

Hankyu REIT

Financial Results Briefing Materials
for the 26th Fiscal period ended
May 2018

Securities Code : 8977

FUKUOKA-HAKATA
Vessel Inn Hakata Nakasu



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

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





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

Medium-term Objectives		Results for 26th Fiscal Period
1	Aim to achieve asset scale of JPY 200 billion within 2020 (place emphasis on medium-to-long-term fair value)	<ul style="list-style-type: none">• Asset scale at the end of the 26th FP was JPY 153.9 billion• Acquired a total of 4 properties (JPY 12.29 billion) which are 3 community-based retail facilities and a hotel by utilizing the asset management company's own property information sourcing channels and the comprehensive strength of the sponsor group.
2	Aim to achieve distribution level of JPY 3,000 on an ongoing basis	<ul style="list-style-type: none">• Distribution per unit for the 26th FP was 2,952 yen (+75 yen from the 25th FP)• Improve profitability through the acquisition of 4 properties with fair value• Increase in occupancy rate of Sphere Tower Tennozu (93.0% → 94.8%)• Increase in occupancy rate of Ueroku F Building (93.8% → 100%)• Maintain a high occupancy rate of the entire portfolio. (99.8%)



Medium-term Objectives		Results for 26th Fiscal Period
3	Systematically implement repairs and CAPEX to maintain and improve property value	<ul style="list-style-type: none"> Systematically implemented capital investment especially in properties which are 20 years old or older from the perspective of preventive maintenance (Kitano, LAXA, Yamada, etc.).
4	Consider and implement asset replacement to improve portfolio quality	<ul style="list-style-type: none"> Continuously discussed measures to improve portfolio quality.
5	Eliminate future risk factors → Changed to the response to future risk factors	<ul style="list-style-type: none"> Current risks were eliminated with the completion of leasing of Sphere Tower Tennozu and the reached settlement on Hotel Gracery Tamachi Continuously considering minimization and exclusion of future risk factors (response to the progress in e-commerce and properties with unrealized losses)
6	Implement fund procurement in light of interest rate trends (in principle, procurement mainly on a long-term and fixed basis)	<ul style="list-style-type: none"> LTV remains at the same level on an ongoing basis with the implementation of public offering and new borrowings, and increase in appraisal value 41.4% (end of the 25th FP) 41.1% (end of the 26th FP) For refinancing borrowings, adopted both long-term debt with fixed interest rate and short-term debt with variable interest rate while taking into account the balance between stability of fund procurement and maintaining and improving distribution level.



(Unit: millions of yen)

Item	Forecast for 26th Fiscal Period (A) (as of January 25, 2018)	Results for 26th Fiscal Period (B) (Dec. 1, 2017 to May 31, 2018)	Change (B)-(A)
Operation period (days)	182	182	-
Operating revenues	5,176	5,203	27
Operating income	2,269	2,284	14
Ordinary income	1,885	1,886	1
Net income	1,883	1,884	1
Total number of outstanding investment units at end of fiscal period (units)	638,500	638,500	-
Distribution per unit (JPY)	2,950	2,952	2
FFO per unit (JPY)	4,328	4,335	7

(Main factors for increase/decrease in profits)

(1)
Increase in income from lease JPY +21 mn
(Nigawa, Higashiosaka, etc.)

(2)
Increase in depreciation and non-deductible consumption tax, etc. JPY -11 mn

(3)
Increase in non-operating expenses JPY -14 mn
(Increase in investment unit issuance expenses, etc.)

Net assets per unit	JPY 123,135
Net assets per unit after reflecting unrealized gain/loss	JPY 158,694

Results for 26th fiscal period (ended May 2018) **JPY 2,952**
Distribution per unit

(Unit: millions of yen)					
Item	Results for 26th Fiscal Period (A) (Dec. 1, 2017 to May 31, 2018)	Forecast for 27th Fiscal Period (B) (Jun. 1, 2018 to Nov. 30, 2018)	Change (B)-(A)	Forecast for 28th Fiscal Period (C) (Dec.1, 2018 to May 31, 2019)	Change (C)-(B)
Operation period (days)	182	183	1	182	-1
Operating revenues	5,203	5,503	300	5,479	-24
Operating income	2,284	2,269	-15	2,305	36
Ordinary income	1,886	1,917	31	1,949	32
Net income	1,884	1,915	30	1,948	32
Total number of outstanding investment units at end of fiscal period (units)	638,500	638,500	-	638,500	-
Distribution per unit (JPY)	2,952	3,000	48	3,050	50
FFO per unit (JPY)	4,335	4,433	98	4,520	86

[Forecasts for 27th Fiscal Period] Main factors for increase/decrease from 26th fiscal period results

- Increase in lease operating income from acquisition of new properties
JPY +127 mn (OZONE +39, Nigawa +30, Higashiosaka +27, Hakata +30)
- Increase in repair expenses*
JPY -79 mn (response to earthquake -60, etc.)
- Increase in depreciation (NISHINOMIYA, etc.)*
JPY -9 mn
- Increase in management fee
JPY -15 mn
- Increase in interest expenses
JPY -10 mn
- Decrease in Investment unit issuance expenses
JPY +55 mn

*Calculation includes existing properties only

[Forecast for 28th Fiscal Period] Main factors for increase/decrease from 27th fiscal period forecasts

- Increase in lease operating income from the new properties
JPY +17 mn (OZONE +8, Nigawa +11)
- Increase in income from lease due to completion of leasing of existing properties*
JPY +18 mn (Kitano +12, HEP +6)
- Decrease in repair expenses*
JPY +13 mn (response to earthquake +60, Yamada +43, Kitano -76, etc.)
- Increase in depreciation*
JPY -23 mn (NISHINOMIYA, etc.)

*Calculation includes existing properties only

Forecast for 27th Fiscal Period (ending November 2018)

Distribution per unit

JPY 3,000

Forecast for 28th Fiscal Period (ending May 2019)

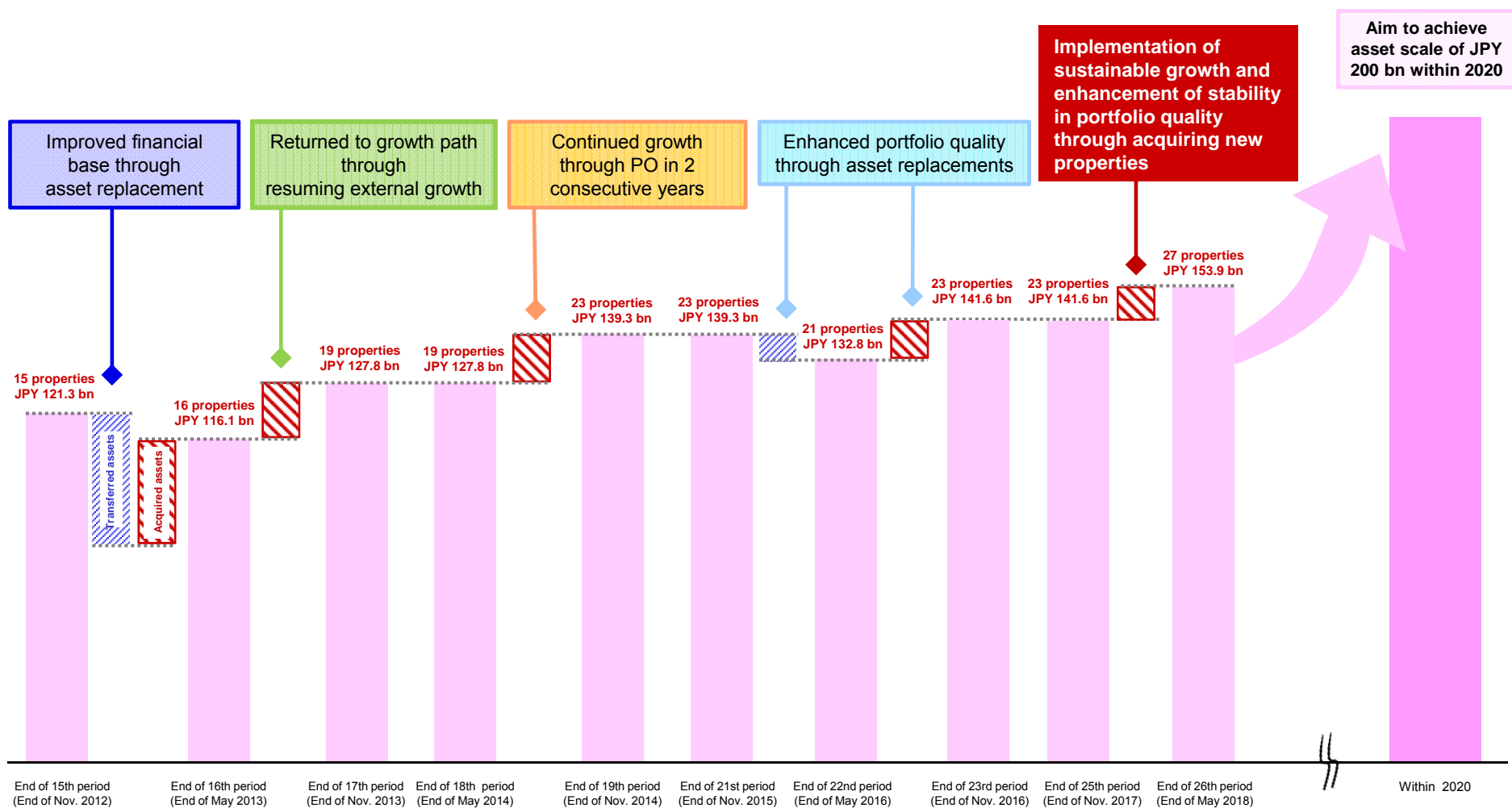
Distribution per unit

JPY 3,050

- [Main preconditions]
- There will be no change in portfolio properties from the 27 properties presently owned.
 - There will be no additional issuance of investment units to the 638,500 units issued and outstanding at present through to the end of the 28th fiscal period.



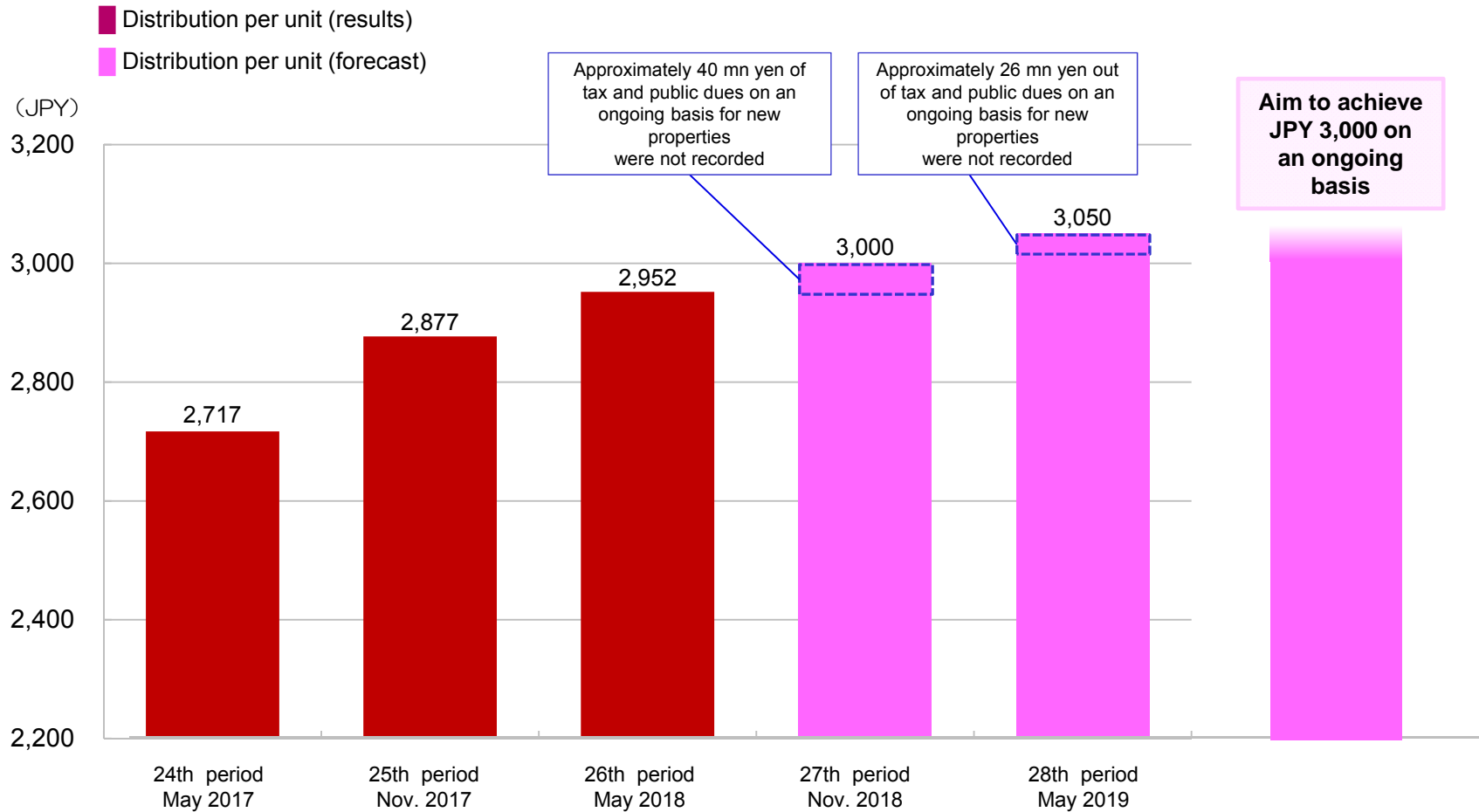
Place emphasis on medium-to-long-term fair value and aim to achieve asset scale of JPY 200 billion within 2020





