

Hankyu REIT

Financial Results Briefing Materials
for the 24th Fiscal period ended
May 2017



HANKYU NISHINOMIYA GARDENS Sky Garden



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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.

Since investment securities of Hankyu REIT are closed-end type which do not make redemption of units demanded by unitholders, the only means for unitholders to convert the investment securities is to sell to third parties. Market value of the investment securities is affected by supply/demand at the exchange and also fluctuates affected by interest rate environment, economic situations, real estate market trends and various other factors surrounding the market. Therefore, the unitholders may not be able to sell the investment securities at the price of acquisition incurring loss.

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

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

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

There are sections that display property names in abbreviated form.

"(Site)" is added after the name of properties for which Hankyu REIT owns only its land.

1. Executive Summary



HANKYU NISHINOMIYA GARDENS Sky Garden



Aim for sustainable growth and improvement 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 a distribution level of JPY 2,900 on an ongoing basis in the 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)



1

- Promoted utilization of the comprehensive strength of the sponsor group and diversification of property acquisition methods.
- Promoted expansion of the asset management company's own property information sourcing channels.

2

- As for OASIS Town Itami Konoike (site), the rent collectable became 100% from July 3, 2017 (the 25th FP) (2 months earlier than initial assumption), in line with the opening.
- Realized a significant increase in occupancy rate for Sphere Tower Tennozu (52.5% → 88.1%).
- Maintained a high total portfolio occupancy rate (99.6%).

3

- Promoted repair/renovation systematically from the perspective of preventive maintenance in order to secure stable revenues over the medium-to-long-term.

4
5

- Continuously discussed measures to improve portfolio quality and eliminate future risk factors

6

- For refinancing borrowings, used both long-term borrowings with fixed interest rates and short-term borrowings with variable interest rates from the perspective of stability of fund procurement, contribution to distribution, etc.
- LTV remained on an ongoing basis (43.0% → 42.2%)



(Unit:JPY mn)

Item	Forecast for 24th Fiscal Period (A) (as of January. 24, 2017)	Results for 24th Fiscal Period (B) (Dec. 1, 2016 to May. 31, 2017)	Change (B)-(A)
Operation period (days)	182	182	—
Operating revenues	4,731	4,740	8
Operating income	1,945	1,979	33
Ordinary income	1,573	1,625	52
Net income	1,571	1,623	52
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—
Distribution per unit (JPY)	2,630	2,717	87
FFO per unit (JPY)	4,053	4,133	79

(Main factors for increase/decrease)

(1)
Income related to tenant move-outs
(Yamada, Kitano)
JPY +9 mn

(2)
Decrease in repair expense JPY +16 mn
Decrease in utilities expense JPY +8 mn
Decrease in depreciation JPY +4 mn
Change in item classification of non-deductible consumption taxes JPY -8 mn

(3)
Decrease in other non-operating expenses
(Change in item classification of non-deductible consumption taxes etc.)
JPY +16 mn

Net assets per unit	JPY 122,649
Net assets per unit after reflecting unrealized income/loss	JPY 152,118

Results for 24th fiscal period (ended May 2017)
Distribution per unit

JPY 2,717

1-4. Distribution Forecast for 25th Fiscal Period and 26th Fiscal Period

(Unit: JPY mn)

Item	Results for 24th Fiscal Period (B) (Dec. 1, 2016 to May. 31, 2017)	Forecast for 25th Fiscal Period (Jun. 1, 2017 to Nov. 30, 2017)	Change -	Forecast for 26th Fiscal Period (Dec.1, 2017 to May 31, 2018)	Change -
Operation period (days)	182	183	1	182	-1
Operating revenues	4,740	4,873	132	4,956	83
Operating income	1,979	2,052	73	2,104	51
Ordinary income	1,625	1,674	49	1,734	59
Net income	1,623	1,673	49	1,732	59
Total number of outstanding investment units at end of fiscal period (units)	597,500	597,500	—	597,500	—
Distribution per unit (JPY)	2,717	2,800	83	2,900	100
FFO per unit (JPY)	4,133	4,212	79	4,340	127

[Forecast for 25th Fiscal Period]

Main factors for increase/decrease from 24th fiscal period

- Increase in income from lease of Itami
JPY +100 mn
(*rent collection: 25% up to July 2, 2017, 100% on July 3, 2017 and after)
- Increase in income from lease of Tennozu
JPY +15 mn
- Decrease on the rebound of income related to tenants' move-ins and move-outs (Yamada, Kitano, Ueroku, Kita-Aoyama)
JPY -20 mn
- Difference between income and expenditure of utilities expense
JPY -24 mn
- Increase in tax and public dues for Itami and Onohara
JPY -7 mn

[Forecast for 26th Fiscal Period]

Main factors for increase/decrease from 25th fiscal period

- Increase in income from lease of Tennozu
JPY +97 mn
- Increase in income from lease of Itami
JPY +21 mn
(100% rent collection for full period)
- Difference between income and expenditure of utilities expense
JPY +20 mn
- Increase in repair expense
JPY -52 mn
(LAXA -41, Takatsuki -30, etc.)
- Increase in BM costs
JPY -31 mn

Forecast for 25th Fiscal Period (ending November 2017)

Distribution per unit

JPY 2,800

Forecast for 26th Fiscal Period (ending May 2018)

Distribution per unit

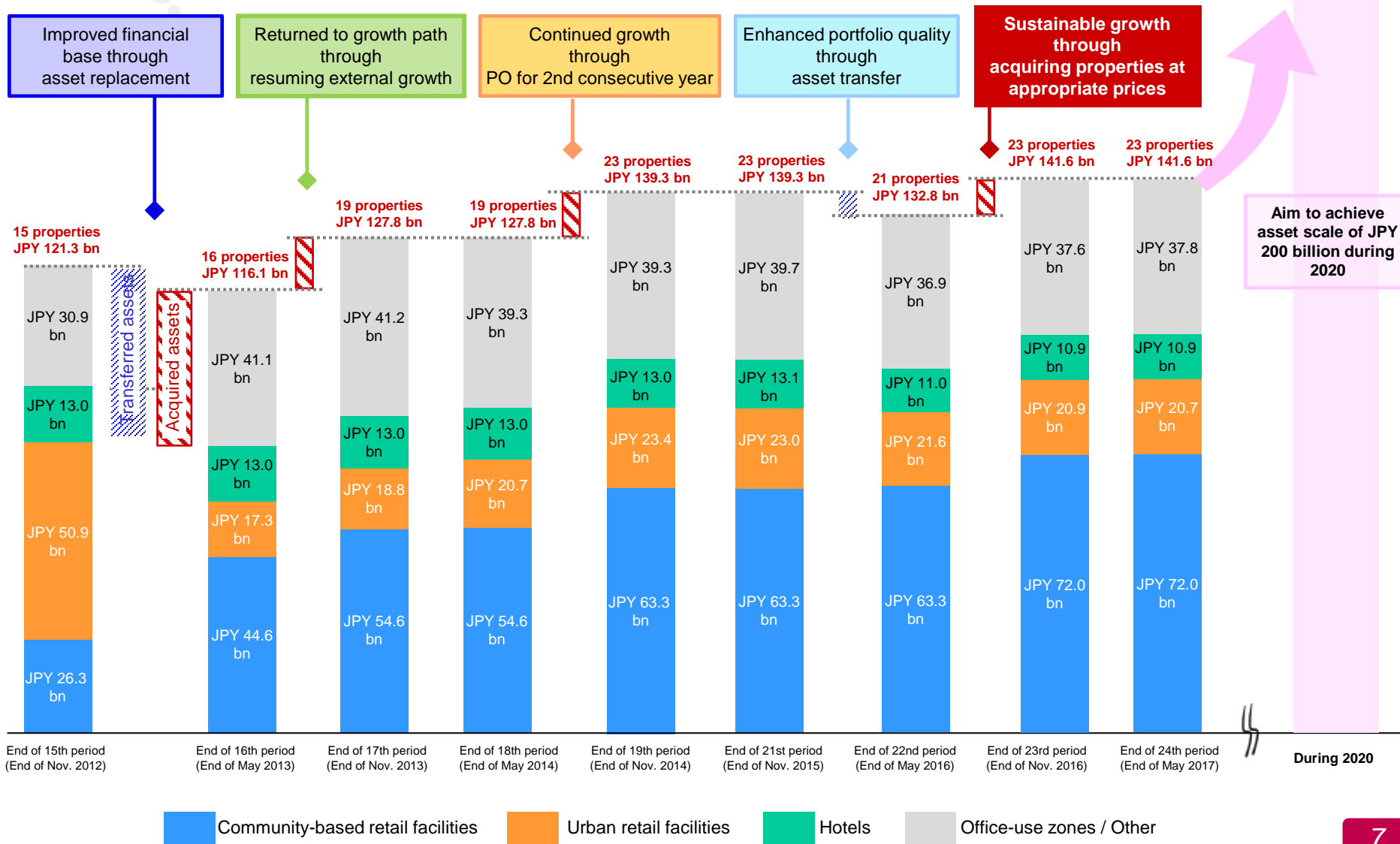
JPY 2,900

[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 26th fiscal period



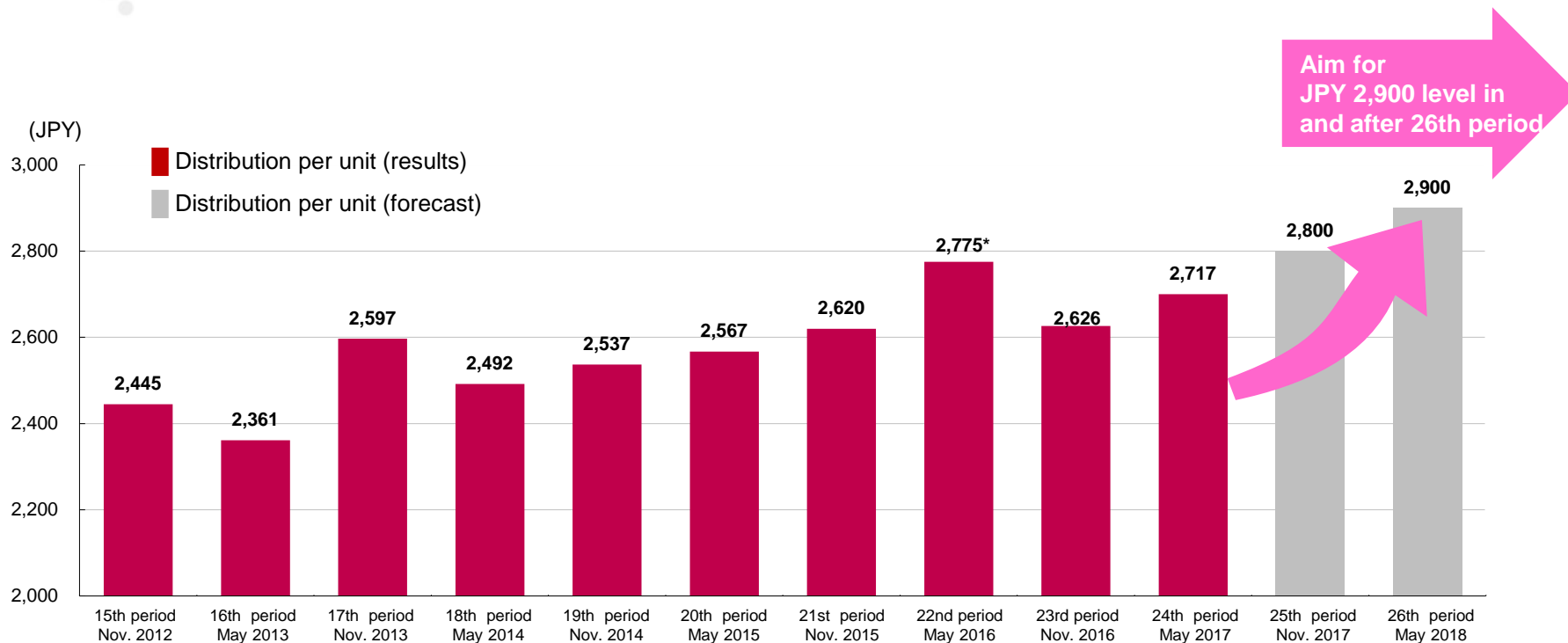
Place emphasis on medium-to-long-term fair value and aim to achieve asset scale of JPY 200 billion during 2020





Distribution is amidst a step-up phase

Aim to achieve distribution level of JPY 2,900 on an ongoing basis in the 26th fiscal period and subsequent fiscal periods



Aim for JPY 2,900 level in and after 26th period

*Including net income on transfer of 2 properties

Result for 23rd FP (Results for FP ended Nov. 2016)
2,626 yen

Result for 24th FP (Results for FP ended May 2017)
2,717 yen

Forecast for 25th FP (Forecast for FP ending Nov. 2017)
2,800 yen

Forecast for 26th FP (Forecast for FP ending May 2018)
2,900 yen

Profitability of Portfolio

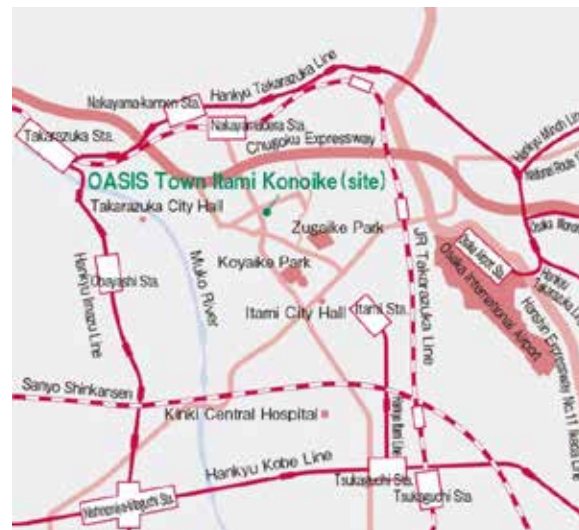
	End of 21st period (End of Nov. 2015)	End of 22nd period (End of May 2016)	End of 23rd period (End of Nov. 2016)	End of 24th period (End of May 2017)
Average NOI yield (Note)	4.8%	4.8%	4.8%	4.8%
Average NOI yield after depreciation (Note)	3.4%	3.5%	3.7%	3.6%
Unrealized income/loss (Note)	JPY 8.4 bn	JPY 12.6 bn	JPY 14.6 bn	JPY 17.6 bn

Stability of Financial Foundation

	End of 21st period (End of Nov. 2015)	End of 22nd period (End of May 2016)	End of 23rd period (End of Nov. 2016)	End of 24th period (End of May 2017)
LTV (Note)	43.2%	41.9%	43.0%	42.2%
Interest-bearing debt ratio	43.0%	43.0%	44.5%	44.6%
Average debt financing costs (including investment corporation bonds)	1.06%	1.04%	0.92%	0.94%
Average remaining years on long-term borrowings payable and investment corporation bonds	4.8 years	4.4 years	4.4 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 66.

Rent Collectable Reached 100% (2 months earlier than initial assumption) (25th FP)



Property name	OASIS Town Itami Konoike (site)
Location	Konoike, Itami City, Hyogo Prefecture
Site area	17,997.10 m ²
Acquisition price	JPY 7,100 mn
NOI yield after depreciation	4.3% ^(Note 1)
Acquisition date	November 25, 2016
Form of facility	Community-based retail facility that houses a grocery store, apparel stores, drugstores, etc.

(Note 1) 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.
(Nov. 25, 2016 – Jul. 2, 2017: 25% rent collection, Jul. 3, 2017 - : 100% rent collection)

(Note 2) Prepared by processing the Basic Resident Registers in 2015.

Property Features

- Itami City is located in an area dominated by the Hankyu Hanshin Holdings Group, bounded by Hankyu Kobe Line, Takarazuka Line and Imazu Line. 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 a car ^(Note 2) is approximately 58,000 within 5 minutes, approximately 254,000 within 10 minutes and approximately 599,000 within 15 minutes, enjoying an abundant population.
- HANKYU OASIS, the main tenant, has 85 stores (as of July 2017) in Kansai region. The Itami Konoike store focuses on “pursuit of delicacy and beauty/health/natural” to draw customers from a several areas, and has introduced initiatives unique to the store, such as installing a coffee roasting machine and a grill section as well as making sweets in the store.



External view of the facility



Agricultural products section



Marine products section



Coffee roasting machine



Kitchen stage



Livestock products section



Sweets section



Aerial photograph taken from southwest side facing northeast

Occupancy Rate Increased to 88.1%

In 2016, achieved seven leasing contracts, including a large tenant, boosting occupancy rate to 88.1% in December



Intend to conduct future leasing activities with a higher rent target in light of the rising occupancy rate of the building as well as the lower vacancy rate in the area

Vacancies: Office floor Approx. 1,300 m² (equivalent to 1.5 floors)
 Retail floor Approx. 1,700 m²

Establish Close Relationship with the New Quasi Co-Owner

- Premier Investment Corporation acquired 67% quasi co-ownership of Sphere Tower Tennozu on June 21, 2017
- Work to enhance property value by closely communicating based on the quasi co-owner agreement for future management and leasing

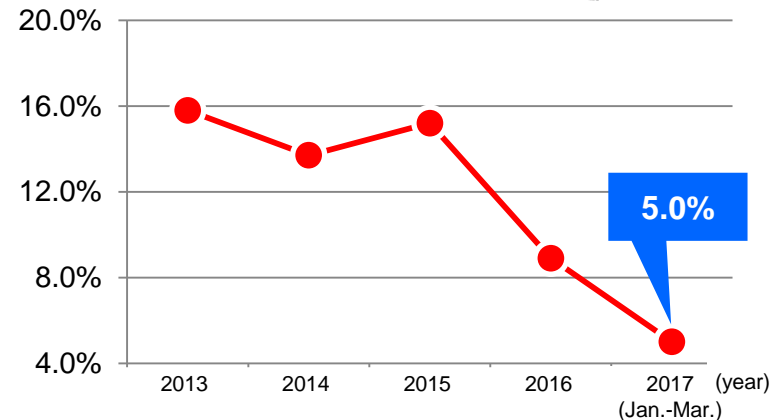
13	株式会社イオンモール	23	サティンワールフロンティア株式会社
12	ソフトバンク株式会社	22	株式会社リノビ
11	ソフトバンク株式会社	21	株式会社リノビ
10	ソフトバンク株式会社	20	ソフトバンク株式会社
9	ソフトバンク株式会社	19	ソフトバンク株式会社
8	1-16 株式会社エフエフエフ	18	株式会社エフエフエフ
7	1-16 ワンダーホリックグループ(株)	17	MACアードスプレシエンティア株式会社(株)
6	ソフトバンク株式会社	16	株式会社エフエフエフ
5	ソフトバンク株式会社	15	ABX Academy TOKYO / ハンクスビル株式会社
4	ソフトバンク株式会社	14	ハンクスビル株式会社
3	ソフトバンク株式会社(株)		

Tenant occupancy status



Lunchtime bustle at Sphere Garden (common-use portion)

Change in Vacancy Rate of Higashi-Shinagawa Area (Tennozu area/Shinagawa seaside area)

