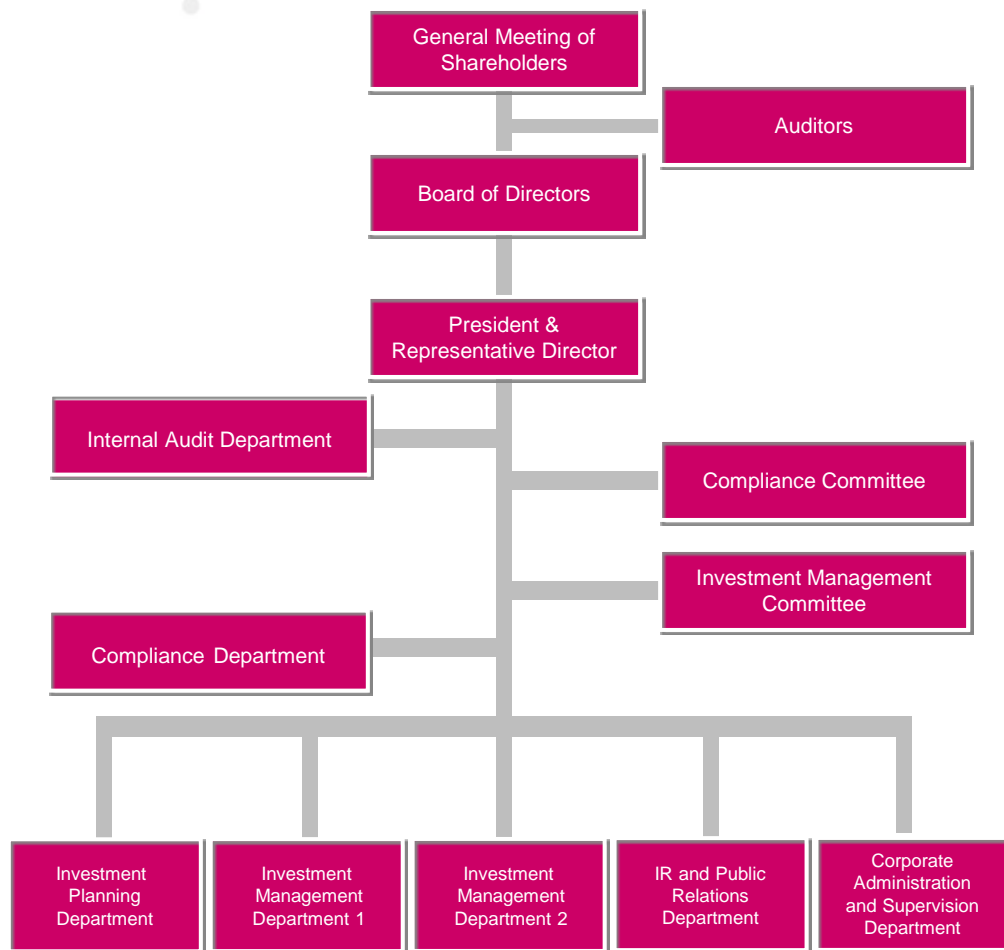
Top 10 Unitholders

Unitholder name	Number of units held	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	158,009	26.45%
The Master Trust Bank of Japan, Ltd. (Trust account)	39,132	6.55%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	30,527	5.11%
Hankyu Corporation	21,000	3.51%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	18,985	3.18%
The Senshu Ikeda Bank, Ltd.	12,500	2.09%
THE CHUKYO BANK, Ltd.	11,385	1.91%
The Hachijuni Bank, Ltd.	8,420	1.41%
Shikoku Railway Company	5,884	0.98%
CBNY DFA International Real Estate Securities Portfolio	5,803	0.97%
Total investment	311,645	52.16%
Number of outstanding units	597,500	100.00%