Distribution has stepped up

Aim to achieve distribution level of JPY 3,000 on an ongoing basis





Profitability of Portfolio

	End of 23rd period (End of Nov. 2016)	End of 24th period (End of May 2017)	End of 25th period (End of Nov. 2017)	End of 26th period (End of May 2018)
Average NOI yield (Note)	4.8%	4.8%	4.9%	5.0%
Average NOI yield after depreciation (Note)	3.7%	3.6%	3.7%	3.8%
Unrealized income/loss (Note)	JPY 14.6 bn	JPY 17.6 bn	JPY 20.4 bn	JPY 22.7 bn

Stability of Financial Foundation

	End of 23rd period (End of Nov. 2016)	End of 24th period (End of May 2017)	End of 25th period (End of Nov. 2017)	End of 26th period (End of May 2018)
LTV (Note)	43.0%	42.2%	41.4%	41.1%
Interest-bearing debt ratio	44.5%	44.6%	44.5%	43.6%
Average debt financing costs (including investment corporation bonds)	0.92%	0.94%	0.88%	0.88%
Average remaining years on long-term borrowings payable and investment corporation bonds	4.4 years	4.4 years	4.4 years	4.7 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 65.

2. Overview of 4th Public Offering and New Properties



Overview of Public Offering

Number of units issued and outstanding	597,500 units (638,500 units after public offering)
Number of investment units to be newly issued	41,000 units (Of this, third-party allotment: 2,000 units)
Issue price	JPY 128,115
Paid-in amount	JPY 123,844
Total paid-in amount	JPY 5,077 mn (Including third-party allotment)
Date of resolution of issuance	January 25, 2018
Price determination date	February 5, 2018
Payment date	February 13, 2018 (primary offering) March 13, 2018 (third-party allotment)

Overview of New Properties

Property name	METS OZONE	Vessel Inn Hakata Nakasu	(Tentative name) MANDAI Nigawa Store (site)	LAMU Higashiosaka Branch (site)
Property type	Community-based Retail Facility	Hotel	Community-based Retail Facility	Community-based Retail Facility
Location	Higashi-ku, Nagoya City, Aichi Pref.	Hakata-ku, Fukuoka City	Takarazuka City / Nishinomiya City, Hyogo Pref.	Higashiosaka City, Osaka
Acquisition price	JPY 5,400 mn	JPY 2,760 mn	JPY 2,280 mn	JPY 1,850 mn
Appraisal value	JPY 5,600 mn	JPY 2,780 mn	JPY 2,300 mn	JPY 1,870 mn
NOI yield <small>(Note)</small>	5.4%	4.3%	4.2%	4.2%
NOI yield after depreciation <small>(Note)</small>	4.2%	2.7%	4.2%	4.2%
Acquisition method	The asset management company's own sourcing channels Utilization of the sponsor solutions	The asset management company's own sourcing channels	The asset management company's own sourcing channels	The asset management company's own sourcing channels
Acquisition date	February 15, 2018	March 29, 2018	March 27, 2018	March 27, 2018
Lease contract type	Direct lease	Direct lease	Direct lease	Direct lease
Lease contract start date	Differ by tenants	September 30, 2014	January 1, 2018	April 4, 2016
Lease contract period		25 years	21 years	30 years

Total of New Properties

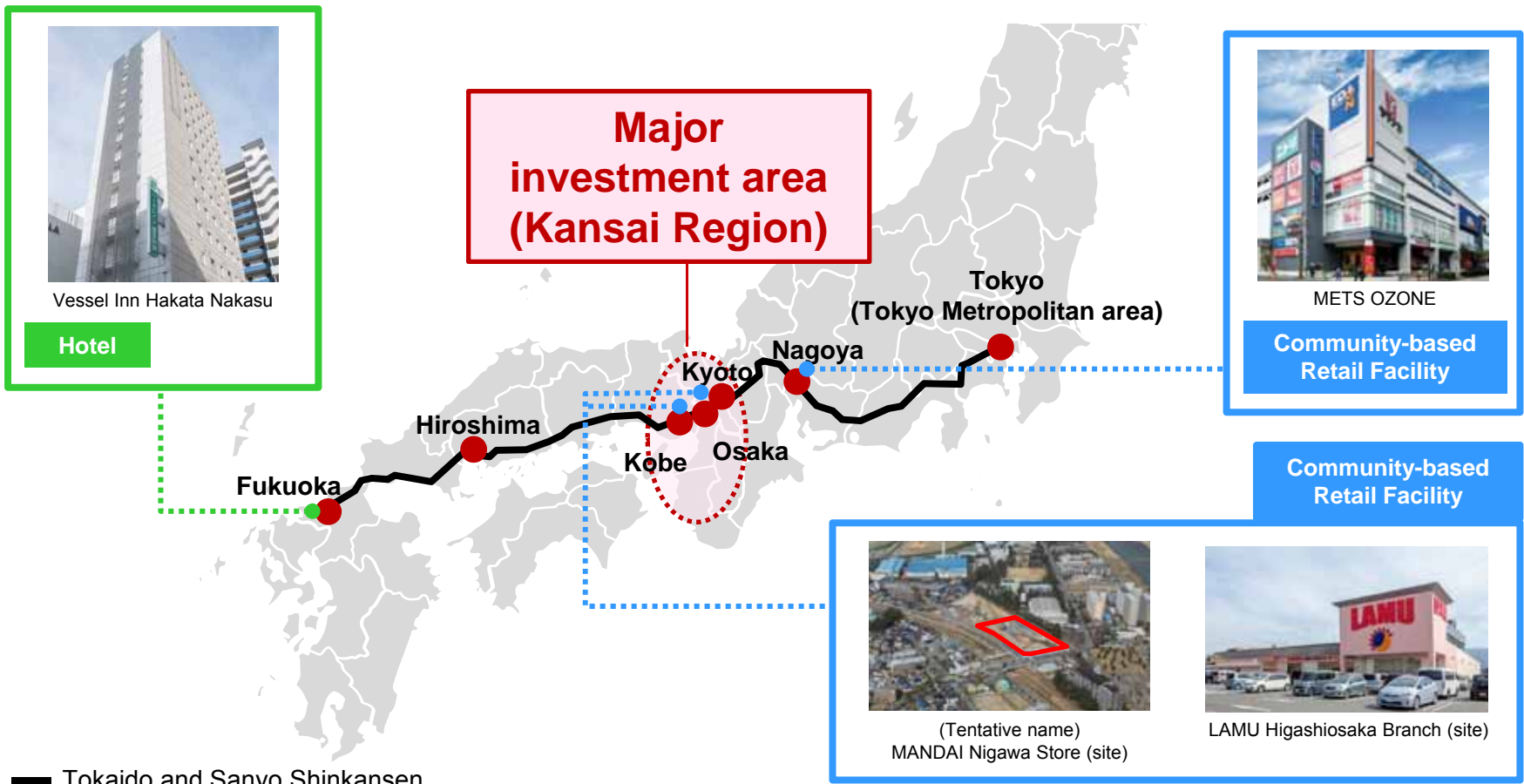
Total / Average	Acquisition price	Appraisal value	Average NOI yield <small>(Note)</small>	Average NOI yield after depreciation <small>(Note)</small>
	JPY 12,290 mn	JPY 12,550 mn	4.8%	3.9%

(Note) Details of the calculation method for "NOI yield" and "NOI yield after depreciation" are presented on page 65.



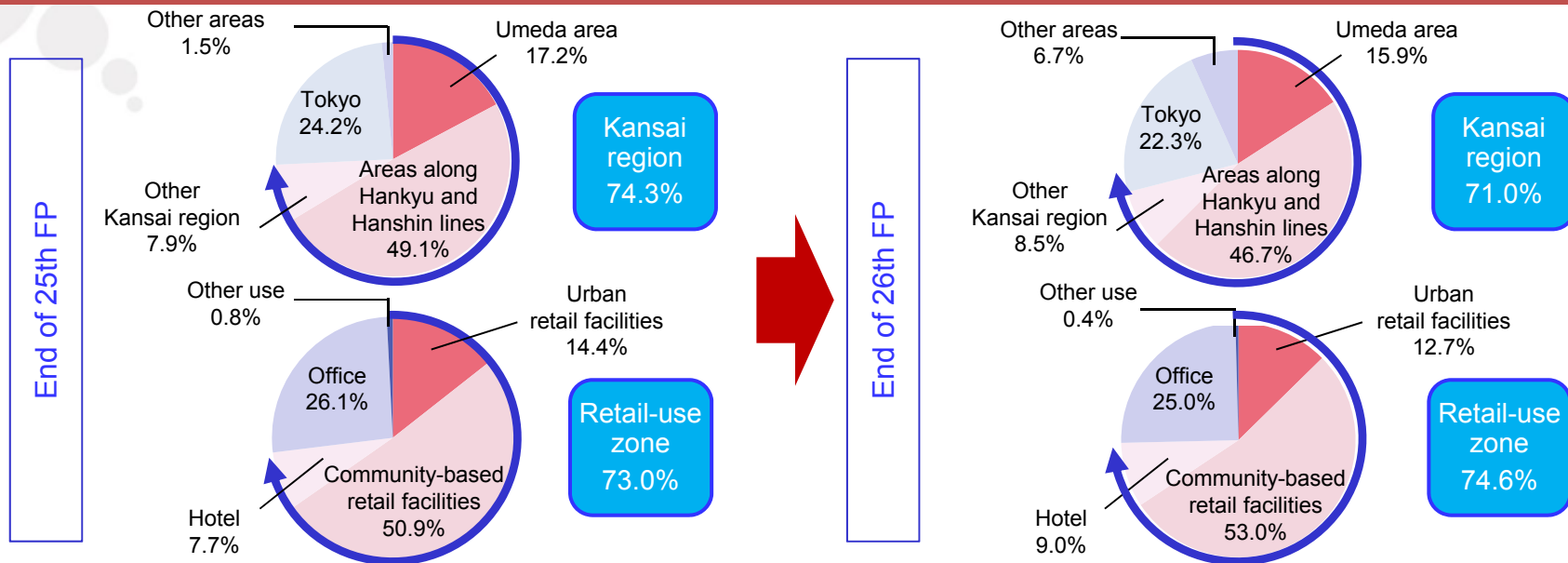
Acquisition of properties located near major stations of the Tokaido and Sanyo Shinkansen