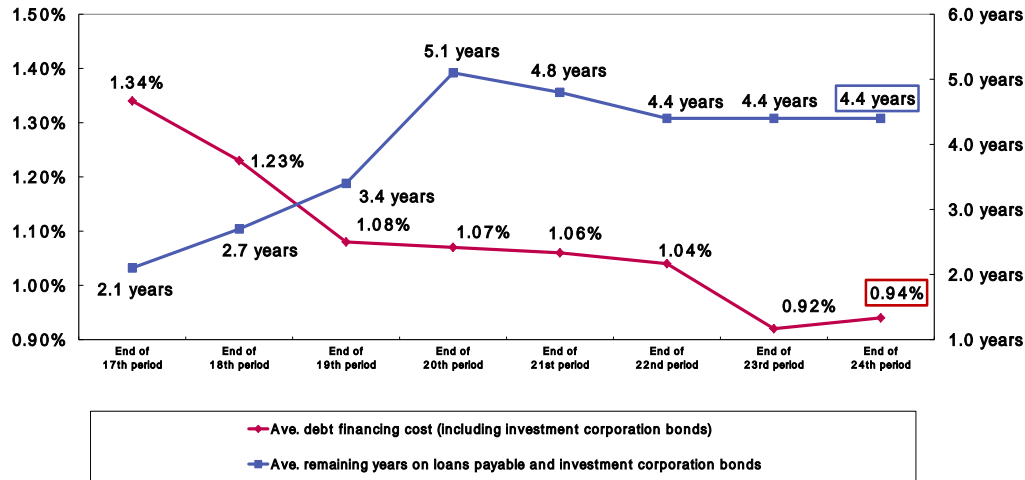


(Source) Prepared by Hankyu REIT Asset Management, Inc. based on materials from real estate research companies



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



Overview of Refinancing

	Refinancing date	Amount of debt financing	Borrowing period	Fixed/variable
(1)	May 31, 2017	JPY 2.8 bn	10 years	Fixed
(2)		JPY 3.2 bn	1 year	Variable
(3)	July 24, 2017 (planned)	JPY 2.5 bn	1 year	Variable

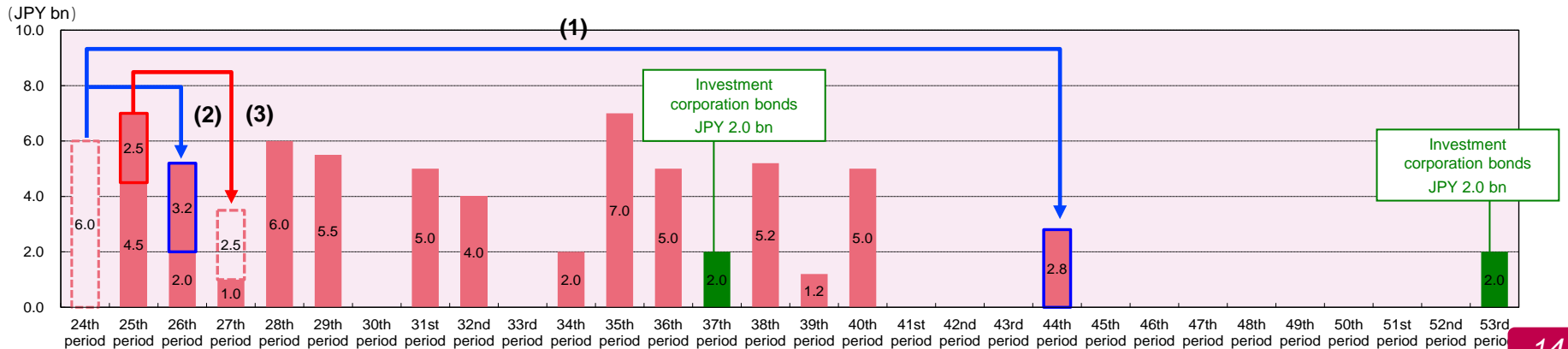
Long-Term Debt Ratio and Fixed Debt Ratio

As of:	Long-term debt ratio	Fixed debt ratio
End of 24th FP (As of May 31, 2017)	95.1%	85.7%
As of July 24, 2017 (planned)	91.4%	85.7%

Status of Ratings

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

Diversification of Debt Repayment Dates (As of July 19, 2017)



2. Summary of Kansai Area



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Decreasing Trend of Office Vacancy Rate Continuing in Osaka

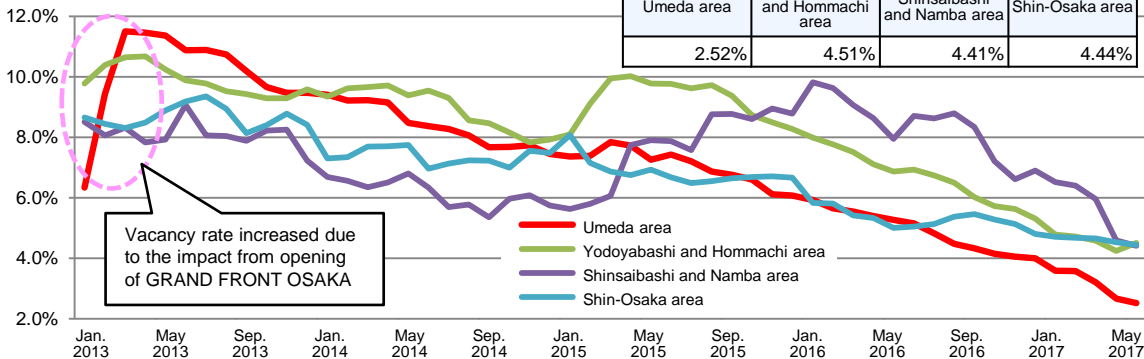
- Renewal in the Osaka office market and concentration of city functions are advancing
- Outlook is that the decreasing trend for vacancy rate will continue
(Vacancy rate of Umeda area is at a level below the most recent lowest figure for Tokyo's business areas (3.39% in April 2017))
- New contract rent for Umeda area has risen due to the ongoing decline of the vacancy rate

- Advancement of relocation of offices from Yodoyabashi and Hommachi area, etc., into Umeda area, especially into high-spec buildings
→ Drop in vacancy rate in Umeda area
- Most recently, more proactive relocation for expansion is seen due to higher overall demand backed by the improved employment situation
→ Drop in overall vacancy rate
- New office supply in the future is limited

Change in Vacancy Rate of Osaka's Major Business Areas

Vacancy Rate as of May 2017

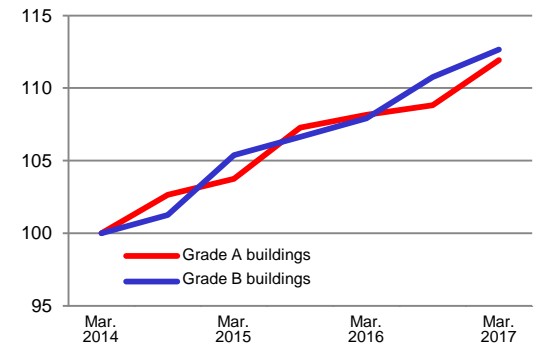
Umeda area	Yodoyabashi and Hommachi area	Shinsaibashi and Namba area	Shin-Osaka area
2.52%	4.51%	4.41%	4.44%



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

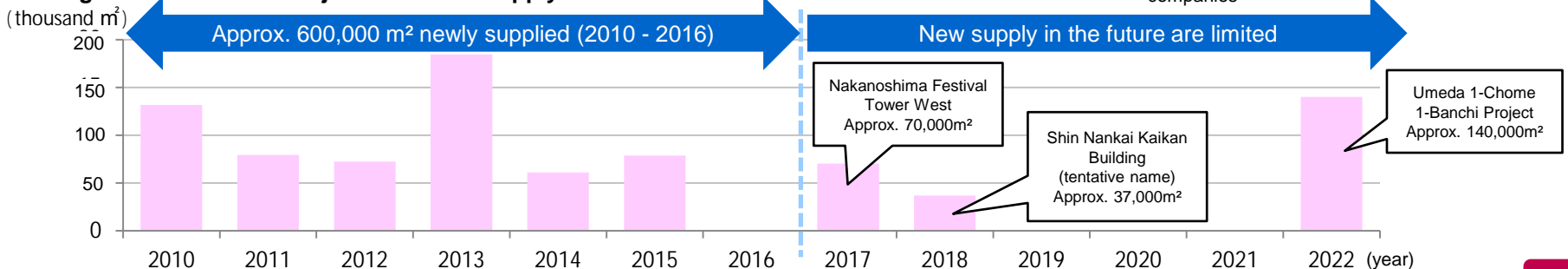
Change in New Contract Rent in Umeda Area

(Relative value based on figures in March 2014 set as 100)



(Source) Prepared by Hankyu REIT Asset Management, Inc. based on materials from real estate research companies

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) (July 2017)



Department Store Sales Turned Upward while Supermarket Sales Remained Strong

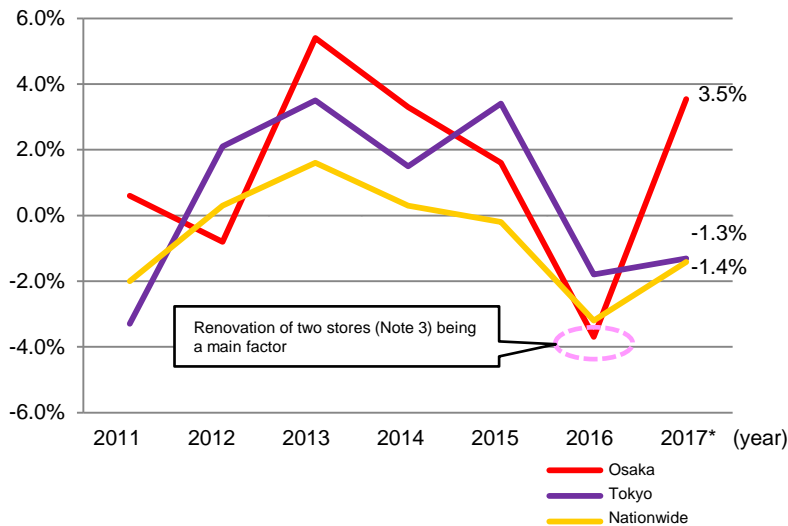
- Sales of department stores in 2017 showed an increasing trend due to greater purchases by Japan's high-net-worth individuals and foreign tourists visiting Japan who benefitted from the depreciation of the yen and high stock prices
- Sales of supermarkets in central areas are on an increasing trend due to return of the population to the city center, 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 (January to May 2017) increased 3.5% year-on-year
- Duty-free sales of department stores in Kansai region (January to May 2017) increased 43.4% year-on-year
- (April 2017 renewed a record for duty-free sales for a single month) (Note 1)

- Sales of supermarkets in Osaka City continued to remain strong (Note 2)
Due to supermarkets yet being opened one after another in central areas

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



Source: Japan Department Stores Association

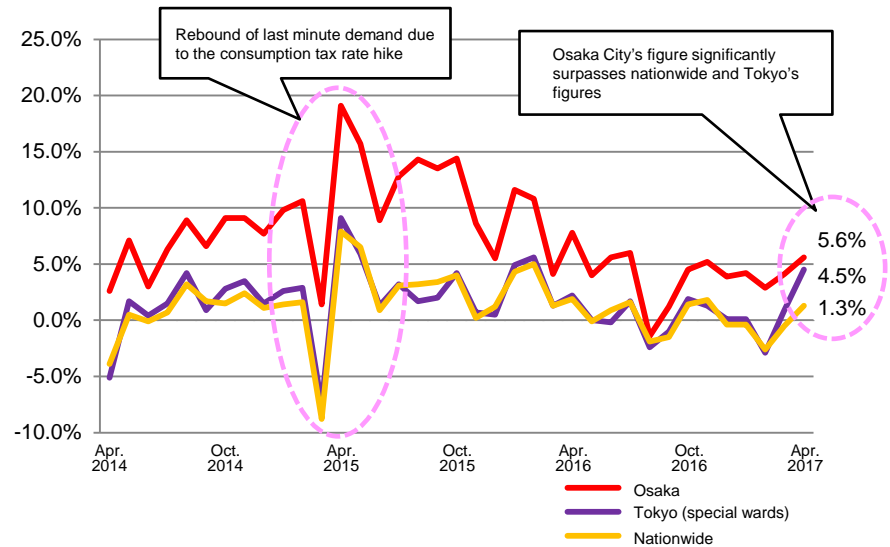
*Comparison based on January to May cumulative total in the case of 2017

(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"

(Note 3) Hanshin Department Store Umeda Main Building (from February 2015) and Daimaru Shinsaibashi Store (from January 2016)

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 Visiting Osaka Continue to Increase

- The number of foreign tourists visiting Osaka reached 9.41 million in 2016, marking a new record. The figure for January to March 2017 also surpassed that of the previous year, and the annual total is expected break the 10-million mark. (Note 1)
- Visitation rate by prefecture of foreign tourists visiting Japan: The most recent visitation rate for Osaka Prefecture comparable to Tokyo (Note 2)

Visitation Rate by Prefecture of Foreign Tourists Visiting Japan

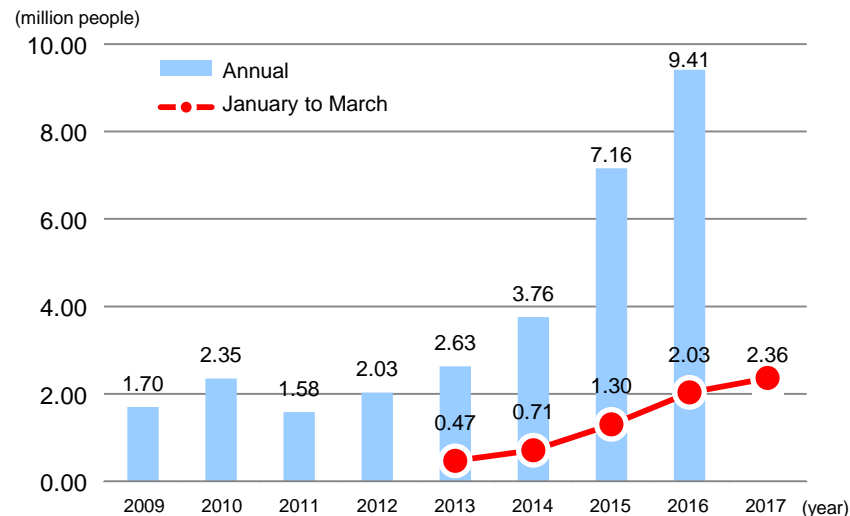
year	2013	2014	2015	2016	2017(Note 3)
Osaka Prefecture	30.2%	34.1%	41.9%	44.7%	45.3%
Tokyo	43.2%	48.5%	48.2%	44.5%	45.1%

(Note 1) Source: Osaka Convention & Tourism Bureau

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

(Note 3) Average values of January to March 2017 survey results

Change in Number of Foreign Tourists Visiting Osaka



Source: Osaka Convention & Tourism Bureau

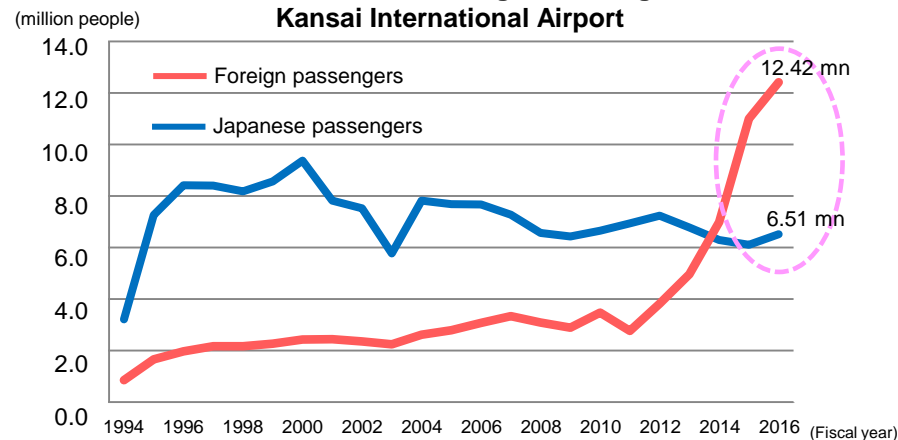
Number of Foreign Passengers Using Kansai International Airport Hits Record-High

- International flight passengers at Kansai International Airport for fiscal 2016 was 12.42 million marking a new record (Note 1)
- Number of foreigners from nearby Asian countries (China, South Korea, Taiwan and Hong Kong) using LCC is on the rise due to a shift from group tours to independent travels (Note 2)

(Note 1) Source: Kansai Airports Co., Ltd.

(Note 2) Source: Development Bank of Japan Inc.

Status of International Flight Passengers at Kansai International Airport

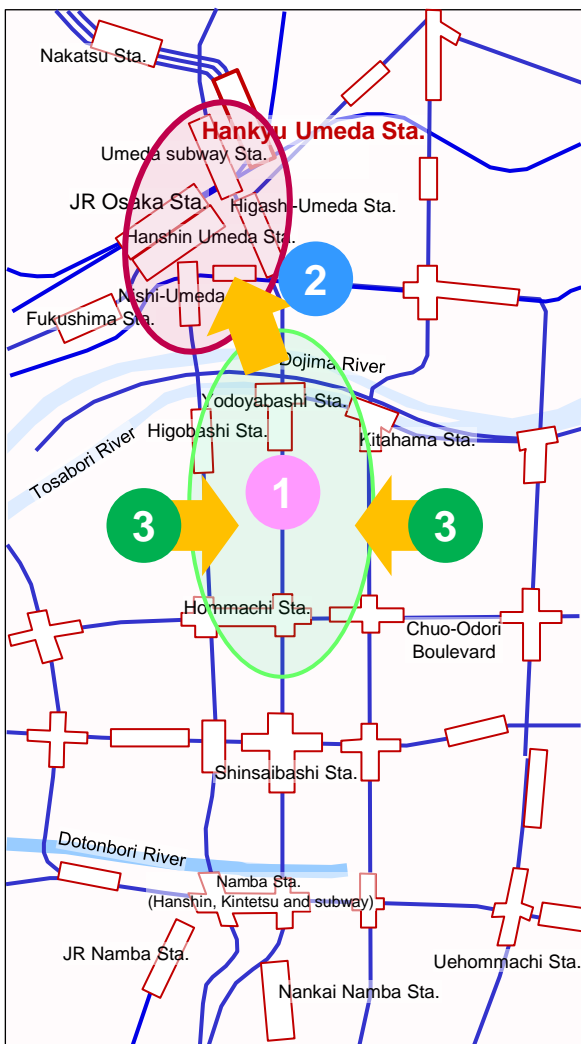


Source: Kansai Airports Co., Ltd.