Ratio of Units by Unitholder Category

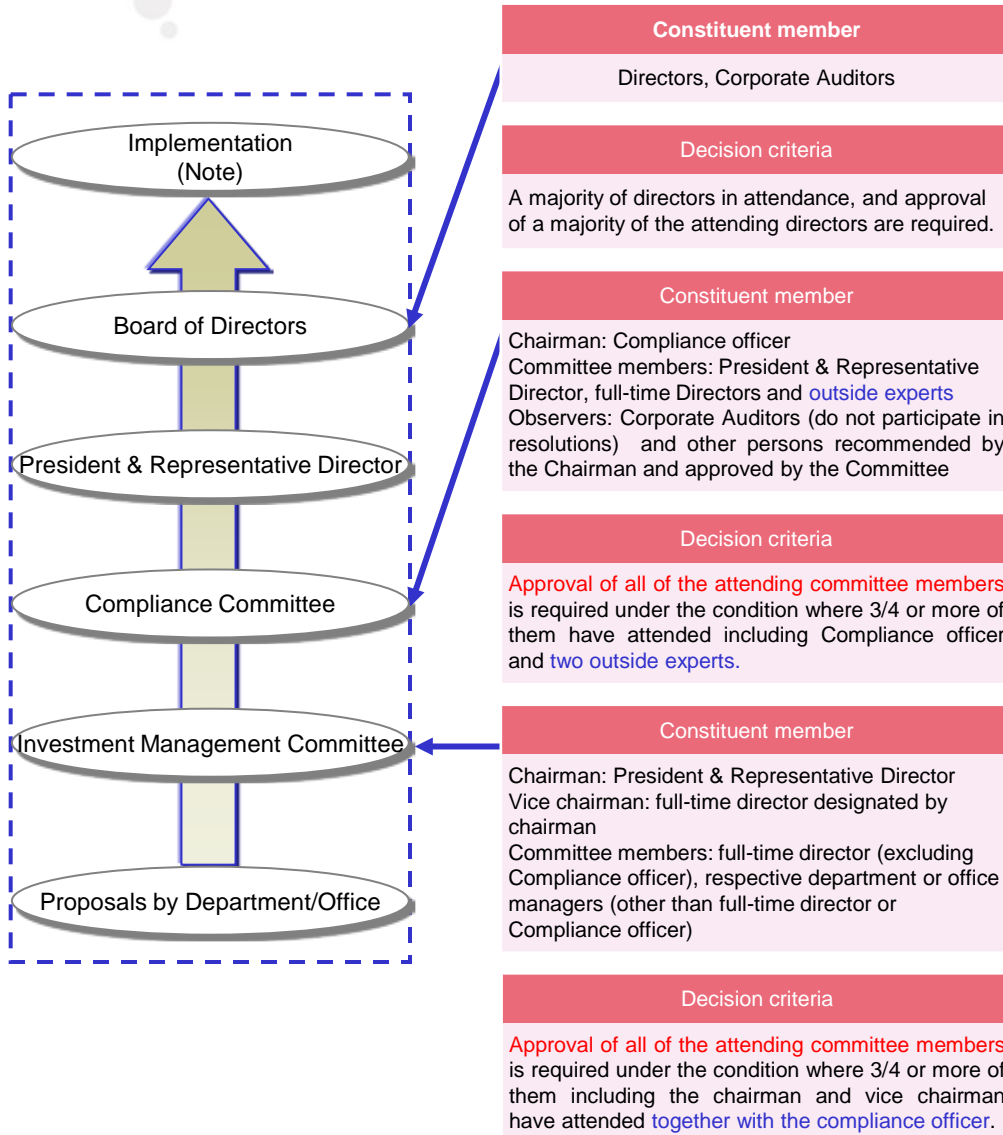


(As of November 30, 2016)



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	31	
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) <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, Transport 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