- First acquisitions in Nagoya and Fukuoka areas
- Acquisitions in major investment area (Kansai Region)





Enhance revenue stability through the progress of the diversification of area and use



<METS OZONE>

Utilization of sponsor solutions

The asset management company's own property information sourcing channels



Sponsor solutions (Hankyu Sekkei Consultant)



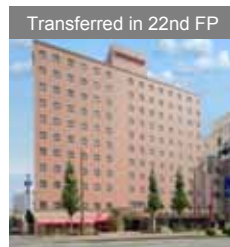
Acquisition of property through negotiated transactions



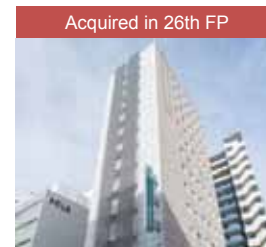
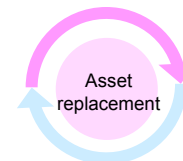
METS OZONE

<Vessel Inn Hakata Nakasu>

First acquisition of hotel asset since increasing the maximum investment ratio for hotels



Richmond Hotel Hamamatsu
NOI yield after depreciation 1.6%



Vessel Inn Hakata Nakasu
NOI yield after depreciation 2.7%

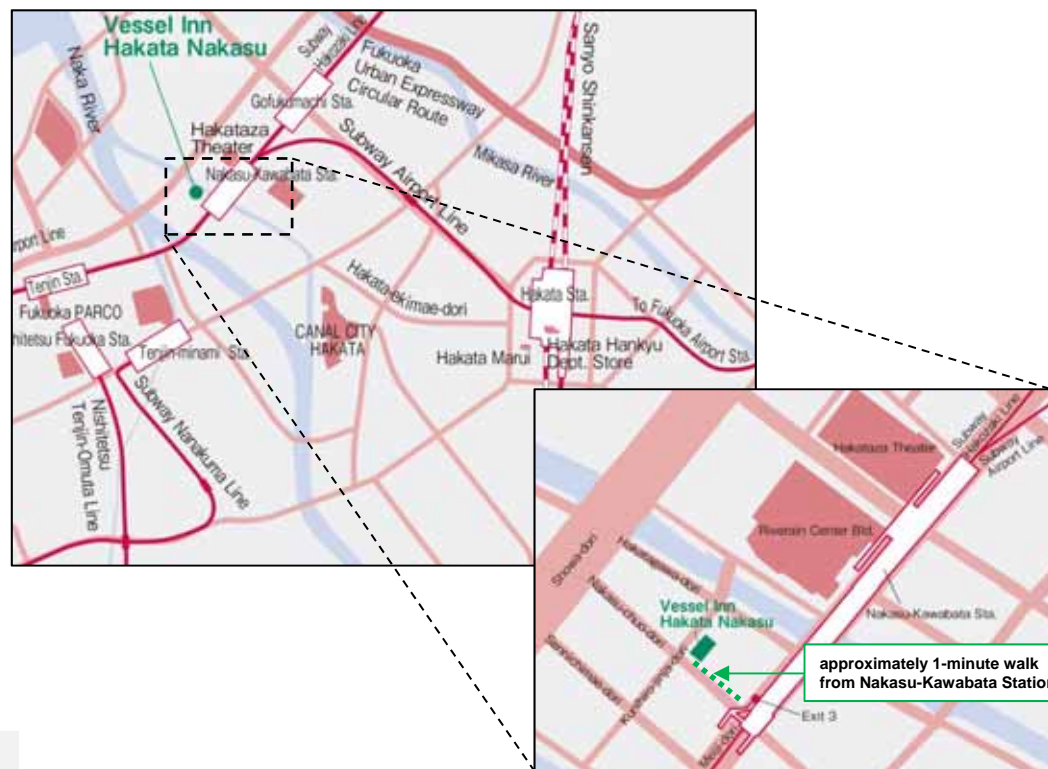


Property Overview

Acquisition price	JPY 5,400 mn
NOI yield	5.4%
NOI yield after depreciation	4.2%
Location	Higashi-ku, Nagoya City, Aichi Pref.
Site area/Leased area	17,422.32 m ² / 15,681.37 m ²
Occupancy rate	100%
Opening period	April 2002
Property manager	TOKYU COMMUNITY CORP
Acquisition date	February 15, 2018

Property Features

- The Property offers excellent access by car as it faces “Inner Ring Route” which is a wide-area arterial road.
- Ozone Station, which is located within an approximately 5-minute walk from the Property, is a transport hub accessible by three lines namely JR, Subway Line and Meitetsu Line.
- The Property targets a trade area which is a densely populated area in Nagoya City and where the population is increasing. According to the national census in 2015, its population by trade area is approximately 29,000 within 1 km, approximately 281,000 within 3 km and approximately 691,000 within 5 km, making the location densely populated as a residential area in the urban area.
- The Property is occupied mainly by tenants that meet every day needs such as “NITORI,” “EDION,” “Yamanaka (food supermarket)” and “UNIQLO” as its main tenants who are expected to take in consumption demand from trade areas.



Property Overview

Acquisition price	JPY 2,760 mn
NOI yield	4.3%
NOI yield after depreciation	2.7%
Location	Hakata-ku, Fukuoka City
Site area/Leased area	405.98 m ² / 2,776.49 m ²
Number of guest rooms	166 rooms in total (of which, 153 single rooms)
Opening period	February 2010 (rebranded in October 2014)
Operator	Vessel Hotel Development Co., Ltd.
Acquisition date	March 29, 2018

Property Features

- The Property is a hotel mainly for accommodation with a total of 166 rooms, mainly singles, and opened after rebranding as Vessel Inn Hakata Nakasu in October 2014.
- The Property stands in an excellent location being an approximately 1-minute walk from Nakasu-Kawabata Station on the Fukuoka City Subway Line and offers excellent access as it takes only around 9 minutes to Fukuoka Airport Station, around 3 minutes to JR Hakata Station, and around 1 minute to Tenjin Station via a direct subway line from the station.
- Nakasu area where the Property is situated is a major bustling area in Kyushu and also close to office zones such as the Hakata and Tenjin areas, and thus stronger demand for both leisure and business can be expected.



<As of June 18, 2018>

(Note) The building is being constructed by the tenant as of July 2018 and is scheduled to open in autumn 2018.



Acquisition price	JPY 2,280 mn
NOI yield	4.2% (Note)
NOI yield after depreciation	4.2% (Note)
Location	Nigawakita, Takarazuka City, Hyogo Pref./Tajikano-cho, Nishinomiya City, Hyogo Pref.
Site area/Leased area	9,194.01 m ² / 9,194.01 m ²
Opening period	Autumn 2018 (scheduled)
Acquisition date	March 27, 2018
Facility type	Community-based retail facility consisting of a food supermarket and drug store

Property Features

- The area near Nigawa Station on the Hankyu Imazu Line where the Property is located is a dominant area of the Hankyu Hanshin Holdings Group. It is popular as a commuter town for Osaka and Kobe as both cities can be accessed in about 30 minutes.
- The area surrounding Nigawa Station is an educational district with schools such as Kwansei Gakuin University and other schools, and the population is expected to increase with the current residential development.
- MANDAI Co., Ltd., the tenant, is capable of extending the three perishable foodstuffs as well as having price appeal and has 147 supermarkets in the Kansai region (as of the end of February 2018). It is distinguished by the development of community-based attentive stores, and it actively implements a dominant strategy through the concentration of stores within a given area.

(Note) The figure for (Tentative name) MANDAI Nigawa Store (site) is calculated based on the operating revenues and operating costs in the 2nd year with an assumption of 100% rent collection, using the DCF method described in the appraised report. As of July 2018, the building is being constructed and 51.1% of the rent up to the day prior to either the building's completion date or September 1, 2018 (whichever comes first) will be received.



Acquisition price	JPY 1,850 mn
NOI yield	4.2% (Note)
NOI yield after depreciation	4.2% (Note)
Location	Kominowa, Higashiosaka City, Osaka Pref.
Site area/Leased area	8,942.54 m ² / 8,942.54 m ²
Opening period	January 2017
Acquisition date	March 27, 2018
Facility type	24-hour discount store handling mainly food

(Note) The figure is calculated based on the appraised report.



Property Features

- The area near the Property is a residential area with numerous families. The population in the area is trending upwards due to those commuting to Osaka City and such, as the price of residences is relatively inexpensive and access to central Osaka is excellent.
- The store on the Property is a 24-hour discount store handling mainly food. It captures the day-to-day needs of neighborhood customers while on the weekends is bustling with families arriving by automobile from more distant locations for bulk purchase.
- Daikokuten Bussan Company, the tenant, is a retail distributor and comprehensive food wholesaler (listed on the First Section of the Tokyo Stock Exchange) which handles the processing of vegetables, fruits, meats, everyday dishes, etc., as well as breads, noodles and daily foods of private brands. The store on the property not only provides reasonable prices but also puts effort into making the store enjoyable through the sale by weight of everyday dishes, etc.

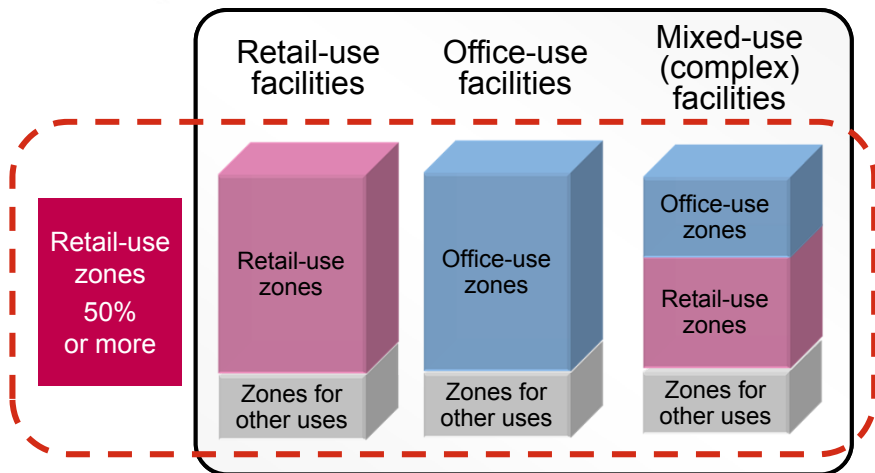
3. External Growth Strategies





Investment Targets

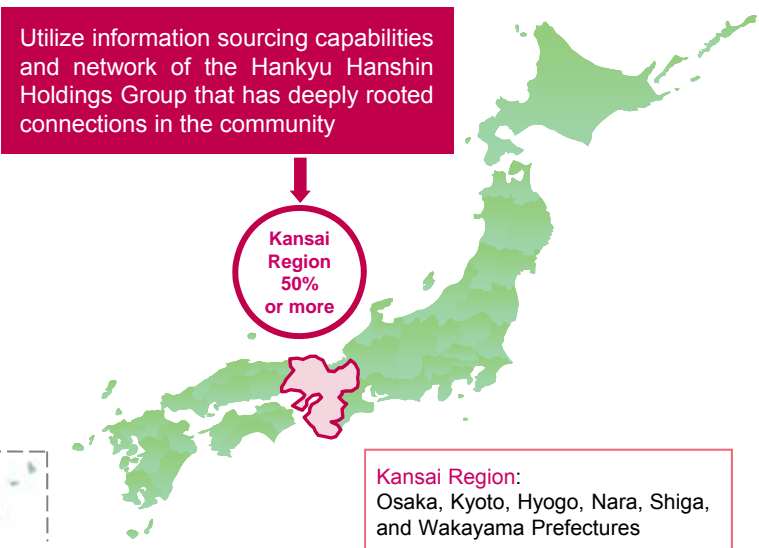
Target real estate with retail-use and office-use zones
Especially focus investment on retail-use zones