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



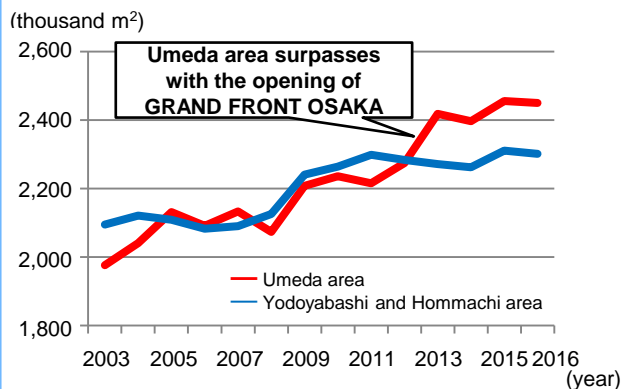
Office Trend

2

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



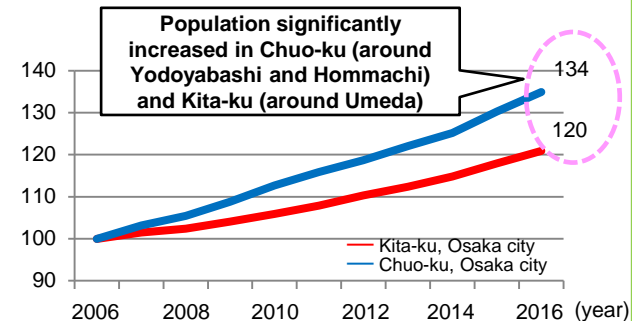
Population Trend

3

Old buildings away from the center of office districts and that have fallen into secondary vacancies are converted into tower condominiums and hotels

Population of central Osaka has increased

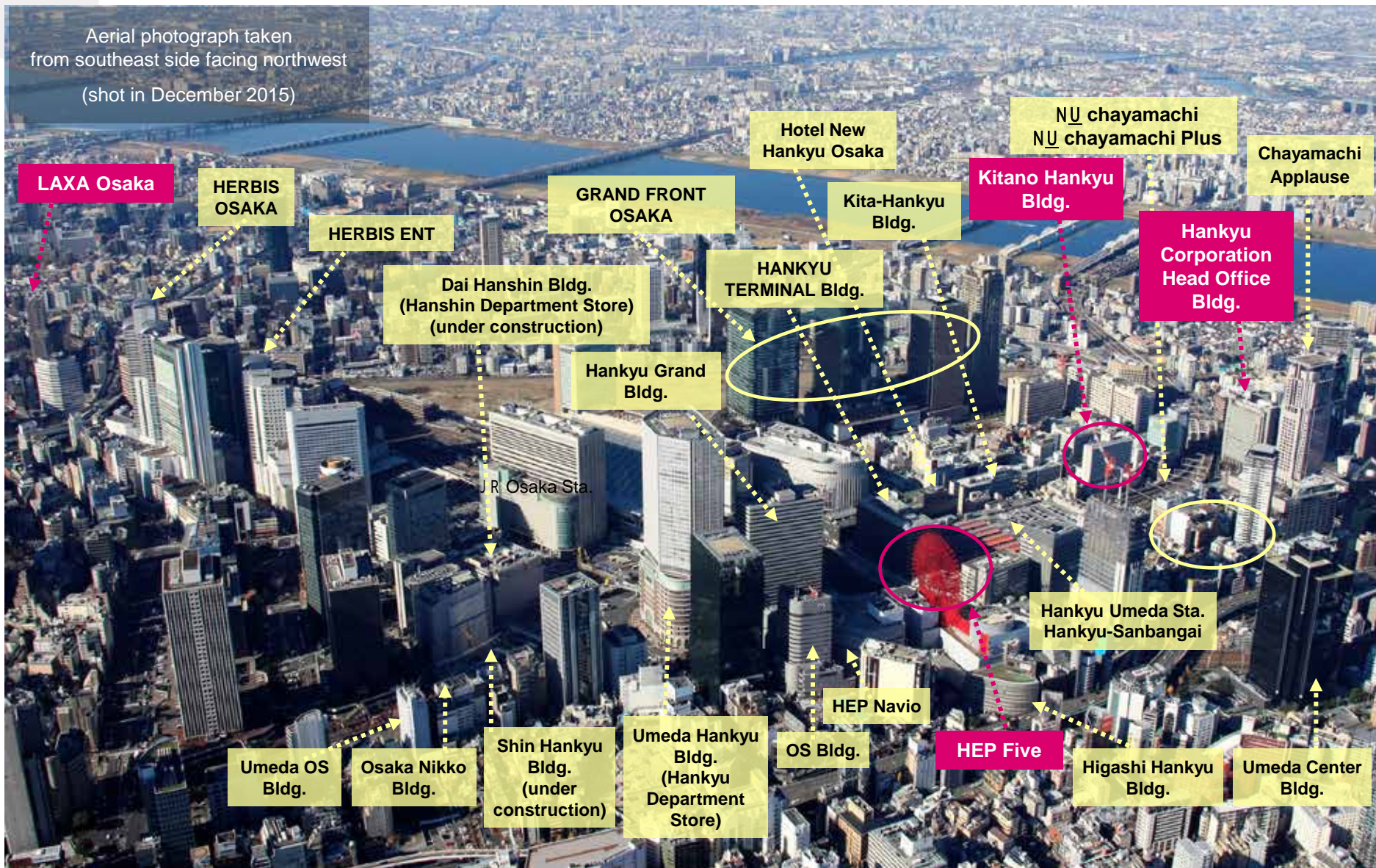
Change in Population of Osaka City (relative value based on 2006 (100))



Openings of supermarkets in central Osaka has accelerated



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



Property owned by Hankyu REIT

Major property developed and owned by Hankyu Hanshin Holdings Group

3. External Growth Strategies

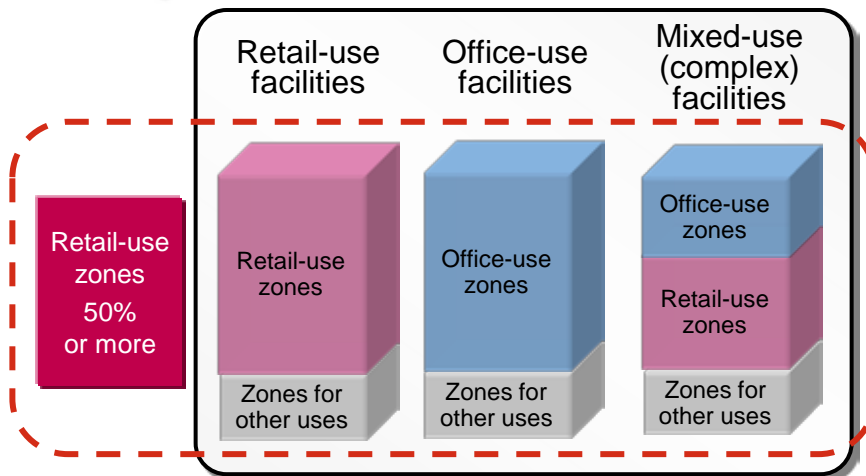


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Investment Targets

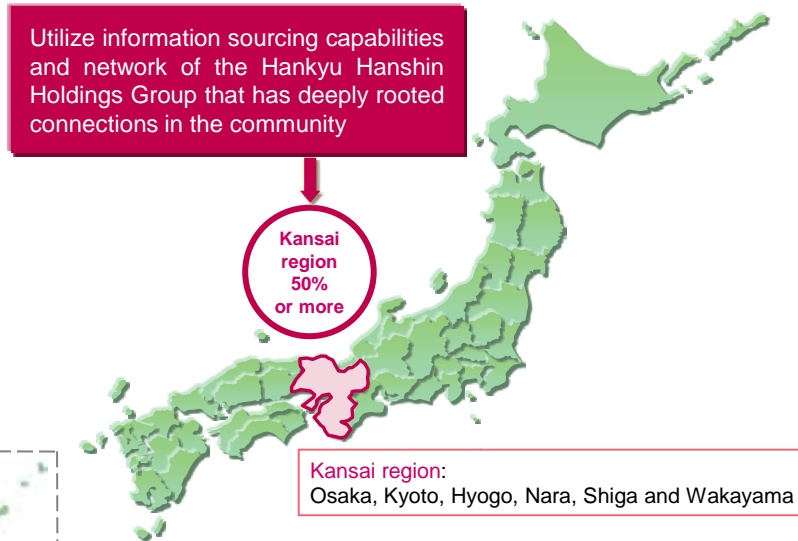
Target real estate with retail-use and office-use zones
Especially focus investment on retail-use zones



* 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

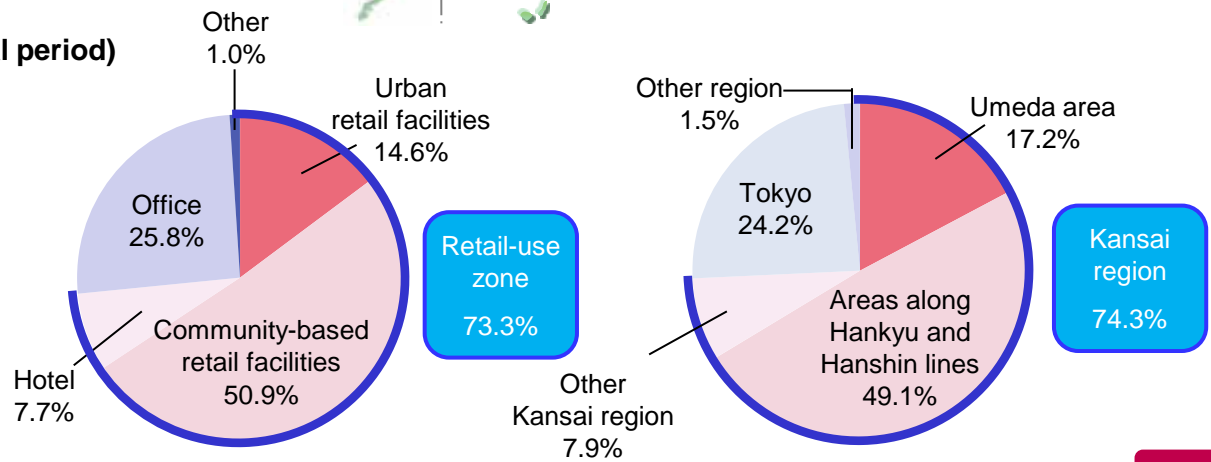
Target real estate across Japan
Investment target areas are Tokyo metropolitan area, nationwide government ordinance-designated cities and other comparable major cities
Of these, investment is focused on Kansai region



Portfolio Status (end of 24th fiscal period)

Total acquisition price:
JPY 141.62 bn

Total number of properties :
23 properties

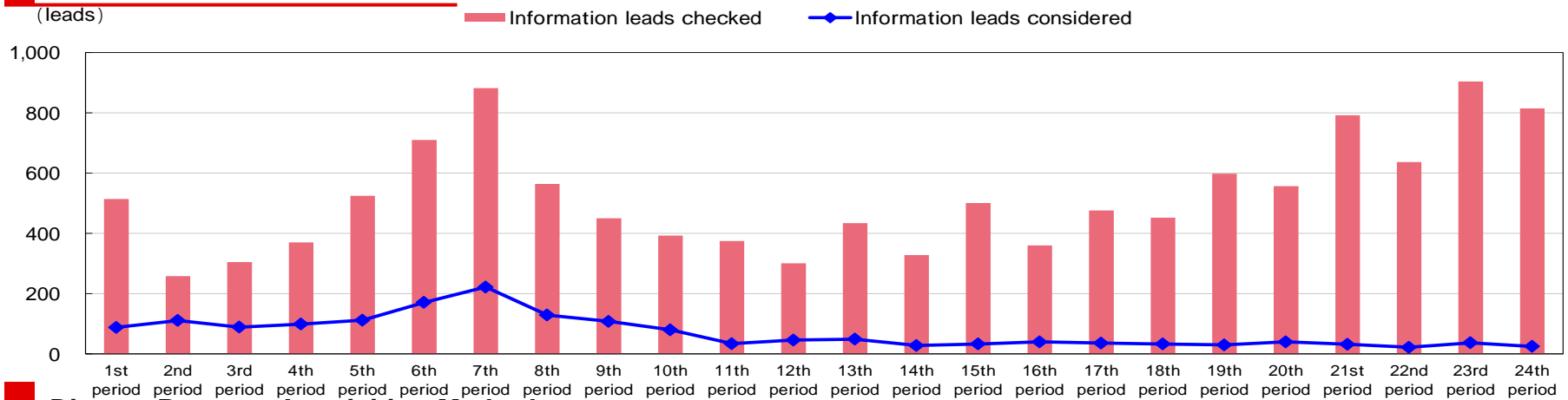




Status of Property Acquisition Activities

Promoting consideration of property acquisitions that can contribute to improvement of portfolio profitability and stability amidst heated competition for property acquisition, and continuing to obtain quality property information utilizing the comprehensive strength of the sponsor group through joint efforts, such as holding a weekly forum to share property information and considerations 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 OASIS Town Itami Konoike (site)

3-3. Information Leads and Leads Considered (24th Fiscal Period)

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

Use	City center			Urban vicinity			Suburban		
	Information leads	Leads actually considered	Properties	Information leads	Leads actually considered	Properties	Information leads	Leads actually considered	Properties
Office	17	75 ¹	17 ¹	16	42	1	2	2	1
Mixed (Complex)	11 ¹	68	2	6	29 ¹	1	0	5	1
Retail	7	45 ³	12 ³	13 ¹	18 ²	3	6	6 ¹	10
Hotel	17 ¹	16 ³	5	8	15 ²	1	0	0	5
Other*	24	90	17	48 ²	134 ³	4	3	6	6

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

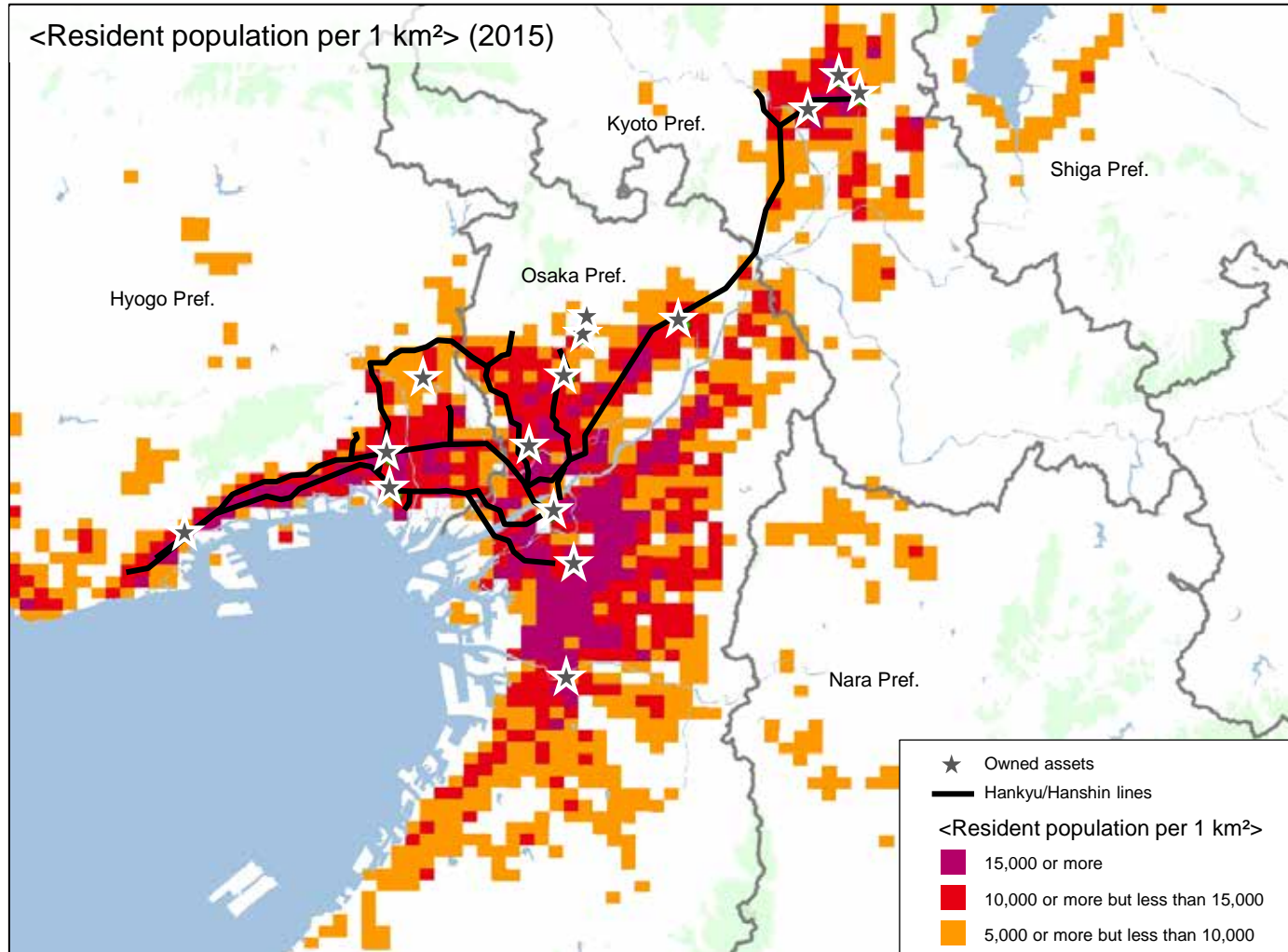


Leads considered were primarily in Kansai region, Tokyo metropolitan area and regional major cities, such as Nagoya, Fukuoka and Hiroshima, etc.



I Areas in Kansai with concentration of population (Resident population per 1 km²: 5,000 or more)

- Concentration of population is notable in the central parts of the cities of Osaka, Kobe and Kyoto and in the vicinity of major stations between the three cities as well as in areas along Hankyu/Hanshin lines
- Retail facilities of Hankyu REIT are located in areas with concentration of population (Most are in areas with notable concentration)

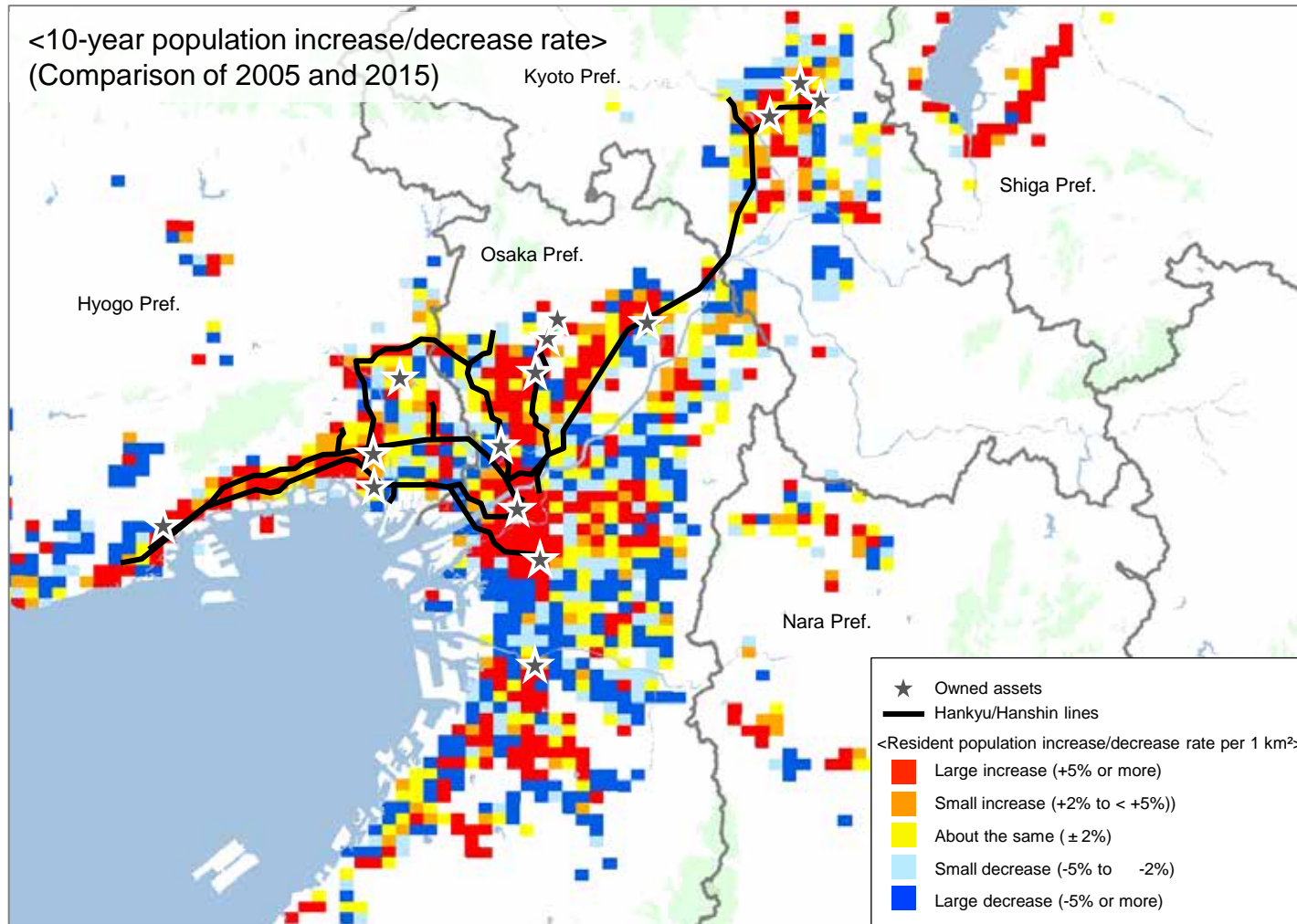


Source:
Prepared by processing "National
Census 2015" by Statistics Bureau,
Ministry of Internal Affairs and
Communications