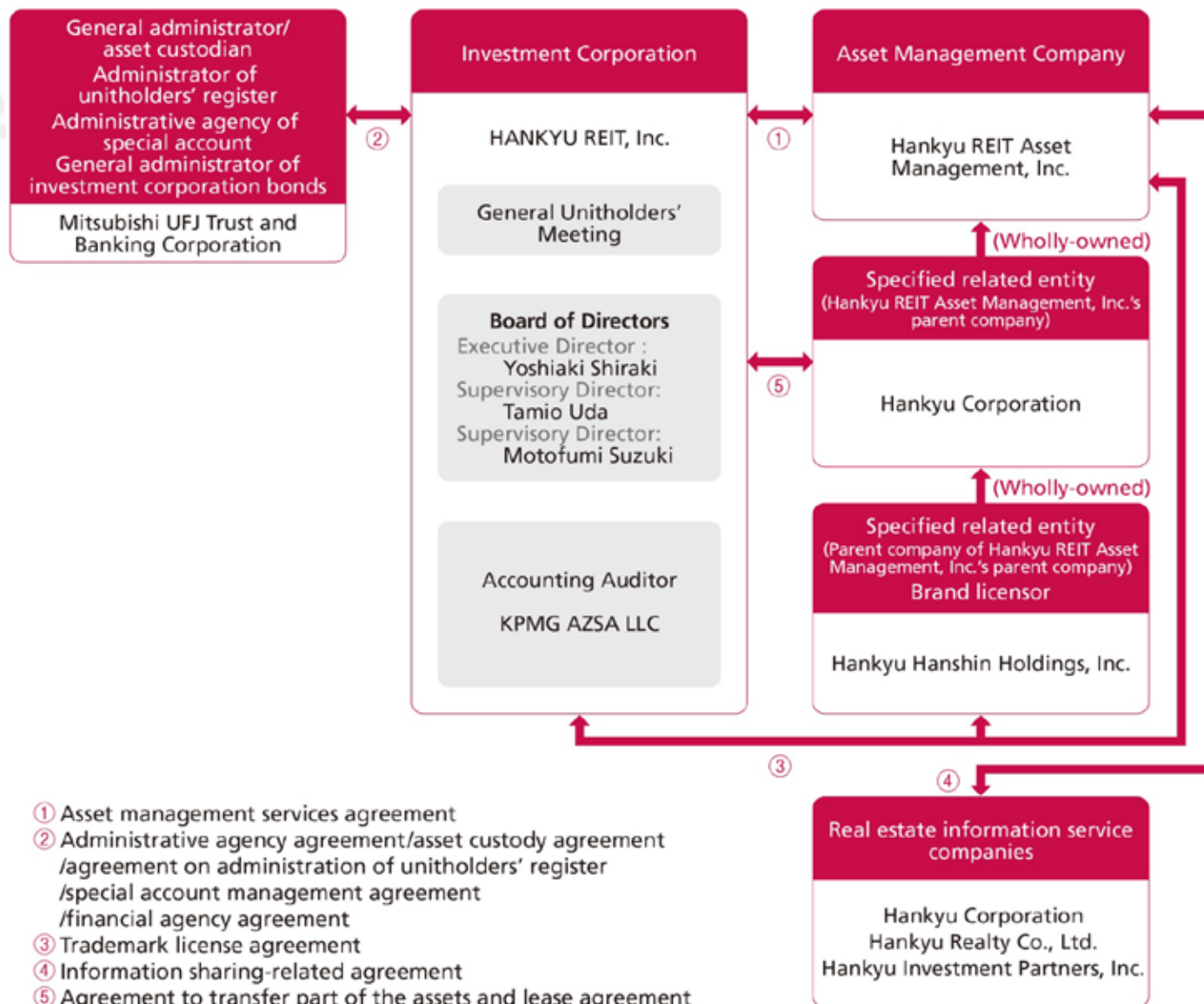
- | Achieve comprehensive compliance by establishing a Compliance Officer and a Compliance Department
- | The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction (note)
- | The Compliance Officer attends the Investment Committee meeting and checks for compliance 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, 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 Hiroumi Shioji was elected as alternate Supervisory Director at the General Unitholders' Meeting held on August 25, 2016.