* 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

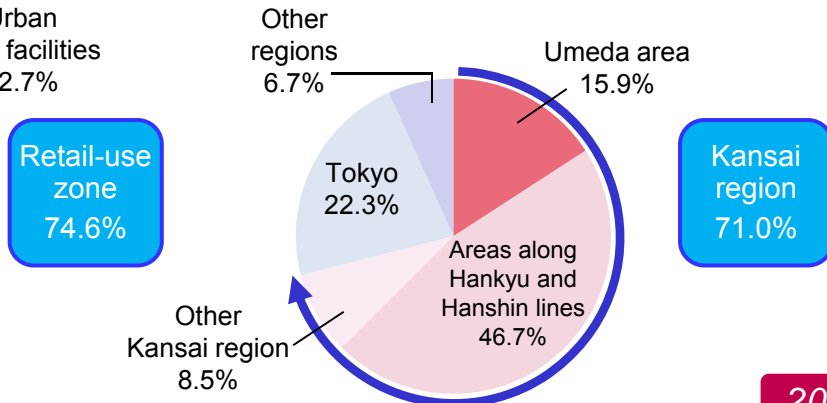
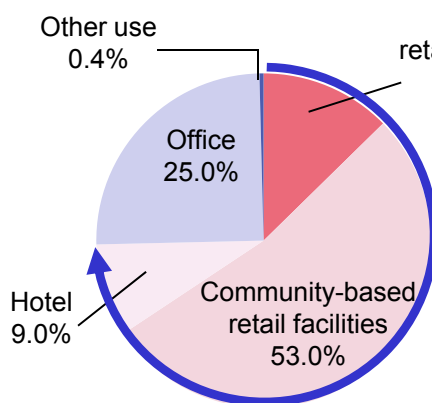
Target real estate across Japan
Investment target areas are Tokyo metropolitan area, nationwide government ordinance-designated cities and other comparable major cities
Of these, investment is focused on Kansai Region



Portfolio Status (End of 26th FP)

Total acquisition price:
JPY 153.91 bn

Total number of properties:
27 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 with the sponsor group.

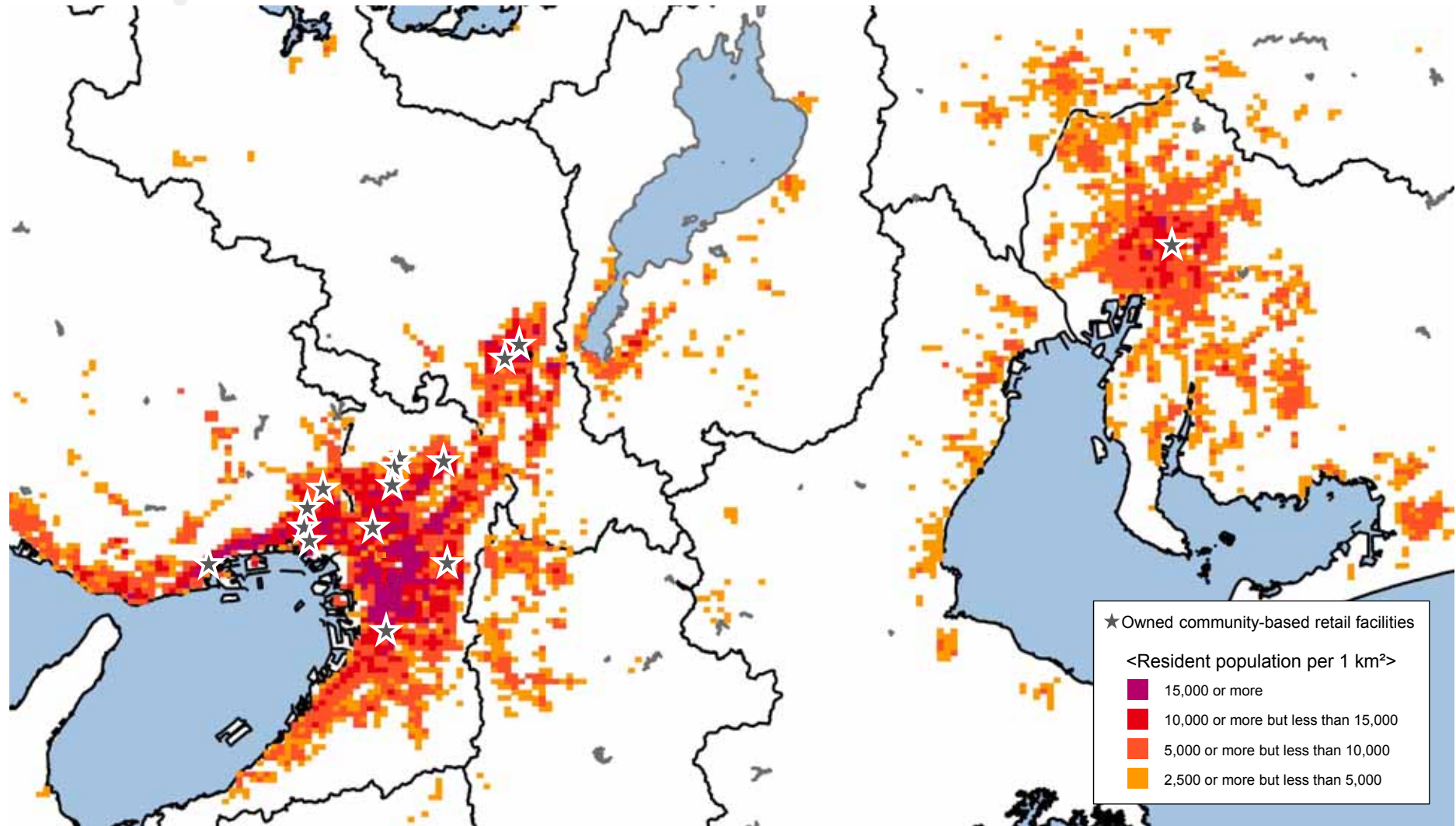
In addition, will continue to aim for further expansion of the asset management company's own property information sourcing channels while making CRE proposals utilizing sponsor solutions, etc., and lead to property acquisitions at appropriate prices through negotiated transactions and limited tendering.

Diverse Property Acquisition Methods

Acquisition method				
Sponsor group's property	Property developed by sponsor group	On-balance bridge	SPC bridge	Direct acquisition from outside
HEP Five Kitano Hankyu Building Dew Hankyu Yamada Nitori Ibaraki-Kita Store (site) LaLaport KOSHIEEN (site) LAXA Osaka 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) METS OZONE (Tentative name) MANDAI Nigawa Store (site) LAMU Higashiosaka Branch (site) Vessel Inn Hakata Nakasu



- Areas in Kansai/Chukyo regions with concentration of population (Resident population per 1 km²: 2,500 or more)
 - Community-based retail facilities of Hankyu REIT are located in areas with concentration of population (Most are in areas with notable concentration)

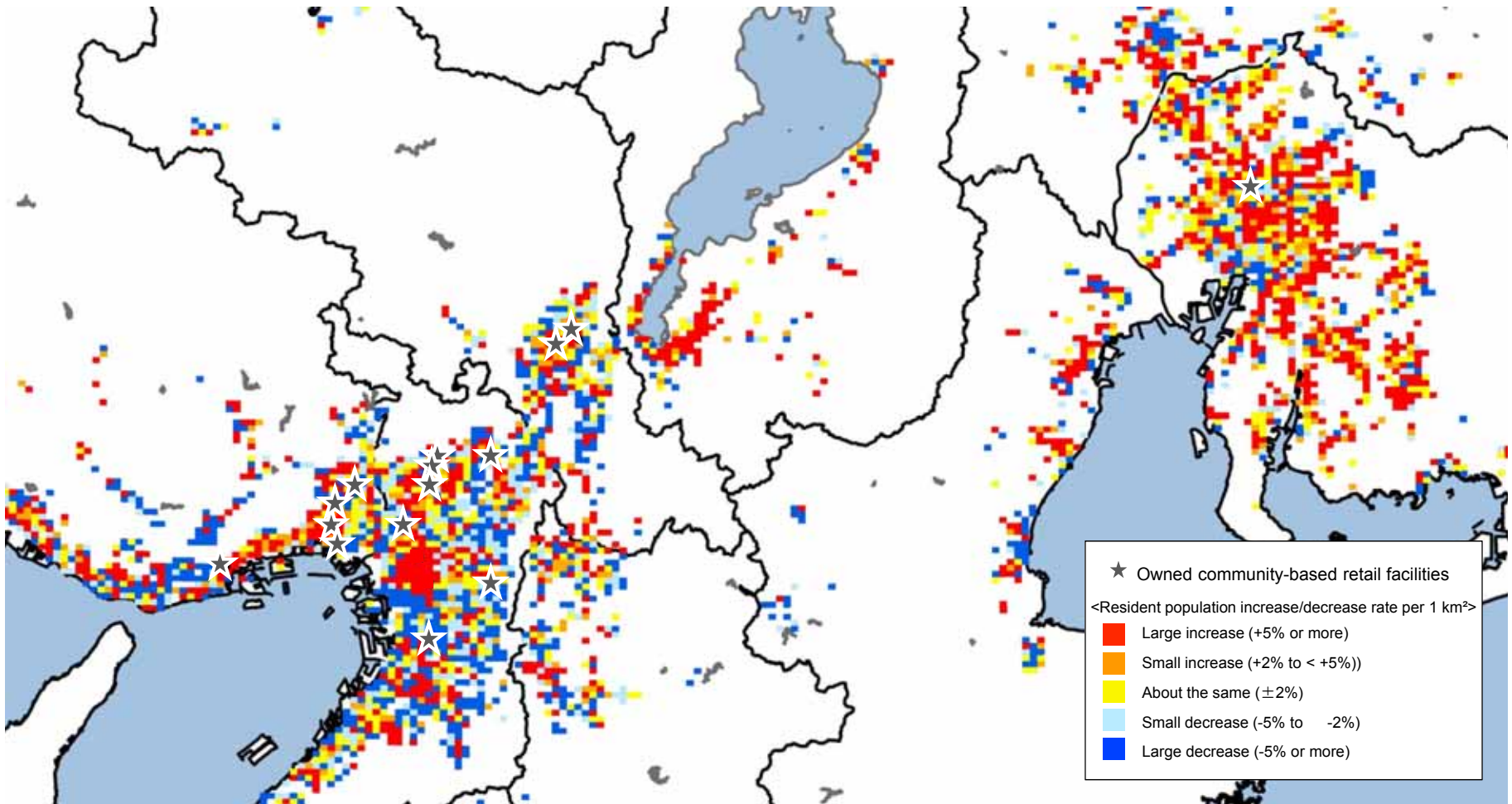




- Increase/decrease in areas in Kansai/Chukyo regions with concentration of population (Increase/decrease in resident population per 1 km²)

- Polarization of population increase/decrease is progressing based on convenience and living environment

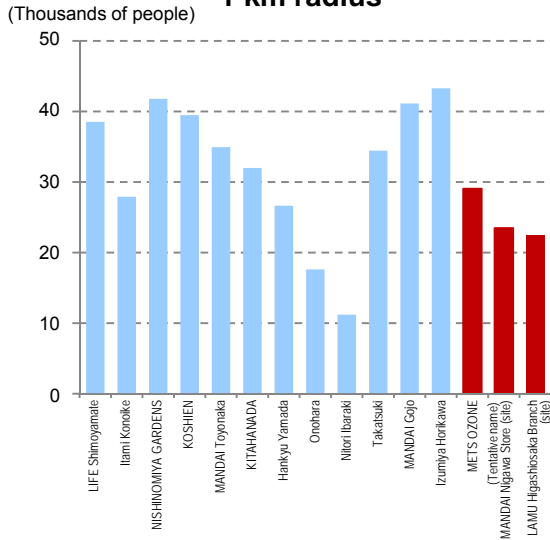
Upon acquisition of community-based retail facilities, discuss mainly areas with high retail potential, such as those expecting population growth (including individual factors such as location and form of facilities)



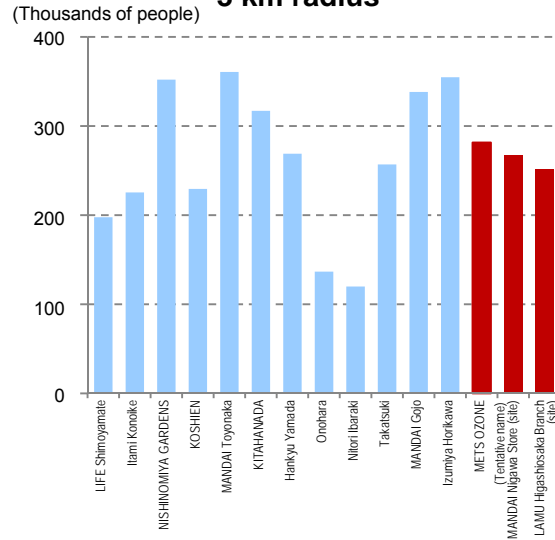


Investment in excellent trade areas with abundant trade area population, such as areas along Hankyu and Hanshin lines where strong consumer demand can be expected over the medium-to-long-term.