I Increase/decrease in areas in Kansai with concentration of population (Increase/decrease in resident population per 1 km²)

- Polarization of population increase/decrease is progressing based on convenience and living environment
- Upon acquisition of retail facilities, discuss mainly areas with high retail potential, such as those expecting population growth (including individual factors such as location and form of facilities)





Investment in community-based retail facilities and urban retail facilities

Community-based retail facilities

Provides products and services to serve needs of daily life

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



HANKYU NISHINOMIYA GARDENS



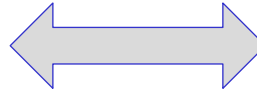
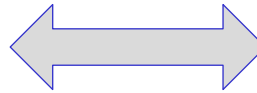
Dew Hankyu Yamada



DAILY QANAT Izumiya Horikawa Marutamachi Store (site)

Urban vicinity areas in 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 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 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 revenues and stability through the operational management of the sponsor group

Utilizing real estate know-how and experience accumulated 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

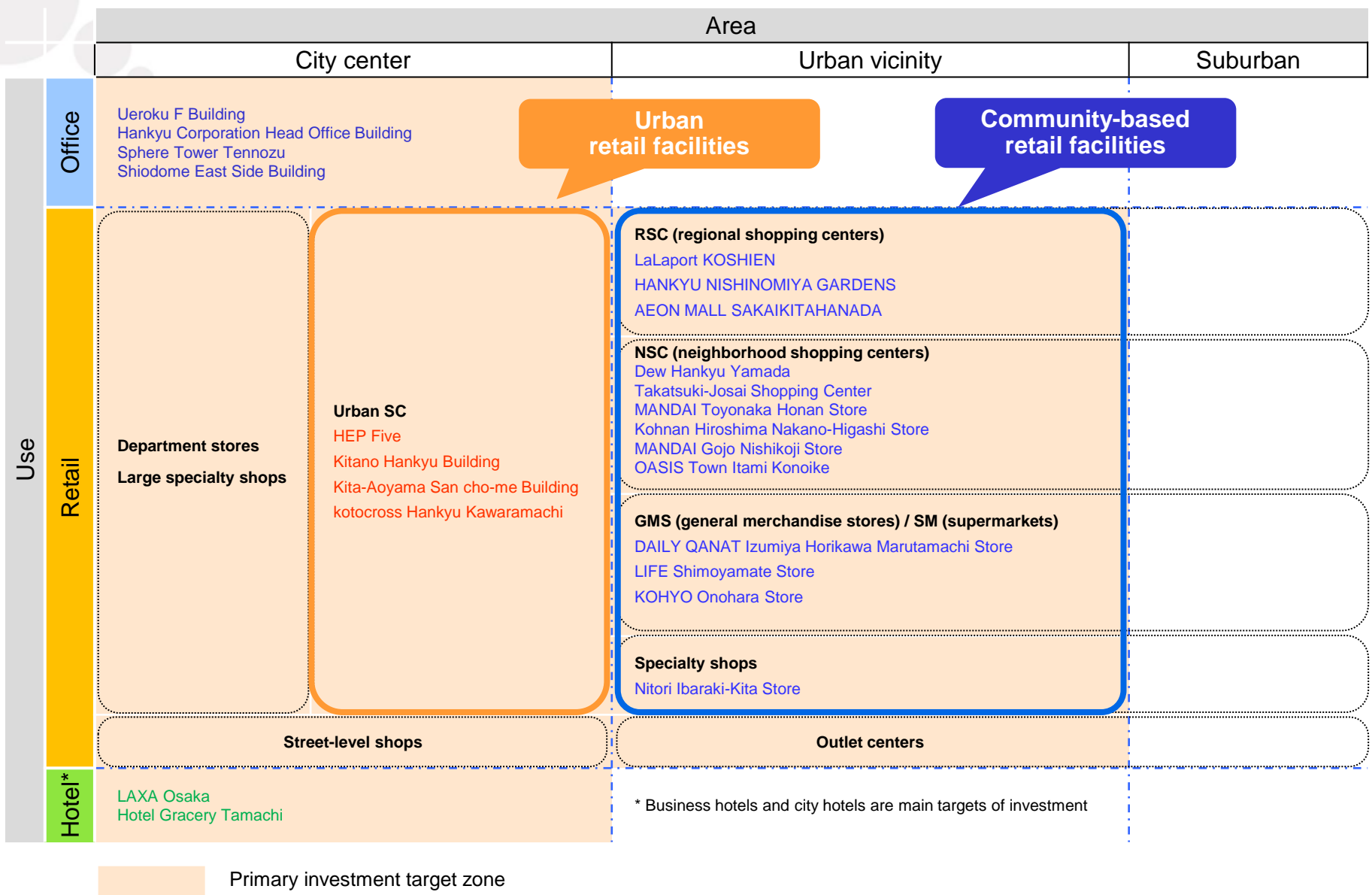
Adapt to shift in preferences of the target customer base

- 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 revenues through adequate business category and tenant compositions

(Note) This is not intended as a guarantee that all assets owned 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.



* Business hotels and city hotels are main targets of investment

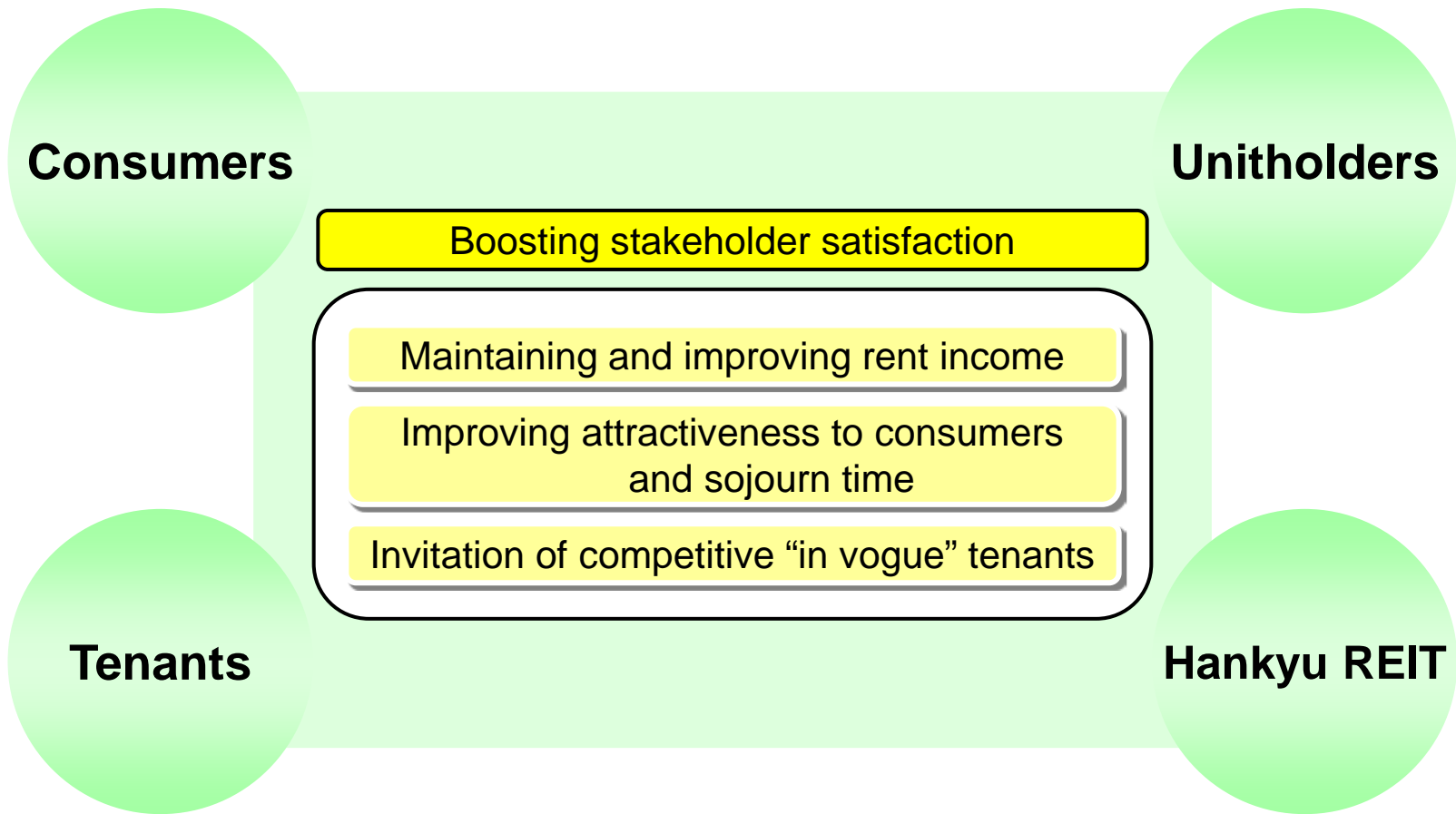
4. Internal Growth Strategies



HANKYU NISHINOMIYA GARDENS Sky Garden

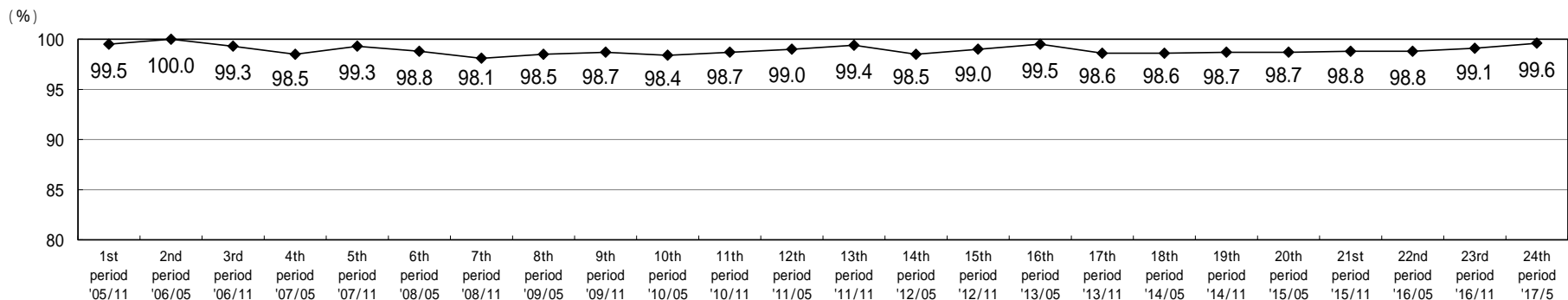


Achieving a WIN-WIN-WIN-WIN relationship in operations

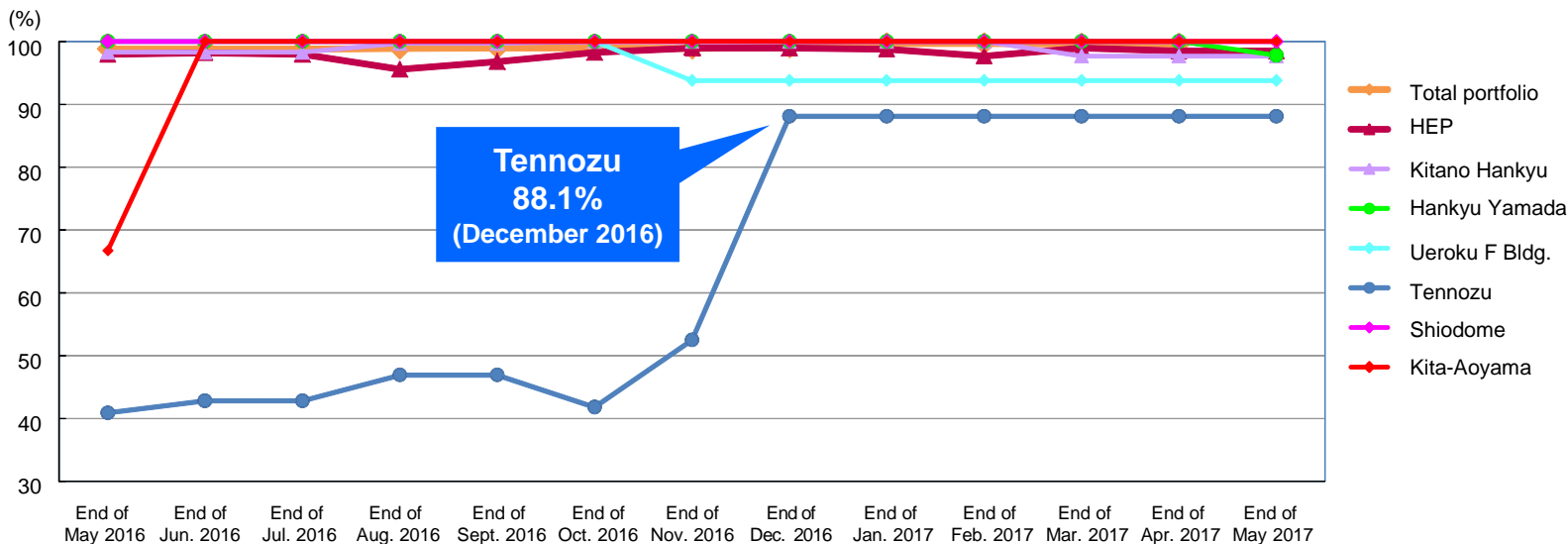




Stable occupancy rates maintained since 1st fiscal period



Total portfolio occupancy rate at 99.6% (as of the end of 24th period)



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 SAKAIKITAHANADA, 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%).



HANKYU NISHINOMIYA GARDENS

Reopening of the fully renovated 1F food court (April 2017)

- Contributed to further vitalization of the facility through enhancement of the food court by attracting 11 restaurants including four appearing in Kansai for the first time.
- Counter seating and kids space for the convenience of parents are newly placed for an easy drop-in.



<Kids space>



<Inside the store>

Dew Hankyu Yamada

Attracting tenants that accommodate customer needs

- Attracted a 100-yen shop, which many visitors requested in the questionnaire. (Opening in June 2017 (25th FP))
- Aim to raise the frequency of visits and draw more customers by further strengthening competitiveness as a community-based retail facility with the opening of the above store, in addition to having a food supermarket, drug store and clothing store for everyday use.



<Inside the store> (image)

Kitano Hankyu Building

Reinforcement of operational management

- Value-enhancement work has been implemented in the building since the 22nd FP.
- Intend to conduct proactive leasing activities to improve competitiveness of the facility by replacing out-of-fashion shops with trendy shops upon expiration of fixed-term leasing agreements, etc.
- According to the above, after terminating contracts with three tenants in the 24th FP, one tenant was attracted in the 25th FP (as of June 2017). Leasing activities are underway to raise the occupancy rate.

Kita-Aoyama San cho-me Building

Attracting tenants at higher rent levels than in the past

- Attracted a flagship shop of a hair salon, which delivers a wide range of hair-style trends from basic to the latest, without downtime through tenant replacement.
- Aim to further raise the competitiveness of the property by attracting tenants that have a close affinity with other tenants.



Case Examples of Repair/Updating in the 24th FP

Efforts on maintaining/improving asset value

Promoted repair/renovation systematically from the perspective of preventive maintenance in order to secure stable revenues over the medium-to-long-term

<Kitano Hankyu Building>

Conducted beautification work, etc. of common-use portions, etc.

Conducted beautification work of the entrance on the 1F and renovation of the bathrooms on the B1F and 2F.



<Entrance on 1F>



<Lady's bathroom on 2F>

<LAXA Osaka>

Promoted repair work on exterior wall

Repair work on exterior wall has been underway over four fiscal periods. Conducted repair of some tiles of the south building and resealing in 24th FP.



<Ueroku F Building>

Completed elevator modernization

Replaced operation panels in the elevator cars in addition to conducting modernization of hoisting gear, control panel, etc.



<Control panel>



<Hoisting gear>

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 79.6 billion in fiscal 2016, sales increased for the eighth consecutive year since opening in 2008. Sales in fiscal 2017, too, are going strong. The fully renovated food court on 1F reopened in April 2017.
Dew Hankyu Yamada NSC (Note 1)	Long-term, fixed (partly overage)	Occupancy rate at the end of 24th FP was down by 2.2 percentage points due to a move out by a single tenant, but a 100-yen shop wanted by many customers was attracted as a successor in June 2017 (25th FP). Countermeasures against LaLaport EXPOCITY will implement 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)	Occupancy rate at the end of 24th FP was down by 2.3 percentage points due to move outs by three tenants, but one new tenant started operations in June 2017 (25th FP). Value-enhancement work on common-use portions is underway. Leasing activities will be continued and conducted mainly for tenants that will create synergy with existing tenants and be able to contribute to increasing customers.
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, home electronics retailer 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 a certain amount of rent from the master lessee (sublessor), regardless of fluctuations in end-tenant rent.

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)	Along with retaining customers through group facilities acting as one by implementing joint events, HEP FIVE internal marketing, etc., continuing aim to attract more customers and boost sales. With a greater number of foreign tourists visiting Japan, sales from the Ferris wheel in the 24th FP increased 17% year-on-year (increase for the 10th consecutive fiscal period).

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%. Successfully replaced a tenant in one section on 2F in March 2017 at a higher rent level than in the past. The core tenant is THREE AOYAMA, the flagship store of THREE, a natural cosmetics brand operated by an affiliate of Pola Orbis Holdings Inc.
kotocross Hankyu Kawaramachi Specialty shop building (urban SC)	Long-term, fixed	Rent income is stable based on the 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, the building houses merchandise shops, restaurants and service shops. Tenants of 1F and 2F attracted in March 2016 continue to 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 the 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.
OASIS Town Itami Konoike (site) NSC (Note 1)	Long-term, fixed	Rent income is stable based on a contract for a fixed-term land lease for business purposes with HANKYU OASIS Co., Ltd. In line with the store opening, the rent collectable became 100% from July 3, 2017 (25th FP). The facility houses shops closely related to daily life, such as a grocery store, apparel store and drugstore.

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

(Note 2) Fixed-type master lease method: Hankyu REIT receives a certain amount of rent from the master lessee (sublessor), regardless of fluctuations in end-tenant rent.

4-4. Rent Systems and Present Conditions of 23 Portfolio Properties (3)

(End of 24th Fiscal Period)

Properties Mainly Using the Fixed-rent System

Property name	Main rent system	Present conditions
Ueroku F Building Office	Fixed	Occupancy rate stood at 93.8% after a move out by a single tenant in 23rd FP. While tapping needs for expansion of floor area within the same property, will proactively conduct outward leasing activities in 24th FP, such as holding viewing of vacant sections.
Sphere Tower Tennozu Office	Fixed	Achieved seven leasing contracts, including a large tenant, in 2016, strongly boosting occupancy rate to 88.1% in December 2016. Will continue to promote leasing activities backed by an environment where vacancy rate in Tokyo metropolitan area is decreasing, and thereby lead to further improvement in occupancy rate. The quasi co-owner was changed to Premier Investment Corporation on June 21, 2017. Will cooperate and carry out future management and leasing as a REIT having the same medium-to-long-term perspective.
Shiodome East Side Building Office	Fixed	Occupancy rate continues to be 100%. Will continue to strive to improve level of satisfaction by pursuing relations with existing tenants.
Hankyu Corporation Head Office Building Office	Long-term, fixed	Rent income is stable based on the fixed-type master lease method (Note 2) with Hankyu Corporation. The building serves as 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	Long-term and fixed lease contract 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 the fixed-type master lease method (Note 2) 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 a 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 1)	Long-term, fixed	Contract for a 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 the management balance sheets of tenants.

(Note 1) NSC: Neighborhood Shopping Center

(Note 2) Fixed-type master lease method: Hankyu REIT receives a certain amount from the master lessee (sublessor), regardless of fluctuations in end-tenant rent.