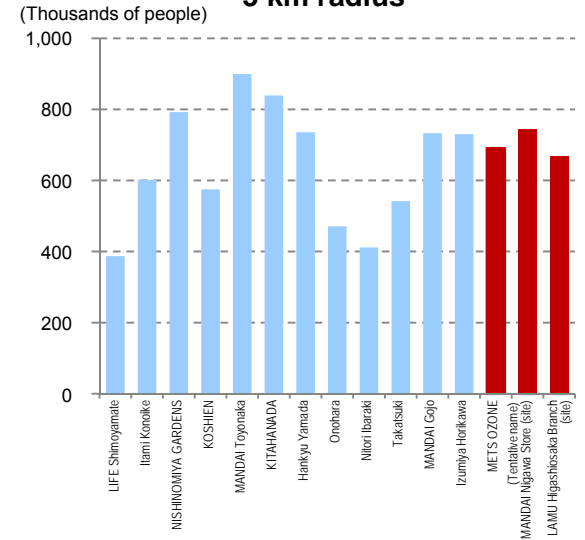
Trade area population within 1 km radius



Trade area population within 3 km radius



Trade area population within 5 km radius

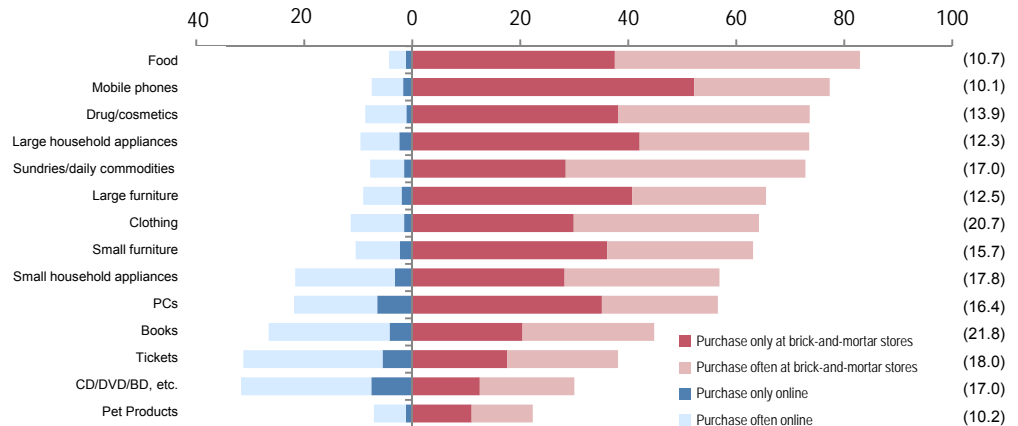


(Source) "National Census 2015" by Statistics Bureau, Ministry of Internal Affairs and Communications

Tenant composition and provision of products/services that match the trade area

- Tenant composition mainly featuring diversified business categories indispensable for everyday life as well as tenants selling daily necessities that are likely to be purchased at brick-and-mortar stores.

Purchase Trends of Online Shopping and Shopping at Brick-and-Mortar Stores in Japan (by product)






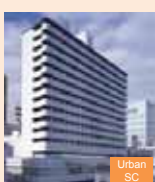
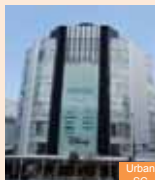





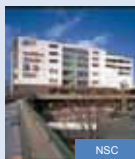







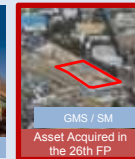






(Source) "Study Report on an International Analysis of User Perceptions of New Forms of ICT in the IoT Era" by Information Communications Economic Office, Information Communications Global Strategy Bureau, Ministry of Internal Affairs and Communications

(Note) Figures in the parenthesis are the percentages of respondents who answered "Purchase almost equally online and at brick-and-mortar stores."



Discussion focused on investment in urban retail facilities, community-based retail facilities and hotels

	City center	Urban vicinity									
Offices	 Shiodome East Side Building  Hankyu Corporation Head Office Building  Sphere Tower Tennozu  Ueroku F Building										
	Urban retail facilities	Community-based retail facilities									
Retail facilities	 Urban SC HEP Five  Urban SC Kitano Hankyu Building  Urban SC kotocross Hankyu Kawaramachi  Urban SC Kita-Aoyama San cho-me Building	 RSC HANKYU NISHINOMIYA GARDENS  RSC AEON MALL SAKAIKITA HANADA (site)  RSC LaLaport KOSHIE (site)  NSC Takatsuki-Josai Shopping Center  NSC OASIS Town Itami Konoike (site)  NSC Dew Hankyu Yamada  NSC MANDAI Gojo Nishikoji Store (site)  NSC MANDAI Toyonaka Honan Store (site)	 NSC Kohnan Hiroshima Nakano-Higashi Store (site)  NSC Asset Acquired in the 26th FP METS OZONE  GMS / SM DAILY QANAT Izumiya Horikawa Marutamachi Store (site)  GMS / SM KOHYO Onohara Store  GMS / SM LIFE Shimoyamate Store (site)  GMS / SM Asset Acquired in the 26th FP (Tentative name) MANDAI Nigawa Store (site)  GMS / SM Asset Acquired in the 26th FP LAMU Higashiosaka Branch (site)  Specialty shop Nitori Ibaraki-Kita Store (site)								
Hotels	 LAXA Osaka  Hotel Gracery Tamachi  Asset Acquired in the 26th FP Vessel Inn Hakata Nakasu										

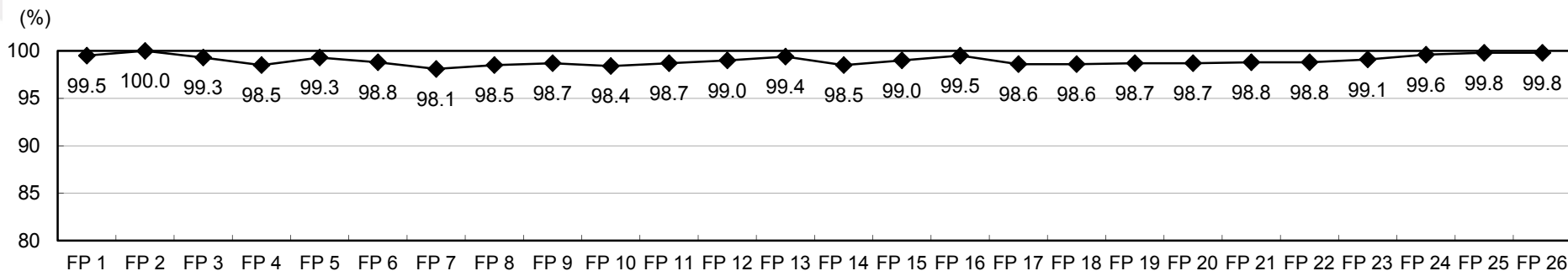
RSC	Regional shopping center: A large shopping center serving a wide area
NSC	Neighborhood shopping center: A small-trade-area shopping center having neighborhood areas as main trade areas
GMS / SM	General merchandise Store (GMS): A general supermarket Supermarket (SM): A large supermarket mainly selling food items

4. Internal Growth Strategies

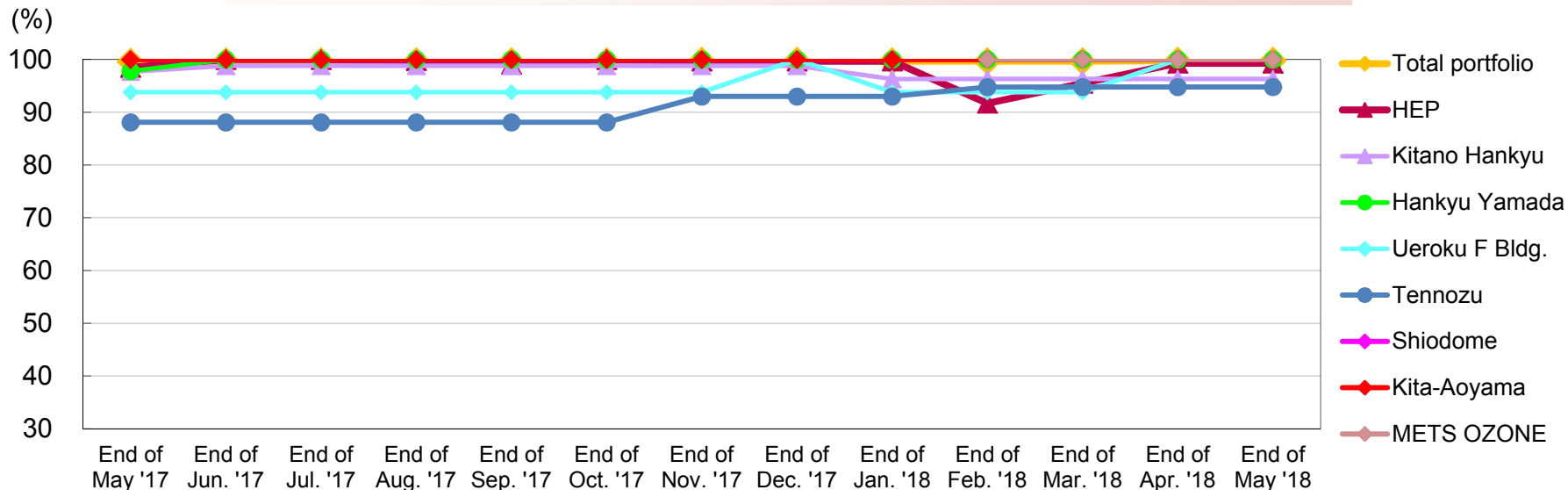




Stable occupancy rates maintained since 1st fiscal period



Total portfolio occupancy rate at 99.8% (as of May 31, 2018)



• The graph excludes the 19 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, MANDAI Nigawa Store, LAMU Higashiosaka Branch and Vessel Inn Hakata Nakasu) leased to single tenants (occupancy rates of 100%).



<HANKYU NISHINOMIYA GARDENS> Turned the temporary parking lot on the south side into a multistory one

- Turned the existing temporary parking lot on south side into a multistory one as a measure to ease chronic traffic congestion that occurs on weekends
(Scheduled to start operation around autumn 2018)
- 1st floor is also scheduled to be occupied by a retail store
- Implemented upward rent revision of master lease rent in accordance with investment burden.



As of the end of June 2018
(Photographed from north side)

<AEON MALL SAKAIKITAHANADA (site)> Reopened after renovation

- The store including the site vacated by Sakai Kitahanada Hankyu was reopened in March 2018 after undergoing renovation and freshness and competitiveness as a retail facility improved.
- “MUJI” underwent floor expansion and operates the first retail space handling “food.” The area of the retail space is more than 4,300 m², which is the largest “MUJI” in the world.
- Two major casual brands “UNIQLO” and “GU” also opened.

(Photos on the website of each store are used)



Inside the Store <MUJI>



Inside the Store <GU>



Status of Response to Properties Damaged by the North Osaka Earthquake (Note)

Striving to restore the properties that were damaged by the North Osaka Earthquake (Note), which occurred on June 18, 2018, at an early stage.

<Situation of Damage and Status of Operation of Properties near the Seismic Center>

- Dew Hankyu Yamada
Escalator and parking facility were damaged, and operation was temporarily suspended. Operation of the entire facility was resumed 2 days after the earthquake on June 20.
- Takatsuki-Josai Shopping Center
Escalator and exterior wall of parking lot were damaged, but the home center and supermarket on the 1st floor opened on the day.
Tenants on the 2nd floor resumed operation the next day on June 19.
- KOHYO Onohara Store
Sprinkler facility, escalator and exterior wall were damaged, and operation was temporarily suspended.
Supermarket resumed operation on June 26, and the entire facility was resumed operation on July 6.

Approximately JPY 60 mn, which is the expected amount required for restoration and construction work, has already been factored into the financial results forecast for the 27th FP as repair expenses.

(Note) Tentative name as of July 10, 2018

4-3. Rent Systems and Present Condition of 27 Portfolio Properties (1)

(End of 26th Fiscal Period)

<Properties Mainly Using the Fixed-rent System>

Property name	Main rent system	Present conditions
HEP Five Specialty shop building (urban SC)	Overage (fixed + variable)	The store will mark its 20th anniversary in 2018. Sales was 99.5% compared with the previous year and seems that it has bottomed out most recently. It has replaced and attracted tenants by being conscious of younger millennials and inbound tourists, which are its target. It is scheduled to be occupied by "VR ZONE OSAKA" in autumn 2018 and sales of Ferris wheel also remain strong.

<Properties 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 81.5 billion in fiscal 2017, sales increased for the ninth consecutive year since opening. Scheduled to turn the temporary parking lot on south side into a multistory one and start operating it in autumn 2018 as a measure to ease traffic congestion on weekends.
Dew Hankyu Yamada NSC (Note 1)	Long-term, fixed (partly overage)	Occupancy rate at the end of the 26th FP remained at 100% following the end of the previous period. Although there are competitions with EXPOCITY, etc., it intends to establish relations with tenants to enable long-term daily use by nearby residents as a community-based retail facility.
Kitano Hankyu Building Specialty shop building (urban SC)	Fixed (partly overage)	Occupancy rate at the end of the 26th FP was 96.3%. Although a tenant moved out at the end of December 2017, it is making efforts to find tenants at an early stage by conducting leasing activities for tenants that will attract purpose-driven customers and create synergy with existing tenants.
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.
Kita-Aoyama San cho-me Building Urban retail facility	Fixed	Occupancy rate continues to be 100%. THREE AOYAMA, the flagship store of THREE, a natural cosmetics brand operated by an affiliate of Pola Orbis Holdings Inc. is housed as the core tenant.

(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 Using the Fixed-rent System>

Property name	Main rent system	Present conditions
METS OZONE NSC (Note 1)	Fixed	A new property acquired in February 2018 (26th FP). Long-term contracts are mainly concluded with tenants and main tenants have not been replaced since opening. Sales also remain strong. It will continue to implement store operation supported by local residents as a community-based retail facility.
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. An end tenant moved out at the end of February 2018 and earnest leasing activities have been conducted to source the next tenant.
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. Being two years since the opening, it has gained wider recognition among local customers.
Ueroku F Building Office	Fixed	Occupancy rate at the end of the 26th FP increased to 100% from 93.8% at the end of the previous period due to floor expansion. It will continue to strive to improve the level of satisfaction by strengthening relations with tenants.
Sphere Tower Tennozu Office	Fixed	Occupancy rate increased to 94.8% with the occupancy of new tenant in February 2018. For the remaining sections, it will focus on leasing activities including floor expansion within the property.
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 Hanshin Holdings and Hankyu Corporation use it as their head office building.

(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.

4-3. Rent Systems and Present Condition of 27 Portfolio Properties (3)

(End of 26th Fiscal Period)

<Properties Using the Fixed-rent System>

Property name	Main rent system	Present conditions
Hotel Gracery Tamachi Hotel	Long-term, fixed	Long-term and fixed lease contract with Fujita Kanko Inc. Although rent has slightly decreased with the impact of hotel developments in the neighborhood, both guest room occupancy rate and guest room unit price remain at high levels. As for the rent reduction action, a settlement was reached in September 2017.
LAXA Osaka Hotel	Long-term, fixed	Rent income is stable based on the fixed-type master lease method (Note 2) with Hankyu Corporation. Renovation work of all guestrooms of the hotel started in January 2018 and is scheduled to be completed in July 2018.
Vessel Inn Hakata Nakasu Hotel	Long-term, fixed	A new property acquired in March 2018 (26th FP). Rent income is stable based on a long-term fixed-term building lease agreement with Vessel Hotel Development Co., Ltd.
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. 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. It is a retail facility occupied by a home center and a grocery store and offering high transportation convenience facing a major national road.
LaLaport KOSHIEEN (site) RSC (Note 1)	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. Sales remain strong with the continuous effect of the renewal in spring 2017. Retail facilities have opened in the neighborhood and will focus on the sales trend, etc.
AEON MALL SAKAIKITAHANADA (site) RSC (Note 1)	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. The renovation that was implemented in three periods since spring 2017 was completed in March 2018 and a total of 69 stores including 30 new stores reopened after renovation. Sales remain strong.

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

4-3. Rent Systems and Present Condition of 27 Portfolio Properties (4)

(End of 26th Fiscal Period)

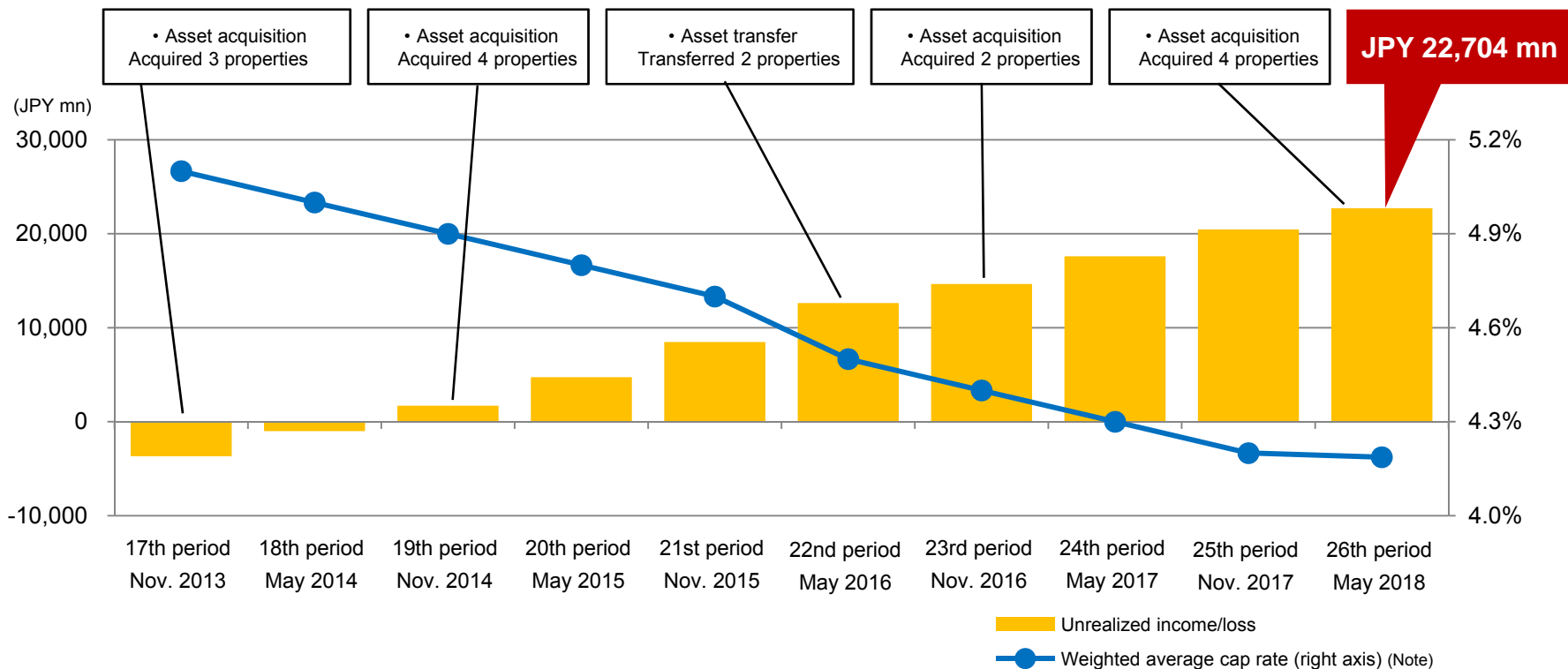
<Properties Using the Fixed-rent System>

Property name	Main rent system	Present conditions
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.
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. 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.
OASIS Town Itami Konoike (site) NSC (Note)	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. The facility houses shops closely related to daily life, such as a grocery store, apparel store and drugstore
(Tentative name) MANDAI Nigawa Store (site) NSC (Note)	Long-term, fixed	A new property acquired in March 2018 (26th FP). Rent income is stable based on a contract for a fixed-term land lease for business purposes with MANDAI Co., Ltd. The building is currently being constructed by MANDAI Co., Ltd. and is scheduled to open in September 2018. 51.1% of rent will be received until the day before the completion date or September 1, 2018, whichever is earlier.
LAMU Higashiosaka Branch (site) NSC (Note)	Long-term, fixed	A new property acquired in March 2018 (26th FP). Rent income is stable based on a contract for a fixed-term land lease for business purposes with Daikokuten Bussan Company. Sales remain strong since opening in January 2017.



Appraisal value increased by 1.3%, generating unrealized income of JPY 22.7 bn
 Cap rate decreased for 15 properties

Change in Unrealized income/Loss and Cap Rate



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

4-5. List of Appraisal Values

(Unit: millions of yen)