Properties Mainly Using the Fixed-rent System

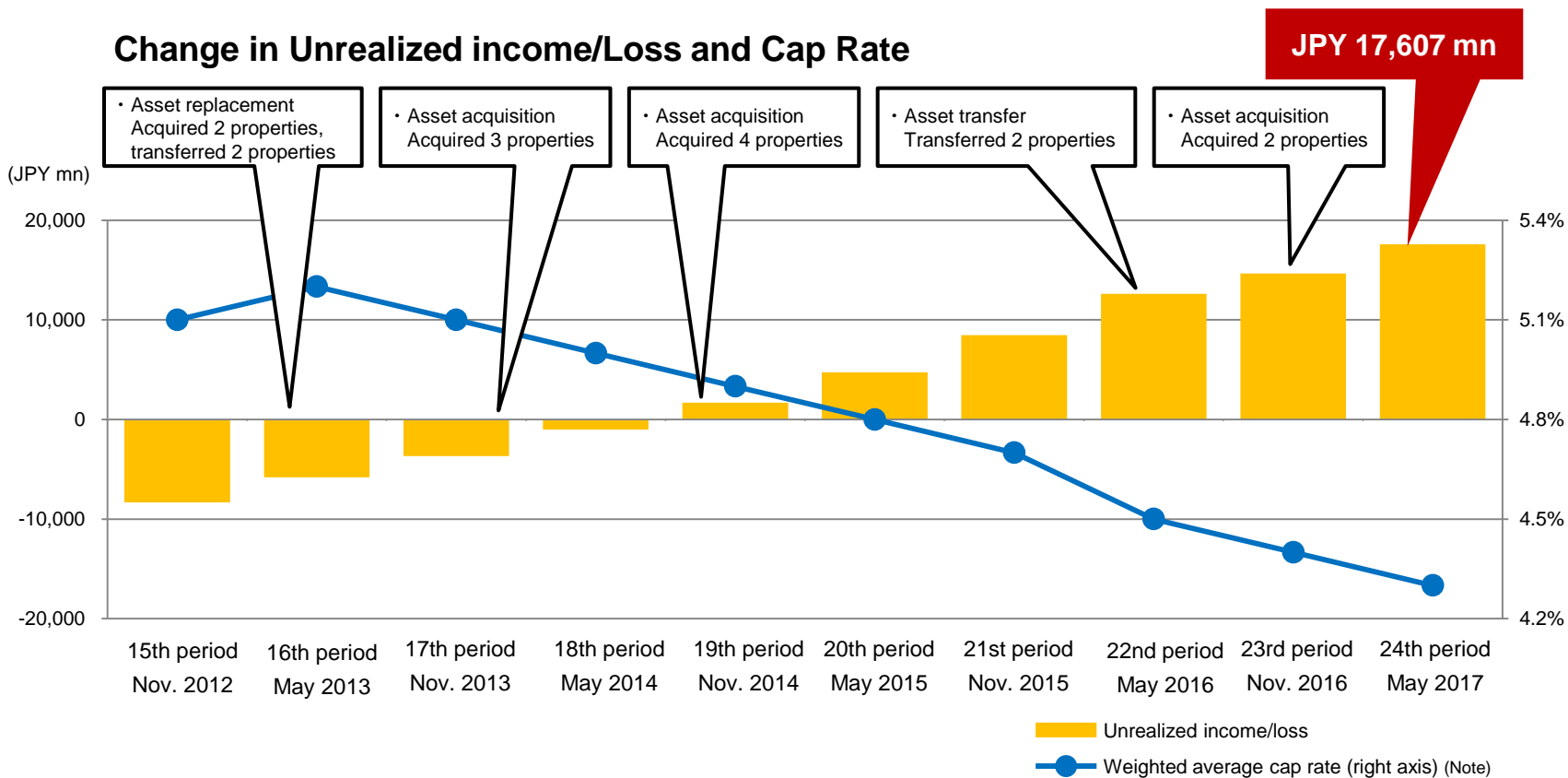
Property name	Main rent system	Present conditions
LaLaport KOSHIEEN (site) RSC (Note)	Long-term, fixed	Rent income is stable based on a contract for a fixed-term land lease for business purposes with Mitsui Fudosan Co., Ltd. With the renewal in spring 2017, 44 shops, including some appearing in Kansai region for the first time, are newly opening or reopening after renovation.
AEON MALL SAKAIKITAHANADA (site) RSC (Note)	Long-term, fixed	Hankyu REIT owns the site only, and there is a contract for a 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), is scheduled to move out of the end of July 2017. AEON MALL Co., Ltd. announced in April 2017 that it will conduct large-scale renovation, including the site to be vacated by Sakai Kitahanada Hankyu, in three phases (the first phase was completed at the end of April 2017).
MANDAI Toyonaka Honan Store (site) NSC (Note)	Long-term, fixed	Rent income is stable based on a contract for a 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 a fixed-term land lease for business purposes with Izumiya Co., Ltd. The store is becoming more well-known and the business continues to be strong. With more foreign tourists visiting Japan coming to the store, tax-free shopping has been made available. The morning market has also been going well.
MANDAI Gojo Nishikoji Store (site) NSC (Note)	Long-term, fixed	Rent income is stable based on a contract for a fixed-term land lease for business purposes with MANDAI Co., Ltd. Strong sales as the store is bustling mainly with local customers who come on bicycle.
LIFE Shimoyamate Store (site) SM (Note)	Long-term, fixed	Rent income is stable based on a contract for a fixed-term land lease for business purposes with Life Corporation. Strong business performance as evidenced in nationally top-class sales of personal delivery service, etc.

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



Appraisal value increased by 1.7%, generating unrealized income of JPY 17.6 bn
 Cap rate decreased for 22 properties excluding Itami

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 (23rd fiscal period)		End of current period (24th fiscal period)		Change (-) (Note)	Change (-)/ (Note)	Value recorded on the balance sheet at end of current period	Unrealized income/loss -	Value to book ratio /
		Appraisal value	Cap rate (Note)	Appraisal value	Cap rate (Note)					
HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	6,468	8,736	3.7%	8,862	3.6%	126	1.4%	5,574	3,287	159.0%
Kitano Hankyu Building	7,740	6,970	4.7%	7,140	4.6%	170	2.4%	7,732	-592	92.3%
Dew Hankyu Yamada	6,930	8,530	4.6%	8,630	4.5%	100	1.2%	5,568	3,061	155.0%
Takatsuki-Josai Shopping Center	8,600	8,160	5.1%	8,320	5.0%	160	2.0%	7,071	1,248	117.7%
Nitori Ibaraki-Kita Store (Site)	1,318	1,690	4.9%	1,710	4.8%	20	1.2%	1,340	369	127.6%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,890	5.7%	1,890	5.6%	0	0.0%	2,280	-390	82.9%
Hotel Gracery Tamachi	4,160	4,390	4.5%	4,420	4.4%	30	0.7%	3,686	733	119.9%
LaLaport KOSHIEN (site)	7,350	7,650	4.4%	7,720	4.3%	70	0.9%	7,748	-28	99.6%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	23,996	4.4%	24,472	4.3%	476	2.0%	17,486	6,985	139.9%
AEON MALL SAKAIKITAHANADA (site)	8,100	9,540	4.4%	9,750	4.3%	210	2.2%	8,189	1,560	119.1%
MANDAI Toyonaka Honan store (site)	1,870	2,260	4.5%	2,290	4.4%	30	1.3%	1,889	400	121.2%
DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	3,100	3,490	4.4%	3,550	4.3%	60	1.7%	3,127	422	113.5%
kotocross Hankyu Kawaramachi	2,770	3,230	4.5%	3,270	4.4%	40	1.2%	2,688	581	121.6%
LIFE Shimoyamate Store (site)	1,421	1,590	4.4%	1,610	4.3%	20	1.3%	1,434	175	112.3%
MANDAI GOJO Nishikoji Store (site)	4,182	4,600	4.5%	4,660	4.4%	60	1.3%	4,213	446	110.6%
KOHYO Onohara Store	1,631	1,670	5.1%	1,710	5.0%	40	2.4%	1,656	53	103.2%
OASIS Town Itami Konoike (site)	7,100	7,120	4.2%	7,270	4.2%	150	2.1%	7,391	-121	98.4%
Shiodome East Side Bldg.	19,025	14,100	4.1%	14,400	4.0%	300	2.1%	17,287	-2,887	83.3%
Hankyu Corporation Head Office Building	10,200	11,700	4.2%	11,900	4.1%	200	1.7%	9,600	2,299	123.9%
Ueroku F Building	2,980	2,700	5.3%	2,740	5.2%	40	1.5%	2,628	111	104.2%
Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,765	4.2%	6,831	4.0%	66	1.0%	8,575	-1,744	79.7%
LAXA Osaka	5,122	5,600	4.9%	5,670	4.8%	70	1.3%	4,275	1,394	132.6%
Kita-Aoyama San cho-me Building	1,680	1,940	3.6%	1,970	3.5%	30	1.5%	1,729	240	113.9%
Total	141,628	148,317	4.4%	150,785	4.3%	2,468	1.7%	133,177	17,607	113.2%

(Note) Cap rates are cap rates and discount rates based on the direct capitalization method used for appraisal value calculations (Nitori Ibaraki-Kita Store (site), Kohnan Hiroshima Nakano-Higashi Store (site), LaLaport KOSHIEN (site), AEON MALL SAKAIKITAHANADA (site) and LIFE Shimoyamate Store (site) are allocated a discount rate using the DCF method) and the total is the weighted average cap rate based on appraisal values.

5. Financial Strategies



HANKYU NISHINOMIYA GARDENS Sky Garden

Basic Financial Policy

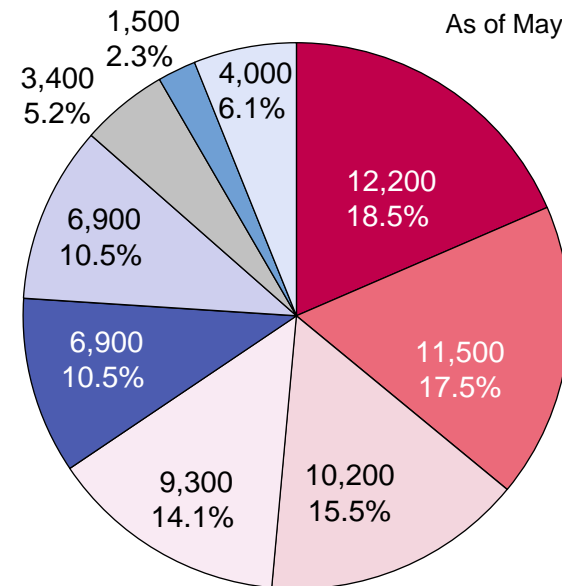
- Maintain sound financial position
- Maintain favorable trading relationship with financial institutions
- Realize lower fund procurement costs (effective use of security deposits/guarantees)
- Reduce financing risks (diversification of debt repayment dates)
- Reduce interest rate fluctuation risks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

	As of end of 23rd period	As of end of 24th period
Interest-bearing debt	JPY 65.9 bn	JPY 65.9 bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	0.90%	0.92%
Avg. debt financing cost (including investment corporation bonds)	0.92%	0.94%
Avg. remaining years on long-term loans payable and investment corporation bonds	4.4 years	4.4 years
Long-term debt ratio	90.9%	95.1%
Fixed debt ratio	81.5%	85.7%
LTV (Note)	43.0%	42.2%
Interest-bearing debt ratio	44.5%	44.6%
Investment corporation bonds	JPY 4 bn	JPY 4 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 P66.

Debt Outstanding by Lender (JPY mn)

As of May 31, 2017

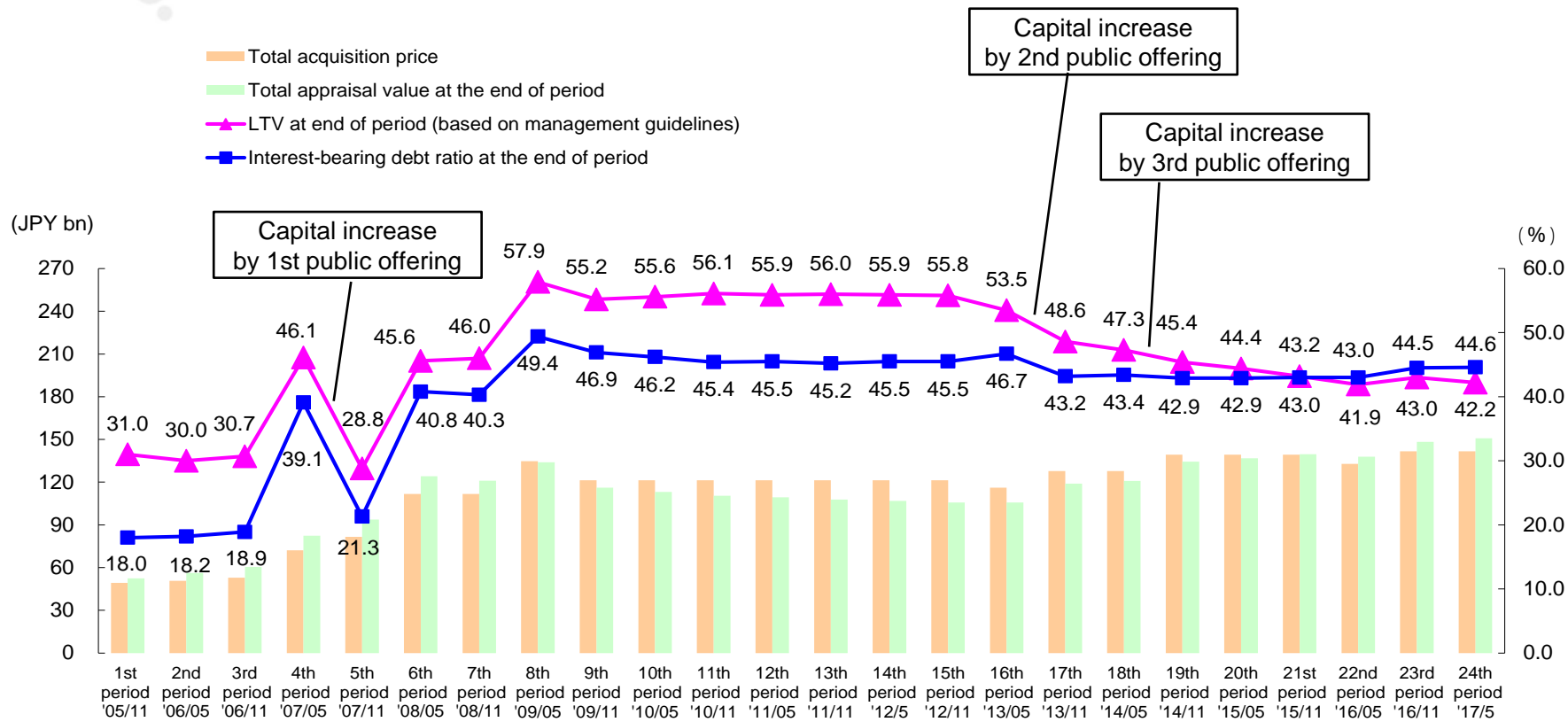


- Mitsubishi UFJ Trust and Banking Corporation
- Development Bank of Japan Inc.
- Sumitomo Mitsui Banking Corporation
- Sumitomo Mitsui Trust Bank, Limited
- Mizuho Bank, Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Senshu Ikeda Bank, Ltd.
- Mizuho Trust and Banking Co., Ltd.
- Investment corporation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



Number of properties
5
6
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23

LTV remains on an ongoing basis

6. Overview of Financial Results for 24th Fiscal Period



Income Statement

(Unit: JPY mn)

Item	23rd Fiscal Period (Operation period:183 days) Jun. 1, 2016 to Nov. 30, 2016		24th Fiscal Period (Operation period:182 days) Dec. 1, 2016 to May 31, 2017		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	4,721	100.0	4,740	
Lease operating revenues	4,721		4,740		
2. Operating expenses	2,745	58.1	2,760	58.2	15 (2)
Lease operating costs	2,284		2,297		
Asset management remuneration	334		344		
Officer remuneration	3		3		
Asset consignment remuneration	18		18		
Administrative agency remuneration	37		36		
Auditor remuneration	11		10		
Other operating expenses	56		49		
Operating income	1,976	41.9	1,979	41.8	2
3. Non-operating revenues	1	0.0	3	0.1	1
Interest earned	0		0		
Other non-operating revenues	1		2		
4. Non-operating expenses	406	8.6	357	7.5	-49 (3)
Interest expenses	285		289		
Loan related expense	54		54		
Interest due on investment corporation bonds	35		11		
Amortization of investment corporation bond issuance costs	2		1		
Other expenses	29		0		
Ordinary income	1,570	33.3	1,625	34.3	54
Pretax Net income for current period	1,570		1,625		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	-0		-0		
Net income for current period	1,569	33.2	1,623	34.3	54
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,569		1,623		

Lease operating revenues/costs
Breakdown: See pages 47 and 48

Cash Distribution Statement

(Unit: JPY thousand)

Item	23rd Fiscal Period	24th Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,569,370	1,623,922	54,552
Distributions	1,569,035	1,623,407	54,372
(Distribution per unit (JPY))	(2,626)	(2,717)	(91)
Retained earnings carried forward	335	515	179

(Main factors for increase/decrease)

(1) Operating revenues

Full-period contribution from properties acquired in the 23rd FP (Itami (25% rent collection), Onohara) JPY +47 mn
Income related to tenant move-ins and move-outs (Yamada, Kitano, Ueroku, Kita-Aoyama) JPY +20 mn
Decrease in utilities expense income JPY -41 mn

(2) Operating expenses

Increase in repair expense JPY +44 mn
Increase in asset management remuneration JPY +9 mn
Change in item classification of non-deductible consumption taxes JPY +8 mn
Decrease in utilities expense JPY -40 mn

(3) Non-operating expenses

Decrease in interest expenses (refinancing of investment corporation bonds, and increase in interest-bearing debt) JPY -19 mn
Decrease on the rebound of payment of non-deductible consumption taxes for acquiring the Itami site and change in item classification of non-deductible consumption taxes JPY -29 mn

Item	23rd Fiscal Period (as of Nov. 30, 2016)		24th Fiscal Period (as of May 31, 2017)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
	Assets				
I Current assets total	13,822	9.3	14,164	9.6	342
Currency and demand deposit	5,604		6,410		
Currency and demand deposit in trust	7,722		7,424		
Operational income receivable	7		7		
Deposit paid	80		98		
Consumption taxes receivable	258		—		
Prepaid expense	144		221		
others	3		2		
II Fixed assets total	134,111	90.6	133,646	90.4	-464
1. Tangible fixed assets					
Buildings	2,224		2,157		
Structures	219		211		
Tools, furniture and fixtures	0		0		
Land	18,130		18,143		
Buildings in trust	25,846		25,423		
Structures in trust	541		527		
Machinery and equipment in trust	143		157		
Tools, furniture and fixtures in trust	56		69		
Land in trust	85,466		85,466		
Trust construction account	48		39		
Tangible fixed assets total	132,678	89.7	132,196	89.4	-482
2. Intangible fixed assets					
Land leasehold	957		957		
Others	67		63		
Intangible fixed assets total	1,024	0.7	1,020	0.7	-4
3. Investments, other assets					
Long-fiscal period prepaid expenses	398		419		
Guarantee money deposit	10		10		
Investment, other assets total	408	0.3	429	0.3	21
III Total deferred assets	24	0.0	23	0.0	-1
Investment corporation bond issuance costs	24		23		
Assets total	147,958	100.0	147,834	100.0	-123

(Unit: JPY mn)