	Acquisition price	① End of previous period (25th fiscal period)		② End of current period (26th fiscal period)		Change (②-①) (Note)	Change (②-①)/① (Note)	③ Value recorded on the balance sheet at end of current period	Unrealized income/loss ②-③	Value to book ratio ②/③
		Appraisal value	Cap rate (Note)	Appraisal value	Cap rate (Note)					
HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	6,468	8,890	3.5%	9,002	3.5%	112	1.3%	5,568	3,433	161.7%
Kitano Hankyu Building	7,740	7,350	4.5%	7,540	4.4%	190	2.6%	7,809	-269	96.5%
Dew Hankyu Yamada	6,930	8,690	4.4%	8,780	4.3%	90	1.0%	5,495	3,284	159.8%
Takatsuki-Josai Shopping Center	8,600	8,480	4.9%	8,480	4.9%	0	0.0%	6,935	1,544	122.3%
Nitori Ibaraki-Kita Store (Site)	1,318	1,720	4.7%	1,730	4.6%	10	0.6%	1,340	389	129.1%
Kohnan Hiroshima Nakano-Higashi Store (Site)	2,175	1,890	5.5%	1,890	5.5%	0	0.0%	2,280	-390	82.9%
Hotel Gracery Tamachi	4,160	4,120	4.3%	4,210	4.2%	90	2.2%	3,624	585	116.1%
LaLaport KOSHIEN (site)	7,350	7,770	4.2%	7,960	4.1%	190	2.4%	7,752	207	102.7%
HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	18,300	24,976	4.2%	25,116	4.2%	140	0.6%	17,291	7,824	145.2%
AEON MALL SAKAIKITAHAHADA (site)	8,100	9,980	4.2%	10,230	4.1%	250	2.5%	8,189	2,040	124.9%
MANDAI Toyonaka Honan store (site)	1,870	2,310	4.3%	2,310	4.3%	0	0.0%	1,889	420	122.3%
DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	3,100	3,680	4.2%	3,810	4.1%	130	3.5%	3,127	682	121.8%
kotocross Hankyu Kawaramachi	2,770	3,330	4.3%	3,400	4.2%	70	2.1%	2,648	751	128.4%
LIFE Shimoyamate Store (site)	1,421	1,640	4.2%	1,670	4.1%	30	1.8%	1,434	235	116.5%
MANDAI GOJO Nishikoji Store (site)	4,182	4,750	4.3%	4,760	4.3%	10	0.2%	4,213	546	113.0%
KOHOY Onohara Store	1,631	1,750	4.9%	1,780	4.8%	30	1.7%	1,640	139	108.5%
OASIS Town Itami Konoike (site)	7,100	7,440	4.1%	7,440	4.1%	0	0.0%	7,391	48	100.7%
METS OZONE	5,400	-	-	5,620	4.5%	-	-	5,693	-73	98.7%
(Tentative name) MANDAI Nigawa Store (site)	2,280	-	-	2,330	4.2%	-	-	2,307	22	101.0%
LAMU Higashiosaka Branch (site)	1,850	-	-	1,880	4.4%	-	-	1,873	6	100.3%
Vessel Inn Hakata Nakasu	2,760	-	-	2,770	4.2%	-	-	2,819	-49	98.2%
Shiodome East Side Bldg.	19,025	14,700	3.9%	14,700	3.9%	0	0.0%	17,095	-2,395	86.0%
Hankyu Corporation Head Office Building	10,200	12,200	4.0%	12,500	3.9%	300	2.5%	9,465	3,034	132.1%
Ueroku F Building	2,980	2,790	5.1%	2,870	5.0%	80	2.9%	2,571	298	111.6%
Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	9,405	6,864	3.9%	6,897	3.8%	33	0.5%	8,495	-1,598	81.2%
LAXA Osaka	5,122	5,720	4.7%	5,870	4.6%	150	2.6%	4,220	1,649	139.1%
Kita-Aoyama San cho-me Buiding	1,680	2,030	3.4%	2,060	3.3%	30	1.5%	1,722	337	119.6%
Total	153,918	153,070	4.2%	167,605	4.2%	1,935	1.3%	144,900	22,704	115.7%

(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 SAKAIKITAHAHADA (site), LIFE Shimoyamate Store (site) and LAMU Higashiosaka Branch (site) are allocated a discount rate using the DCF method) and the total is the weighted average cap rate based on appraisal values.

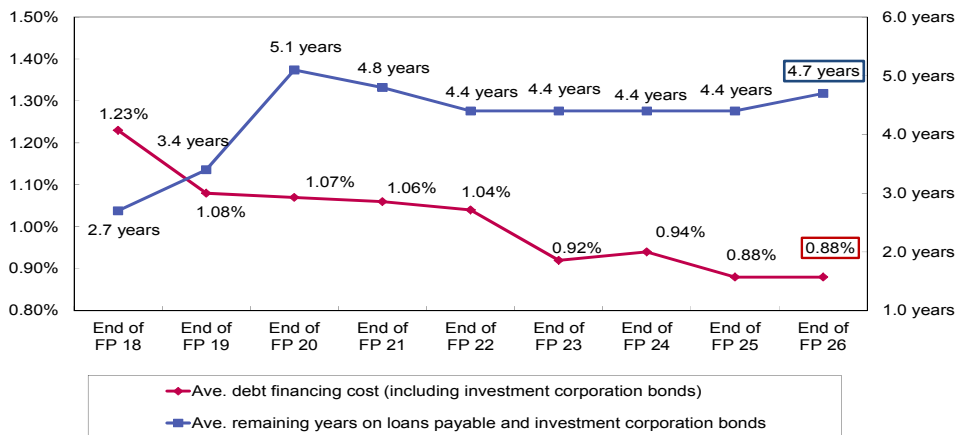
5. Financial Strategies





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

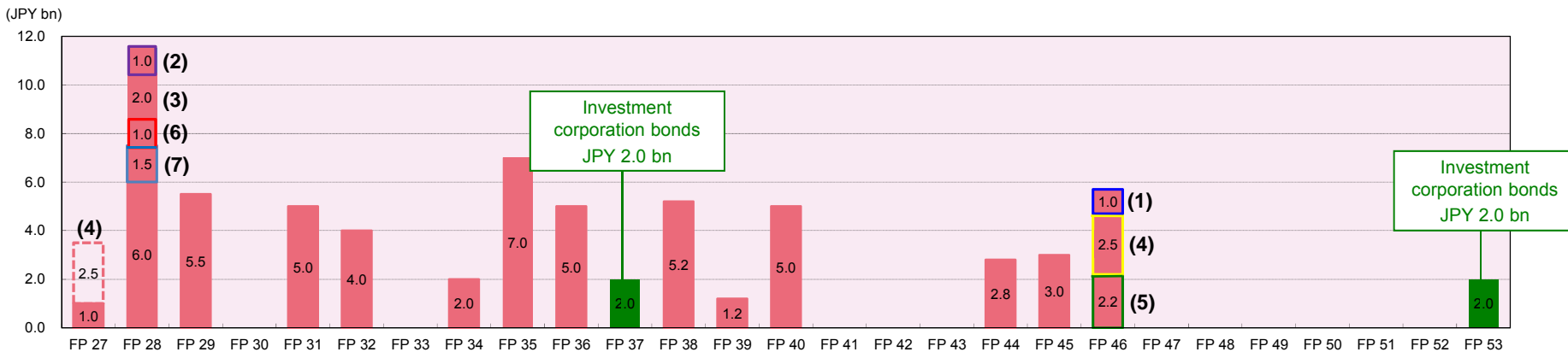
Trends of Debt Financing Costs and Average Remaining Years



Overview of Refinancing and New Borrowing

	Execution date	Amount of debt financing	Borrowing period	Fixed/variable
(1)	February 28, 2018	JPY 1.0 bn	10 years	Fixed
(2)	February 28, 2018	JPY 1.0 bn	1 year	Variable
(3)	March 30, 2018 (New borrowing)	JPY 2.0 bn	1 year	Variable
(4)	May 24, 2018 (Prepayment)	JPY 2.5 bn	10 years	Fixed
(5)	May 28, 2018	JPY 2.2 bn	10 years	Fixed
(6)	May 28, 2018	JPY 1.0 bn	1 year	Variable
(7)	May 31, 2018	JPY 1.5 bn	1 year	Variable

Diversification of Debt Repayment Dates (As of May 31, 2018)



Basic Financial Policy

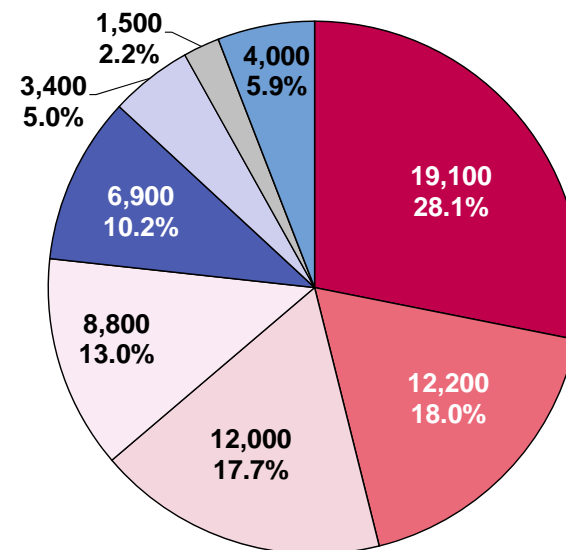
- Maintain sound financial position
- Maintain favorable trading relationship with financial institutions
- Realize lower fund procurement costs (effective use of security deposits/guarantees)
- Reduce financing risks (diversification of debt repayment dates)
- Reduce interest rate fluctuation risks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

	As of end of FP 25	As of end of FP 26
Interest-bearing debt	JPY 65.9 bn	JPY 67.9 bn
Avg. funding cost (interest-bearing debt + utilized amount of security deposits and guarantees)	0.86%	0.84%
Avg. debt financing cost (including investment corporation bonds)	0.88%	0.88%
Avg. remaining years on long-term loans payable and investment corporation bonds	4.4 years	4.7 years
Long-term debt ratio	89.1%	91.9%
Fixed debt ratio	85.7%	88.7%
LTV (Note)	41.4%	41.1%
Interest-bearing debt ratio	44.5%	43.6%
Investment corporation bonds	JPY 4.0 bn	JPY 4.0 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 p.65.

Debt Outstanding by Lender (JPY mn)

As of May 31, 2018



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

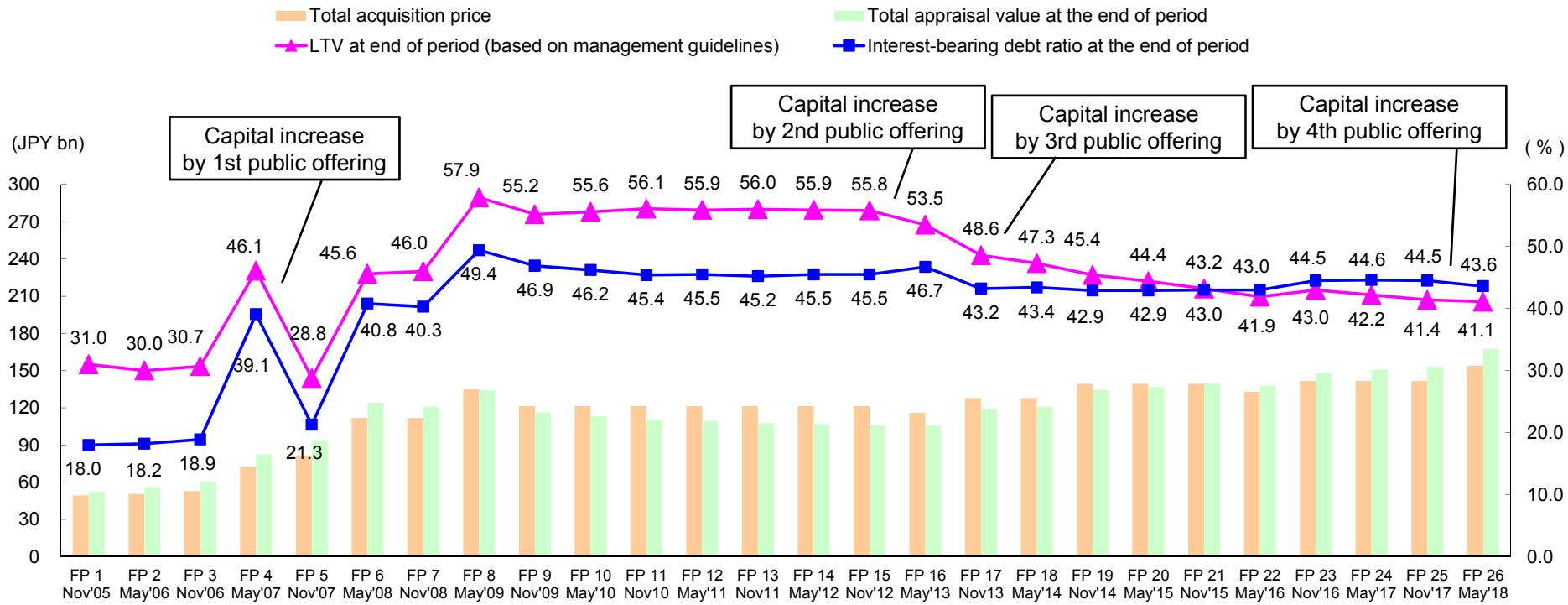
Total JPY 67.9 bn

Registration for Issuance of Investment Corporation Bonds

Planned value of issuance (upper limit): JPY 100,000 mn
 Planned issuance period: Dec. 19, 2017 to Dec. 18, 2019