Item	23rd Fiscal Period (as of Nov. 30, 2016)		24th Fiscal Period (as of May 31, 2017)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
	Liabilities				
I Current liabilities total	14,744	10.0	13,832	9.4	-911
Operating accounts payable	572		539		
Short term loans payable	6,000		3,200		
Long term loans payable (due within 1 year)	7,000		9,000		
Accrued dividend	10		7		
Accrued expenses	167		166		
Income taxes payable	1		1		
Accrued consumption tax	79		73		
Advance received	691		661		
Current deposit received	1		0		
Security deposits (return within 1 year)	218		182		
II Total noncurrent liabilities	59,985	40.5	60,718	41.1	732
Investment corporation bonds	4,000		4,000		
Long term loans payable	48,900		49,700		
Security deposits	1,391		1,344		
Security deposits in trust	5,694		5,674		
Liabilities total	74,730	50.5	74,551	50.4	-178
Net assets					
I Unitholders capital	71,659	48.4	71,659	48.5	
II Total surplus	1,569	1.1	1,623	1.1	
Unappropriated income for current period	1,569		1,623		
Net assets total	73,228	49.5	73,283	49.6	54
Liabilities and net assets total	147,958	100.0	147,834	100.0	-123

Interest-bearing debt
JPY 65,900 mn

Total security deposits
JPY 7,200 mn
↓
JPY 1,438 mn
was allocated for property acquisitions

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

Hankyu REIT

(Unit: JPY mn)

Item	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kitano Hankyu Bldg.	Dew Hankyu Yamada	Takatsuki- Josai SC	Nitori Ibaraki- Kita Store (site) (Note)	Kohnan Hiroshima Nakano-Higashi Store (site)	Hotel Gracery Tamachi	LaLaport KOSHIEEN (site)	NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	AEON MALL SAKAI KITAHANADA (site) (Note)	Mandai Toyonaka Honan Store (site) (Note)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site) (Note)
Number of operating days of 24th fiscal period	182	182	182	182	182	182	182	182	182	182	182	182
Lease operating revenues total	310	548	373	284		68	121	257	618			
Income from lease	245	379	259	283		68	116	257	617			
Utilities expense income	14	109	43	—		—	—	—	—			
Other incomes	51	59	70	0		0	4	0	0			
Lease operating costs total	180	400	223	154		6	51	106	209			
Property/Facility management fees	45	111	73	10		0	1	1	0			
Utilities expense	21	122	44	0		—	—	—	—			
Rent paid	3	0	1	22		—	—	0	6			
Advertising and promotion expenses	28	1	2	—		—	—	—	—			
Repair expense	8	19	6	25		—	—	—	1			
Nonlife insurance premium	0	1	0	1		—	0	0	2			
Tax and public dues	24	49	26	26		6	14	102	58			
Other expenses	7	6	4	0		—	1	1	0			
Depreciation	41	86	63	68		—	32	0	139			
NOI (Lease operating income + Depreciation)	171	234	213	198	60	62	103	150	547	211	53	88
Lease operating income	130	147	150	129	60	62	70	150	408	211	53	88
Capital expenditure	8	159	45	—	—	—	1	—	17	—	—	—

(Note) The Asset Management Company decided rent information is not disclosed as consent was not obtained from the tenants, and there is a possibility disclosure may affect the 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)	MANDAI Gojo Nishikoji Store (site) (Note)	KOHYO Onohara Store (note)	OASIS Town Itami Konoike (site)	Shiodome East Side Bldg.	Hankyu Corporation Head Office Bldg.	Ueroku F Bldg.	Sphere Tower Tennozu 3% of the quasi co-ownership of the trust beneficiary interests)	LAXA Osaka	Kita-Aoyama San cho-me Bldg. (Note)	Total (23 properties)
Number of operating days of 24th fiscal period	182	182	182	182	182	182	182	182	182	182	182	—
Lease operating revenues total	102					397	359	138	136	254		4,740
Income from lease	102					375	359	115	96	254		4,293
Utilities expense income	—					17	—	9	14	—		209
Other incomes	—					3	—	13	25	—		237
Lease operating costs total	47					179	159	97	209	173		2,297
Property/Facility management fees	1					18	1	22	26	3		328
Utilities expense	—					22	—	10	45	—		266
Rent paid	12					0	—	—	—	17		65
Advertising and promotion expenses	—					—	—	0	0	—		32
Repair expense	—					5	—	12	16	39		135
Nonlife insurance premium	0					0	1	0	0	2		14
Tax and public dues	10					21	47	12	28	47		547
Other expenses	0					2	0	1	31	1		61
Depreciation	20					108	108	38	61	63		846
NOI (Lease operating income + Depreciation)	75	34	109	47	37	326	308	79	-10	143	40	3,288
Lease operating income	54	34	109	38	37	217	199	41	-72	80	36	2,442
Capital expenditure	1	—	—	—	—	10	5	23	59	20	—	355

(Main repair expense)

LAXA Osaka	Repair work on the south building exterior wall	JPY 20 mn
Takatsuki-Josai Shopping Center	Repair work on the store building exterior wall	JPY 23 mn

(Main capital expenditure)

Kitano Hankyu Building	Renovation of B1/2F restrooms	JPY 40 mn
	Renovation of sign boards on all building	JPY 34 mn
	Escalator modernization	JPY 28 mn
	1F common-use portion beautification	JPY 14 mn
Sphere Tower Tennozu	Automatic fire alarm system upgrading	JPY 36 mn
Dew Hankyu Yamada	Parking control system upgrading	JPY 17 mn
Ueroku F Building	Elevator modernization	JPY 20 mn

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

Item	23rd Fiscal Period	24th Fiscal Period	Remarks
Operation period	183	182	23rd fiscal period: Jun. 1, 2016 to Nov. 30, 2016 24th fiscal period: Dec. 1, 2016 to May. 31, 2017
Return On Assets (ROA)	1.1%	1.1%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.1%	2.2%	Calculated from duration of operation
Return On Equity (ROE)	2.1%	2.2%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.3%	4.4%	Calculated from days of operation
Ratio of net assets at end of period	49.5%	49.6%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	43.0% (47.4%)	42.2% (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	44.5%	44.6%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	8.5times	9.2times	Pre-interest and pre-depreciation Net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY 3,286 mn	JPY3,288 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 2,418 mn	JPY2,469 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate

7. APPENDIX



HANKYU NISHINOMIYA GARDENS Sky Garden

7-1. Portfolio List (As of End of 24th Fiscal Period) (1)

As of May 31, 2017

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Total leasable area (m ²) (Note 3)	Occupancy rate (Note 3)	Total number of tenants (Note 3)	PML (Note 4)	Date of acquisition	Acquisition price (JPY mn)	Investment ratio	Appraisal value (JPY mn)	Cap rate (Note 5)
Retail-use facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Kita-ku, Osaka City	Nov. 1998	18.6	6,337.37 (2,958.94)	100.0% (98.5%)	1 (124)	5.0%	Feb. 1, 2005	6,468	4.6%	8,862	3.6%
	R2(K)	Kitano Hankyu Bldg.	Kita-ku, Osaka City	Jun. 1985	32.0	28,194.15 (18,477.35)	100.0% (97.7%)	2 (23)	10.1%	Feb. 1, 2005	7,740	5.5%	7,140	4.6%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	13.7	13,027.28	97.8%	26	4.7%	Feb. 1, 2005	6,930	4.9%	8,630	4.5%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	14.2	31,451.81	100.0%	1	5.9%	Nov. 15, 2005	8,600	6.1%	8,320	5.0%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	0.9%	1,710	4.8%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki-ku, Hiroshima City	—	—	25,469.59 60.14	100.0%	1	—	Oct. 2, 2006 Apr. 9, 2007	2,170 5	1.5%	1,890	5.6%
	R8	Hotel Gracery Tamachi	Minato-ku, Tokyo	Sep. 2008	8.7	4,943.66	100.0%	1	10.3%	Dec. 25, 2008	4,160	2.9%	4,420	4.4%
	R9(K)	LaLaport KOSHIEEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.4%	Jan. 22, 2009	7,350	5.2%	7,720	4.3%
	R11(K)	HANKYU NISHINOMIYA GARDERNS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	8.7	65,372.41	100.0%	1	9.2%	Apr. 16, 2013	18,300	12.9%	24,472	4.3%
	R12(K)	AEON MALL SAKAIKITAHAHADA (site)	Kita-ku, Sakai City, Osaka Prefecture	—	—	64,104.27	100.0%	2	—	Jun. 27, 2013	8,100	5.7%	9,750	4.3%
	R13(K)	MANDAI Toyonaka Honan store (site)	Toyonaka city, Osaka Prefecture	—	—	8,159.41	100.0%	1	—	Jun. 27, 2013	1,870	1.3%	2,290	4.4%
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	Kamigyo-ku, Kyoto city	—	—	3,776.15	100.0%	1	—	Jun. 4, 2014	3,100	2.2%	3,550	4.3%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto city	Oct. 2007	9.7	4,400.13	100.0%	1	2.6%	Jun. 4, 2014	2,770	2.0%	3,270	4.4%
	R16(K)	LIFE Shimoyamate Store (site)	Chuo-ku, Kobe city	—	—	2,397.83	100.0%	1	—	Jun. 4, 2014	1,421	1.0%	1,610	4.3%
	R17(K)	MANDAI Gojo Nishikoji Store (site)	Ukyo-ku, Kyoto city	—	—	9,182.80	100.0%	1	—	Jun. 24, 2014	4,182	3.0%	4,660	4.4%
	R18(K)	KOHYO Onohara Store	Minoh City, Osaka Prefecture	May 2016	1.1	3,310.31	100.0%	1	5.3%	Jul. 1, 2016	1,631	1.2%	1,710	5.0%
	R19(K)	OASIS Town Itami Konoike (site)	Itami City, Hyogo Prefecture	—	—	17,997.10	100.0%	1	—	Nov. 25, 2016	7,100	5.0%	7,270	4.2%

7-1. Portfolio List (As of End of 24th Fiscal Period) (2)

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Total leasable area (m ²) (Note 3)	Occupancy rate (Note 3)	Total number of tenants (Note 3)	PML (Note 4)	Date of acquisition	Acquisition price (JPY mn)	Investment ratio	Appraisal value (JPY mn)	Cap rate (Note 5)
Office-use facilities	O1	Shiodome East Side Bldg.	Chuo-ku, Tokyo	Aug. 2007	9.8	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	13.4%	14,400	4.0%
	O2(K)	Hankyu Corporation Head Office Building	Kita-ku, Osaka City	Sep. 1992	24.7	27,369.37	100.0%	1	3.7%	Apr.10 2013	10,200	7.2%	11,900	4.1%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	Chuo-ku, Osaka City	Sep. 1993	23.7	4,611.82	93.8%	11	3.2%	Nov. 1, 2005	2,980	2.1%	2,740	5.2%
	M2	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa-ku, Tokyo	Apr. 1993 (Note 6)	24.2	8,818.09	88.1%	23	2.7%	Oct. 2, 2007	9,405	6.6%	6,831	4.0%
	M3(K)	LAXA Osaka	Fukushima-ku, Osaka City	Feb. 1999	18.3	30,339.91	100.0%	1	3.7%	Jan. 22, 2009	5,122	3.6%	5,670	4.8%
	M5	Kita-Aoyama San cho-me Building	Minato-ku, Tokyo	Sep. 2013	3.7	619.76	100.0%	3	7.4%	Nov. 12, 2013	1,680	1.2%	1,970	3.5%
Total					15.7	501,823.43 (488,728.20)	99.7% (99.6%)	89 (233)	3.5%	—	141,628	100.0%	150,785	4.3%

(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 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 (394.88 m²).

(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)



OASIS Town Itami Konoike (site)



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

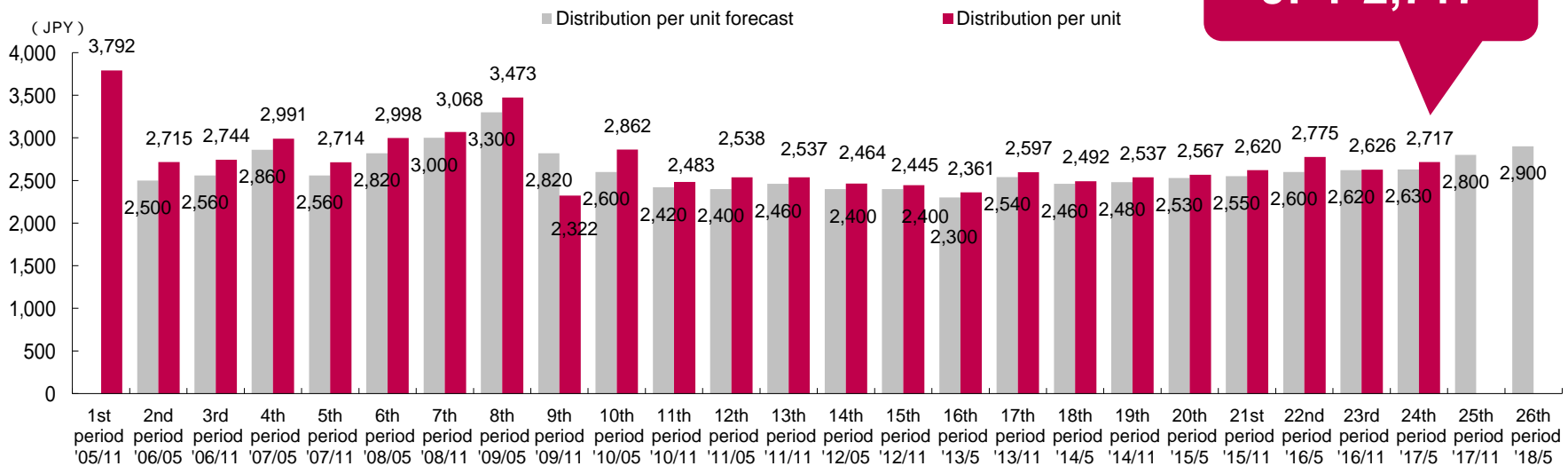


Sphere Tower Tennozu





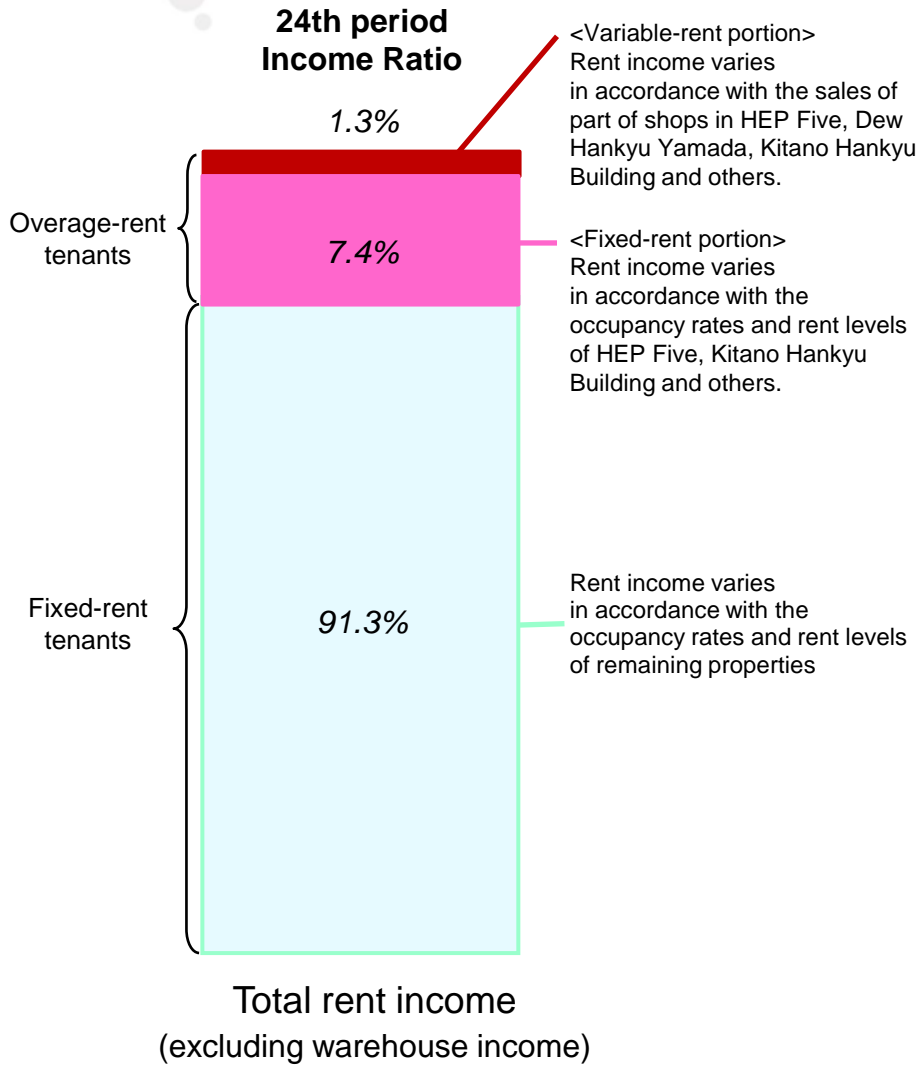
7-3. Trends of Distribution per Unit



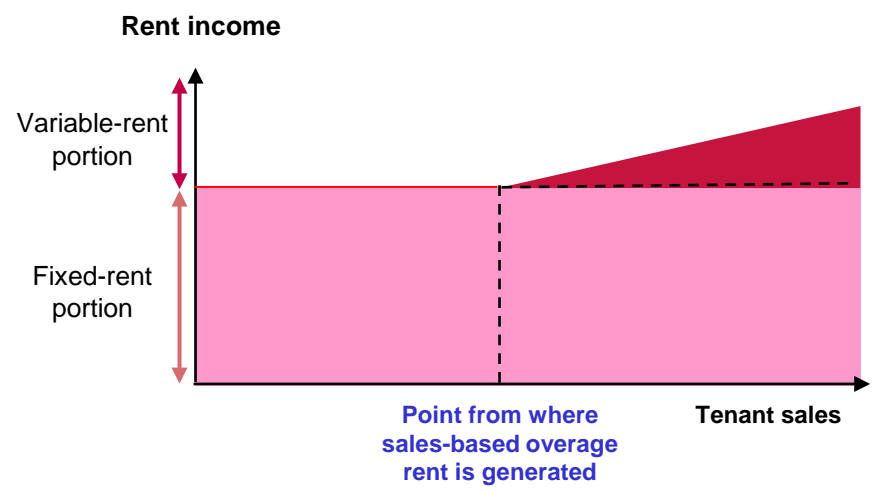
Irregular period (303 days)



Income Ratio by Rent Category and Variation Factors

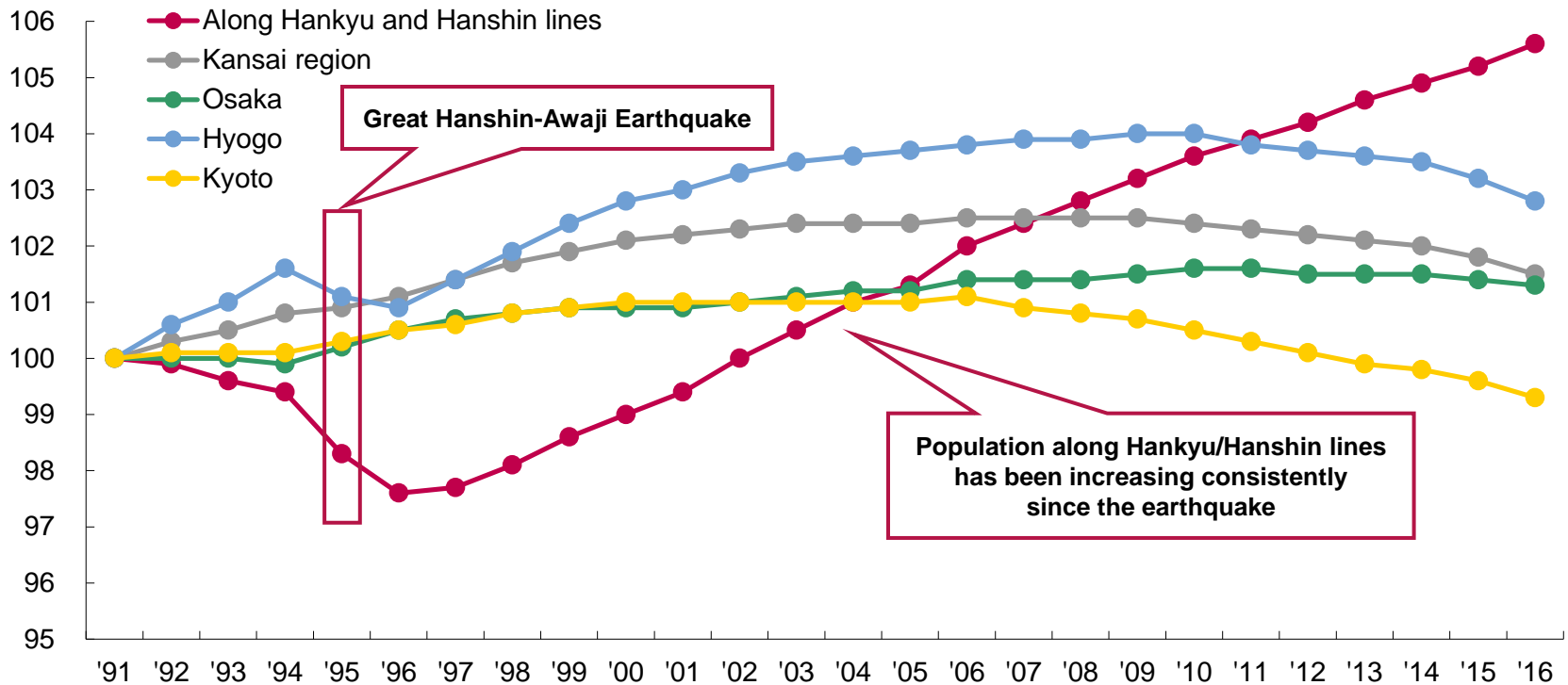


Concept Diagram of General Sales-Based Overage Rent System



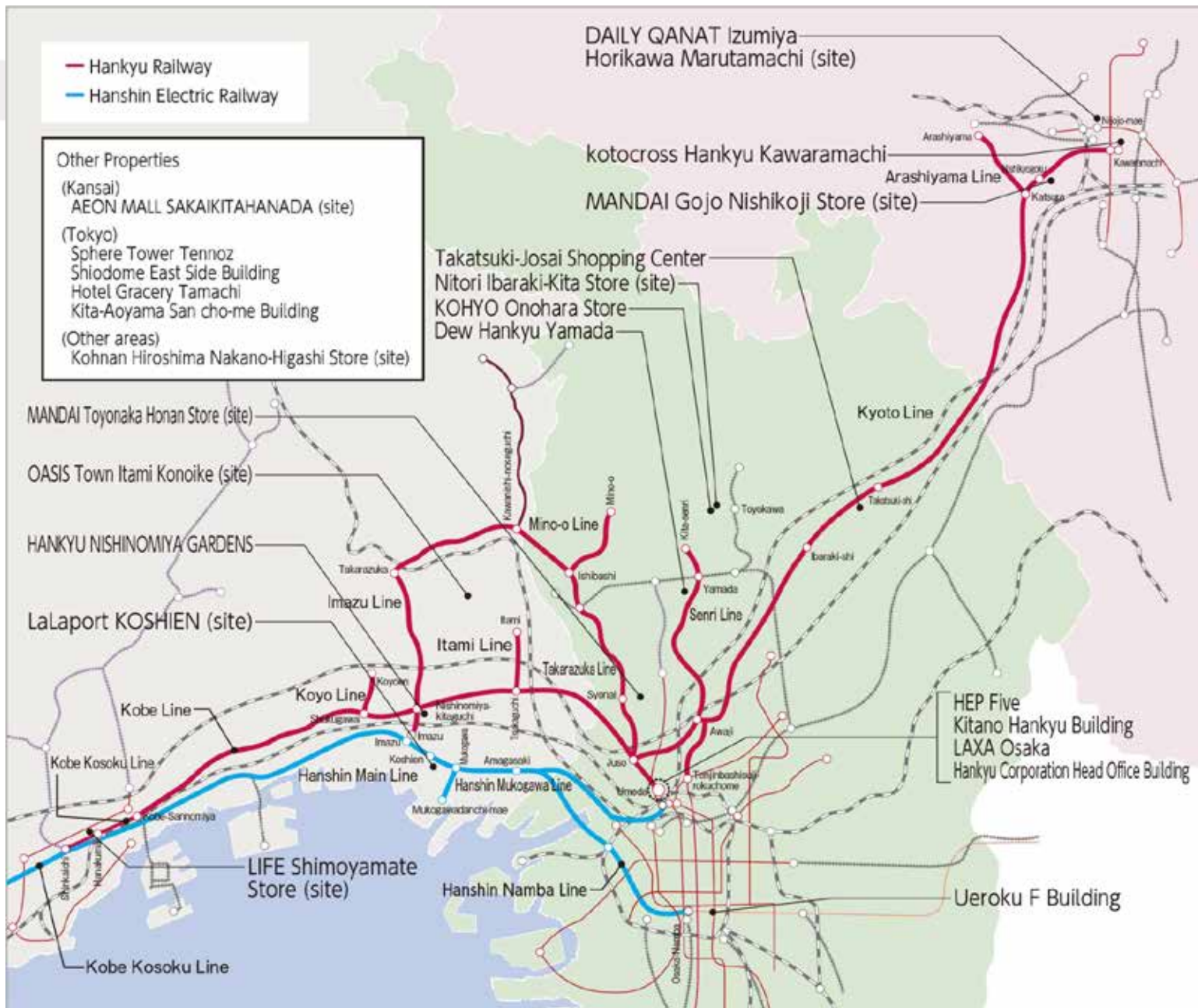


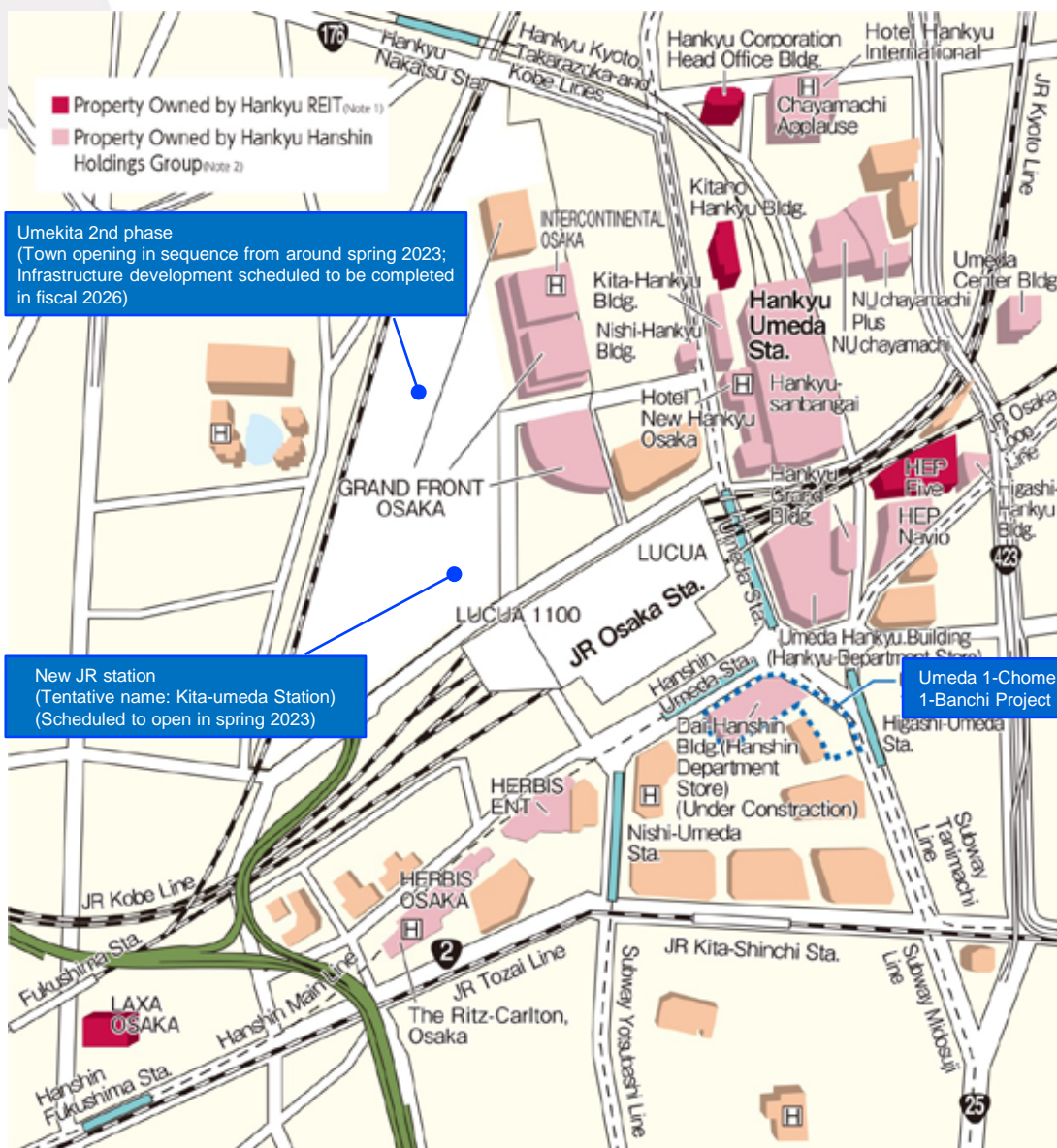
The population in Kansai region is either remaining flat or trending downwards due to the aging population along with a decreasing birthrate, but areas along Hankyu/Hanshin lines are relatively popular and the population in these areas has been increasing consistently after bottoming out in 1996



(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. 143,000m 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.



- Full-fledged infrastructure construction and redevelopment in 2020 and onward
- Measures including development of Umekita 2nd phase, construction of Nakanoshima Regenerative Medicine Center, attraction of the World Expo 2025 to Yumeshima Island and the integrated resorts (IR) scheme are underway or planned
- Enhancement of convenience with shorter travel time to Kansai International Airport from Umeda area after the opening of the Naniwasuji Line

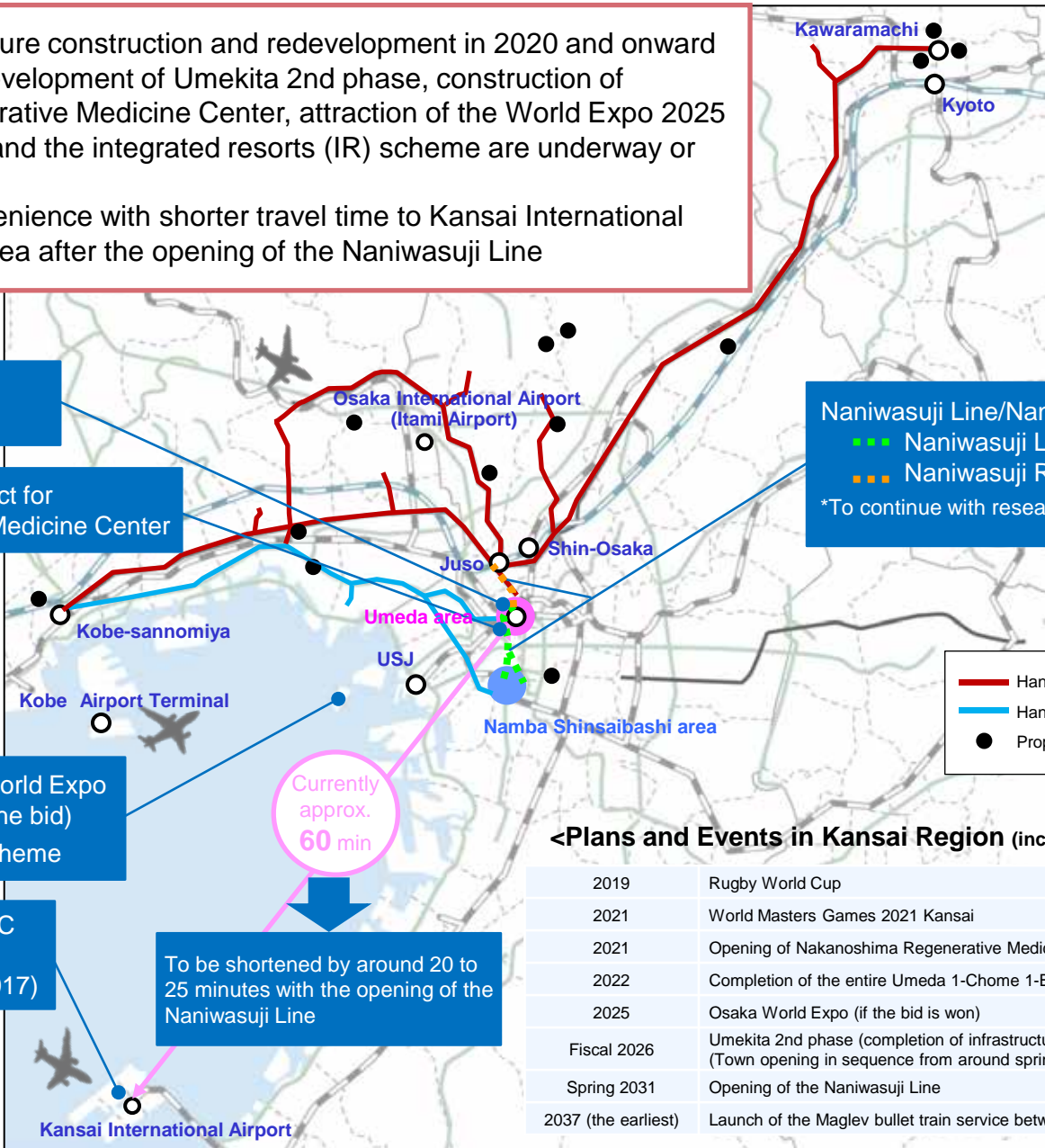
Umekita 2nd phase

Development project for Nakanoshima Regenerative Medicine Center

Yumeshima Island Osaka World Expo (currently working to win the bid) Integrated resorts (IR) scheme

Terminal exclusively for LCC international flights (Operations started in Jan. 2017)

(Note) Prepared by Hankyu REIT Asset Management, Inc. based on publicly announced materials (including projections based on assumptions and outlook for the future as of July 2017).



Naniwasuji Line/Naniwasuji Renraku Line*

- Naniwasuji Line
- Naniwasuji Renraku Line

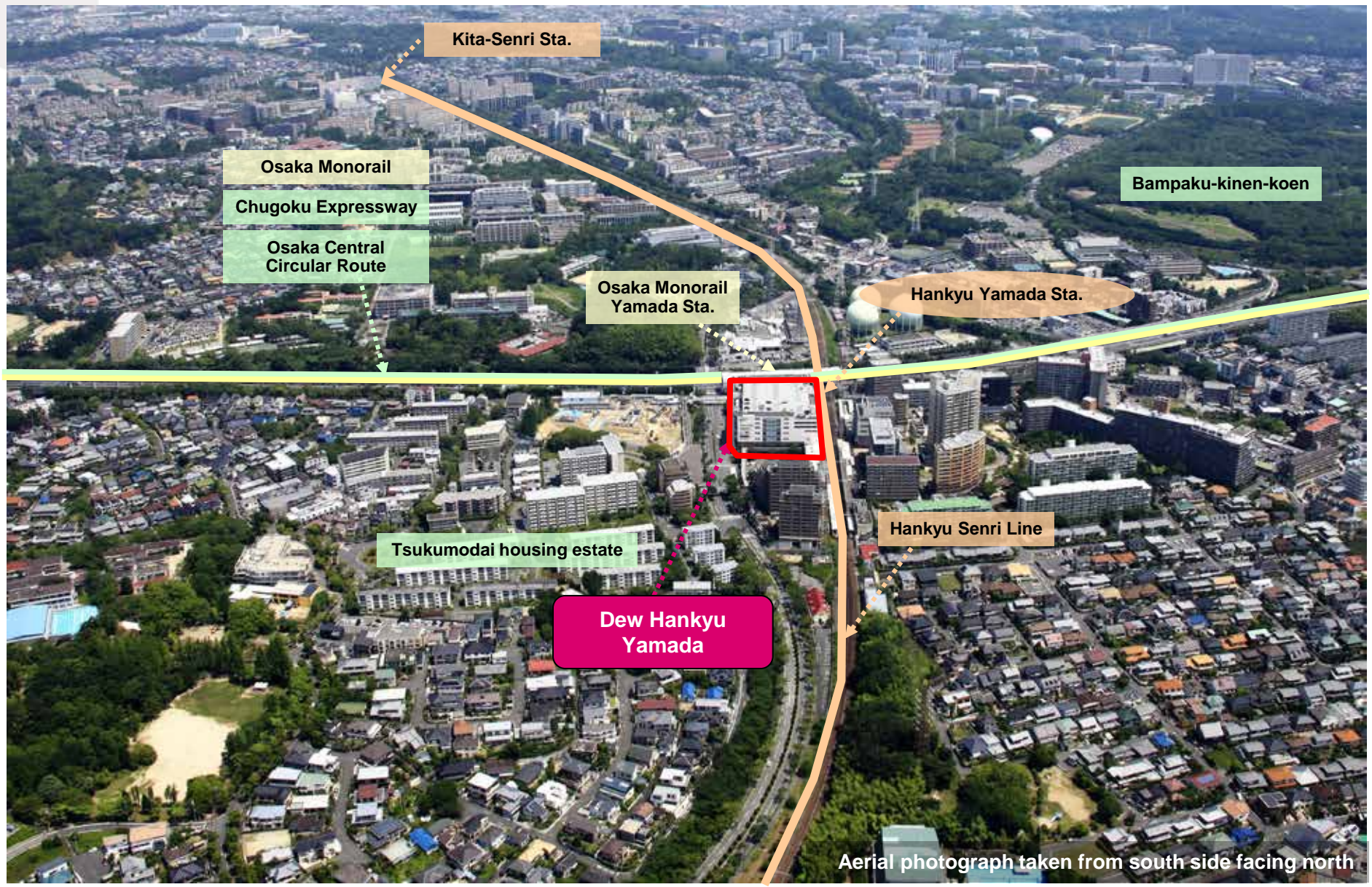
*To continue with research and discussion

— Hankyu Railway
 — Hanshin Electric Railway
 ● Properties owned by Hankyu REIT

<Plans and Events in Kansai Region (including plans and targets)>

2019	Rugby World Cup
2021	World Masters Games 2021 Kansai
2021	Opening of Nakanoshima Regenerative Medicine Center
2022	Completion of the entire Umeda 1-Chome 1-Banchi Project
2025	Osaka World Expo (if the bid is won)
Fiscal 2026	Umekita 2nd phase (completion of infrastructure development) (Town opening in sequence from around spring 2023)
Spring 2031	Opening of the Naniwasuji Line
2037 (the earliest)	Launch of the Maglev bullet train service between Shin-Osaka and Nagoya





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 OASIS Town Itami Konoike (site), the net operating revenues and operating expenses in the second year based on the discounted cash flow (DCF) method recorded in the appraisal report are used. For public charges and taxes, they are posted in expenses from the first fiscal year and yields on an on-going basis are calculated.

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

- I When corporate bonds have been issued, the amount of outstanding debts shall include the amount of outstanding bonds.
- I Matched money refers to cash or deposits reserved in the trust account to guarantee the deposit or security money for the assets owned by Hankyu REIT as the object of the trust beneficiary interests.
- I The total amount of assets refers to the amount in the assets section of the most recent balance sheet for each period. However, with respect to tangible fixed assets, the difference between appraisal value and book value at the end of the fiscal period shall be added to or subtracted from the book value of the tangible fixed assets at the end of the fiscal period.
- I Since Hankyu REIT implemented a five-for-one split of its investment units with December 1, 2014 as the effective date, the figures that retrospectively reflect the implementation of the five-for-one split are indicated.

As of May 31, 2017

Classification	Code	Name	PML (Note)
Retail-use facilities	R1(K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	5.0%
	R2(K)	Kitano Hankyu Bldg.	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)	6.4%
	R11(K)	HANKYU NISHINOMIYA GARDERNS (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)	KOHYO Onohara Store	5.3%	
R19(K)	OASIS Town Itami Konoike (site)	-	
Office-use facilities	O1	Shiodome East Side Bldg.	4.6%
	O2(K)	Hankyu Corporation Head Office Building	3.7%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	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 across a wide range of 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:

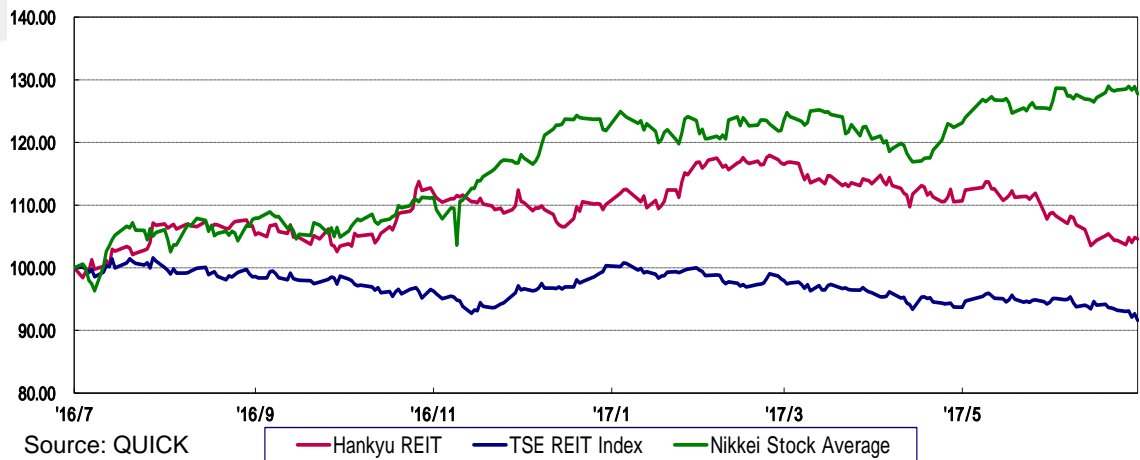
“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”

(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 July 1, 2016 / closing price basis)



Source: QUICK

— Hankyu REIT — TSE REIT Index — Nikkei Stock Average

Per Unit Trading Trends

(Oct. 26, 2005 — June 30, 2017)

High (closing price basis) JPY 276,000 (Jun. 2007)
 Low (closing price basis) JPY 65,000 (Dec. 2011)

July 1, 2016 — June 30, 2017

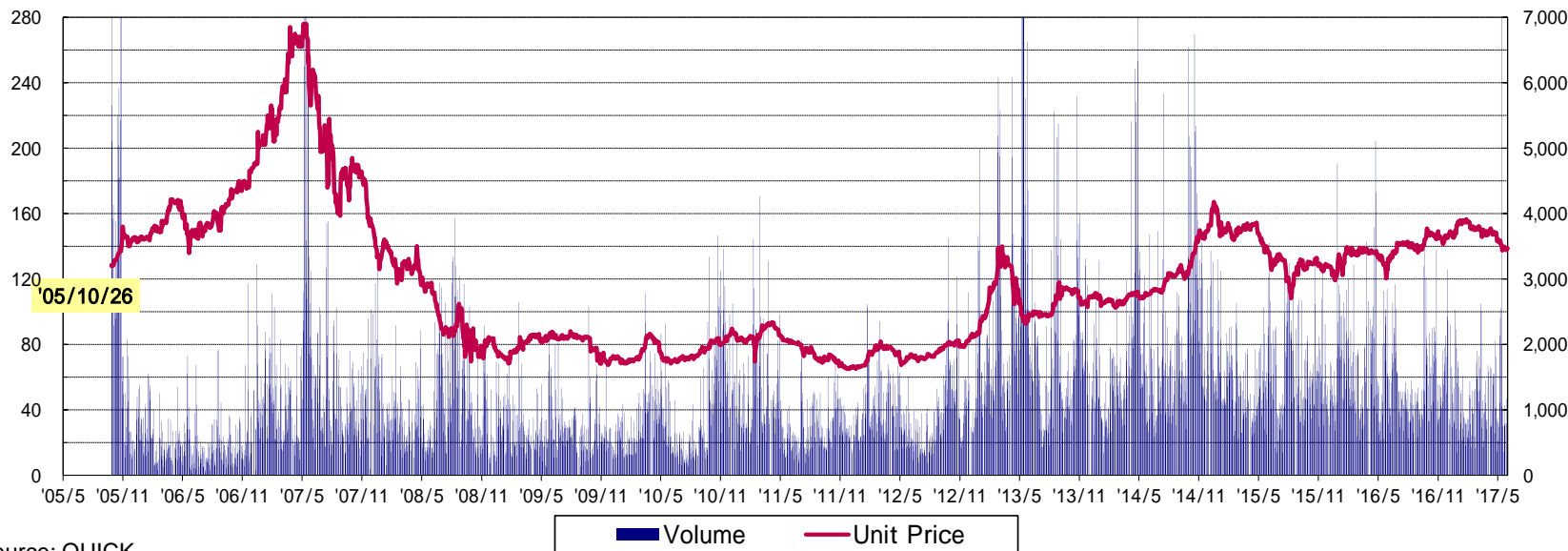
High (closing price basis) JPY 156,500 (Feb. 24, 2017)
 Low (closing price basis) JPY 130,600 (Jul. 4, 2016)

Price on June 30, 2017 (closing price basis)

JPY 138,800

Unit Price (closing price basis)

(Unit: JPY thousand)



Source: QUICK

■ Volume — Unit Price

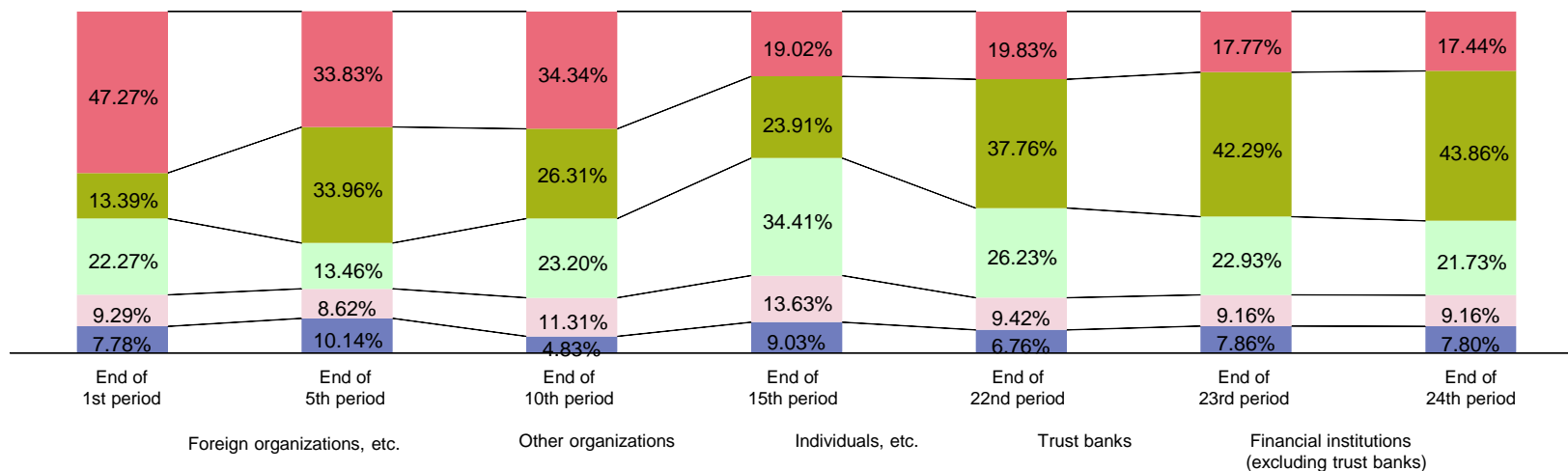
Unitholder Composition

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)	90	0.76%	104,224	17.44%
Trust banks	10	0.08%	262,087	43.86%
Individuals, etc.	11,450	96.53%	129,851	21.73%
Other organizations	199	1.68%	54,706	9.16%
Foreign organizations, etc.	113	0.95%	46,632	7.80%
Total	11,862	100.00%	597,500	100.00%

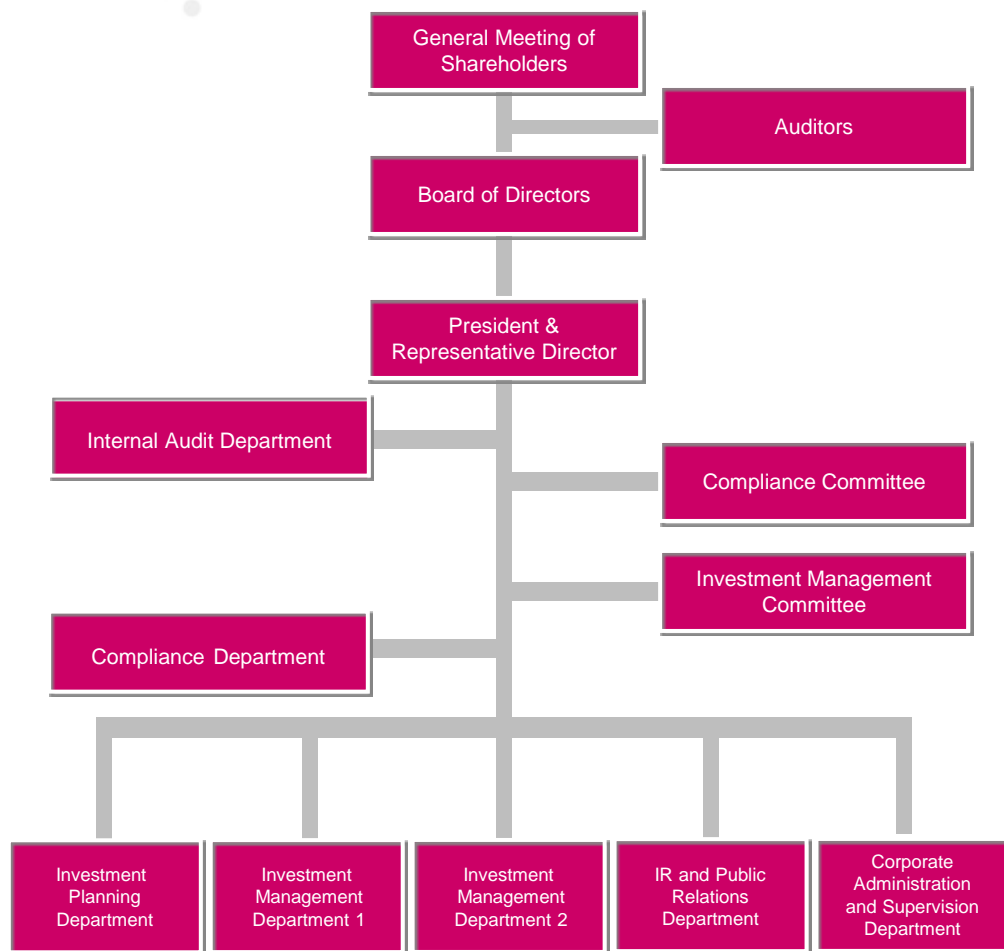
Top 10 Unitholders

Unitholder name	Number of units held	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	157,540	26.37%
The Master Trust Bank of Japan, Ltd. (Trust account)	47,382	7.93%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	32,185	5.39%
Hankyu Corporation	21,000	3.51%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	18,825	3.15%
THE CHUKYO BANK, Ltd.	11,385	1.91%
The Hachijuni Bank, Ltd.	9,420	1.58%
STATE STREET BANK AND TRUST COMPANY 505012	9,047	1.51%
The Senshu Ikeda Bank, Ltd.	7,710	1.29%
Shikoku Railway Company	5,884	0.98%
Total investment	320,378	53.62%
Number of outstanding units	597,500	100.00%

Ratio of Units by Unitholder Category



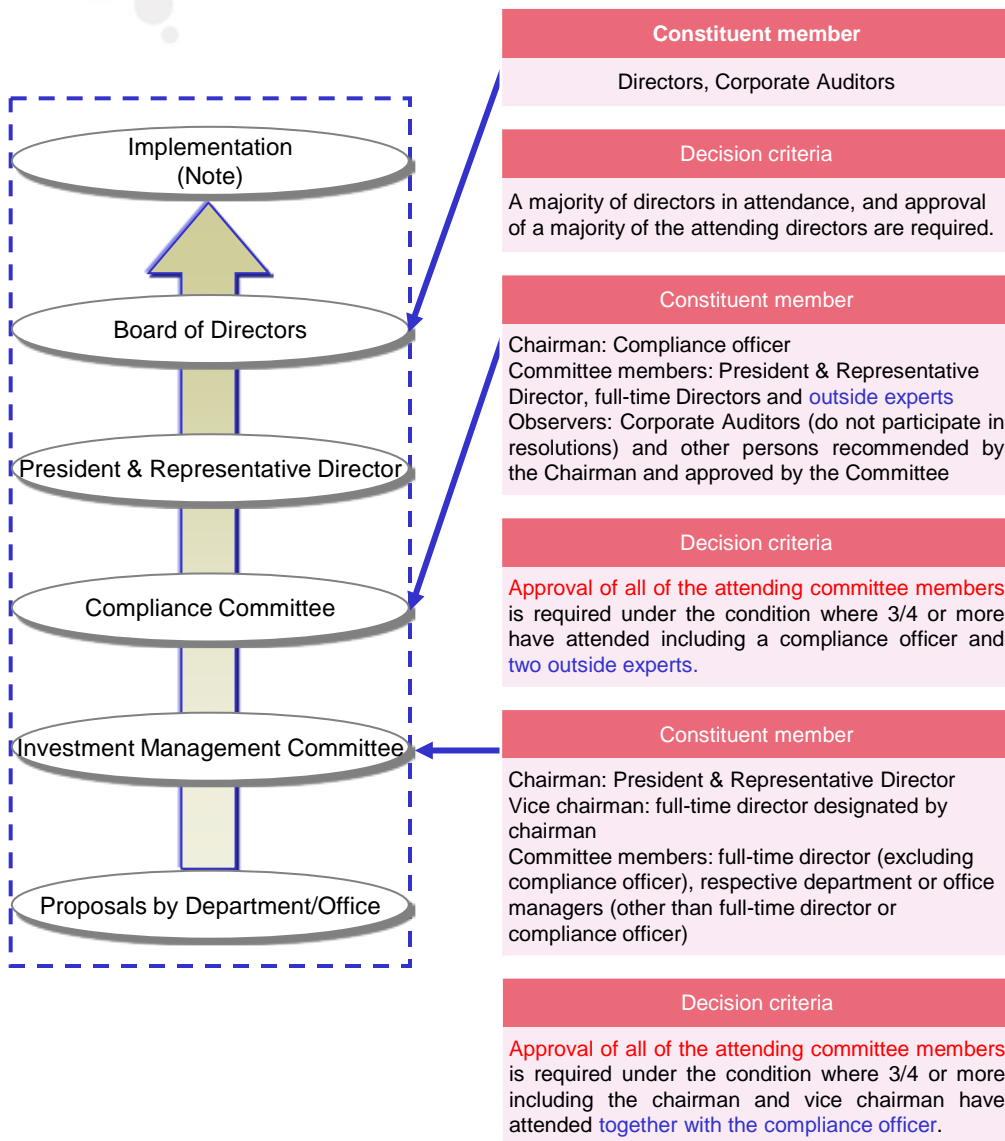
(As of May 31, 2017)



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)	Kenji Yamaguchi
	Director (part-time)	Noriyuki Yagi
	Corporate Auditor (part-time)	Ken Kitano
	Corporate Auditor (part-time)	Koji Yoshida
Principal businesses	Financial instruments trading business (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

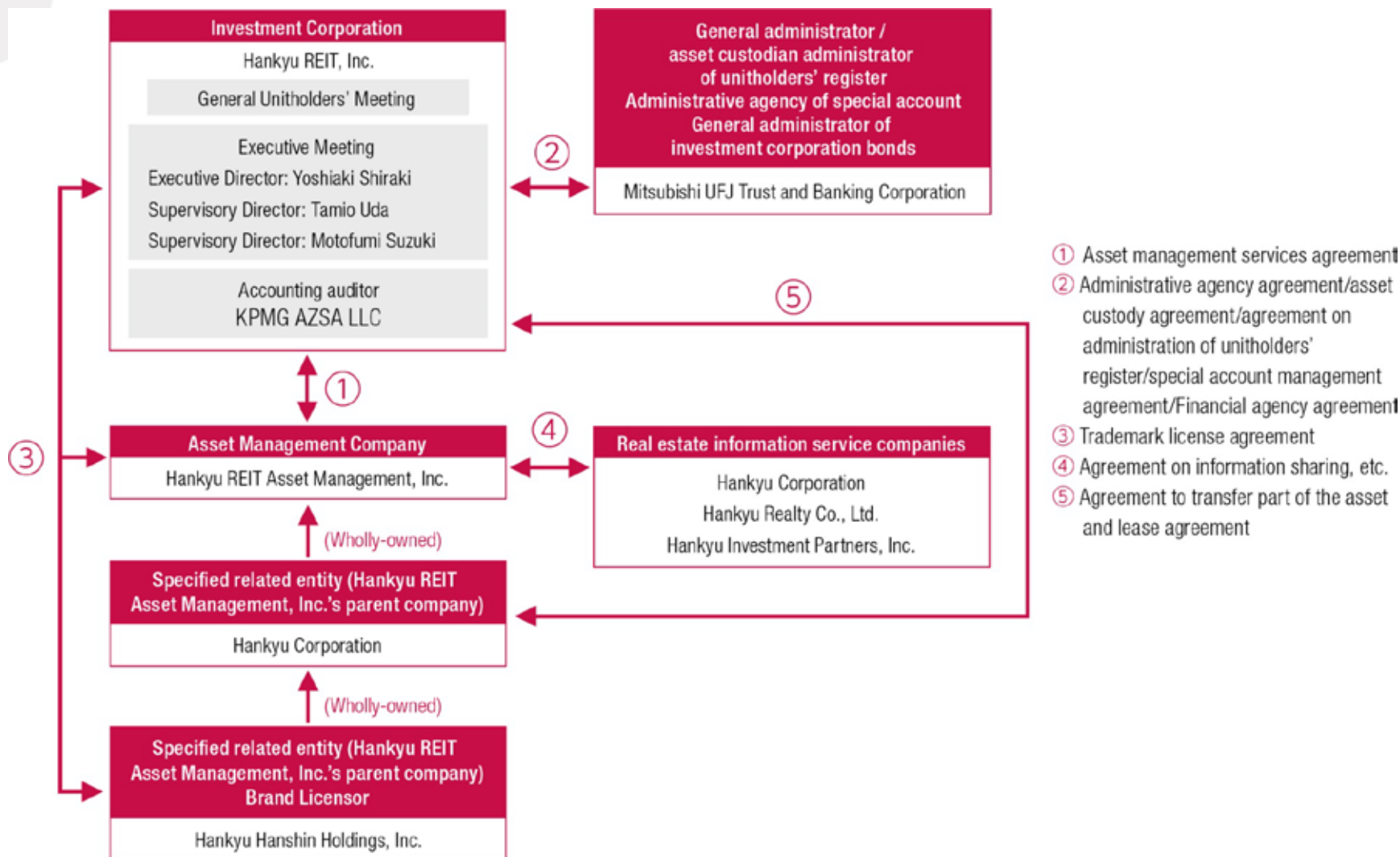
- | Achieve comprehensive compliance by establishing a Compliance Officer and a Compliance Department
- | The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction (note)
- | The Compliance Officer attends the Investment Committee meeting and checks for compliance 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 May 31, 2017)



(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.