5-3. Asset Scale and LTV (Loan to Value)



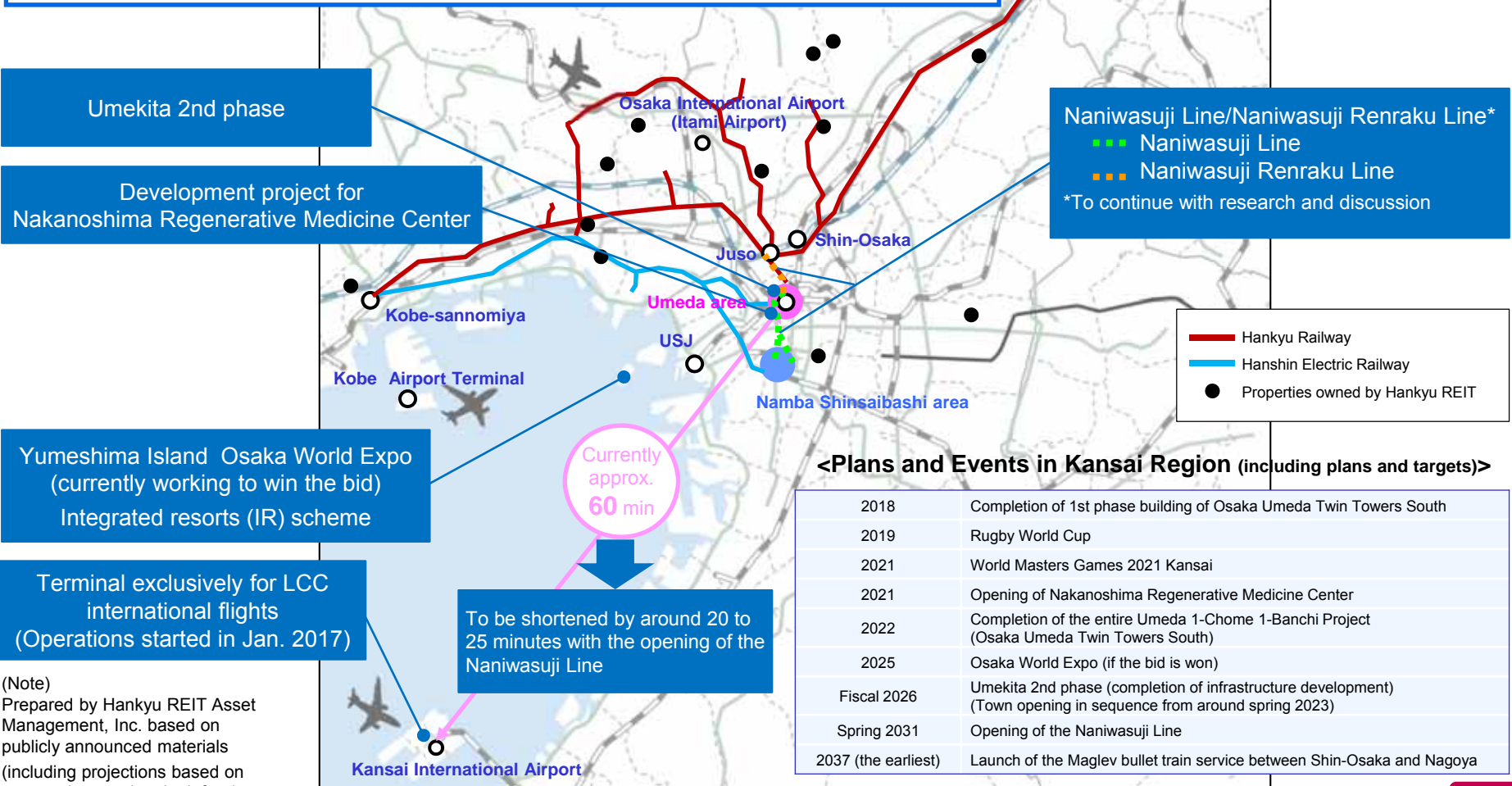
Number of properties	5	6	7	8	9	11	11	16	15	15	15	15	15	15	15	15	15	16	19	19	23	23	23	21	23	23	23	27
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6. Development Status in Osaka and Initiatives of Hankyu REIT





- Full-fledged infrastructure construction and redevelopment in 2020 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)

To be shortened by around 20 to 25 minutes with the opening of the Naniwasuji Line

Naniwasuji Line/Naniwasuji Renraku Line*

- Naniwasuji Line
- Naniwasuji Renraku Line

*To continue with research and discussion

— Hankyu Railway

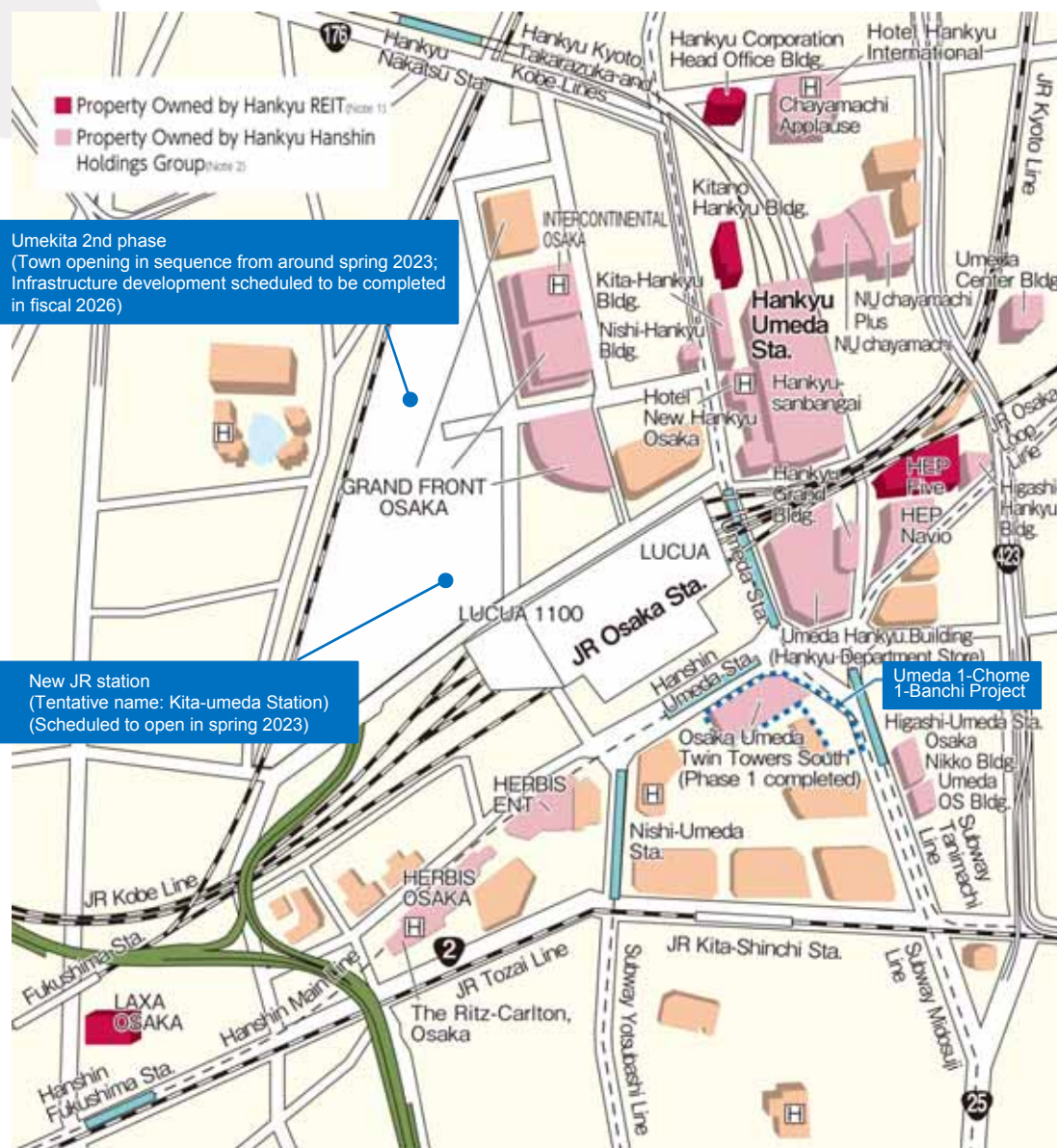
— Hanshin Electric Railway

● Properties owned by Hankyu REIT

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

2018	Completion of 1st phase building of Osaka Umeda Twin Towers South
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 (Osaka Umeda Twin Towers South)
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

(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 2018).



Perspective drawing of the completed
 "Umeda 1-Chome 1-Banchi Project (Osaka Umeda Twin Towers South)"
 (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. 12,200 m ²		Total floor area: Approx. 100,000 m ²
Floor area ratio	2,000%	Office zone	11F to 38F
Total floor area	Approx. 260,000 m ²		Total floor area: Approx. 143,000 m ²
Number of floors	38 floors above ground and 3 floors below	Conference zone	11F
Height	Approx. 190 m		Total floor area: Approx. 4,000 m ²
Main use	Department store, office, hall, etc.	Other (parking space, etc.)	Total floor area: Approx. 13,000 m ²

Overview of "Construction Plan"

1st phase work

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

2nd phase work

- June 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.



Umekita's Second Phase Development Zone Community Development Policy

A hub that combines
 "Green" x "Innovation"

Green spaces with unparalleled attractiveness will captivate people from all over the world

Green spaces covering the entire area will create new urban landscapes unlike any other in the world. It will become a source for creating various activities and new values that will captivate people from all over the world.

A world-leading hub for innovation that will enable us to gain new international competitiveness

We aim to create a world-leading hub for innovation that will enable us to gain new international competitiveness by integrating technologies, attracting talented personnel from all over the world as well as promoting exchanges. This can inspire the creation of new industries, technologies, and intellectual properties.

- 1) To create new industries (health, medical care, energy, etc.)
- 2) To foster intellectual personnel (affiliated graduate schools, education corresponding to globalization, etc.)
- 3) To attract international visitors and promote international exchanges (MICE events, creating and spreading cultures, etc.)

8 hectares of unparalleled green spaces





Investment in urban retail facilities

- Number of foreign tourists visiting Osaka has increased significantly since around 2015
- Attractiveness and customer appeal have improved in Osaka/Umeda
- Sponsor group also promotes the revitalization of Umeda Area through value enhancement



Proactively investing in urban retail facilities over the medium term

Revitalization and increase in revenue of HEP Five

Attracting large tenants that can bring in younger millennials, which is the main target, and foreign tourists visiting Japan who come for riding the Ferris wheel



VR ZONE OSAKA Scheduled to open in autumn 2018
(First branch in Kansai Region)

- Experience-based VR activity facility operated by BANDAI NAMCO Amusement



7. Overview of Financial Results for 26th Fiscal Period



Income Statement

(Unit: millions of yen)

Item	25th Fiscal Period (Operation period:183 days) Jun. 1, 2017 to Nov. 30, 2017		26th Fiscal Period (Operation period:182 days) Dec. 1, 2017 to May 31, 2018		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	4,902	100.0	5,203	
Lease operating revenues	4,902		5,203		
2. Operating expenses	2,752	56.1	2,918	56.1	166 (2)
Lease-related expenses	2,269		2,429		
Asset management fees	349		358		
Directors' compensation	3		3		
Asset custody fees	18		18		
Administrative service fees	36		38		
Independent auditors' fees	10		10		
Other operating expenses	63		60		
Operating income	2,150	43.9	2,284	43.9	134
3. Non-operating revenues	1	0.0	0	0.0	-0
Interest income	0		0		
Other non-operating revenues	1		0		
4. Non-operating expenses	357	7.3	399	7.7	41
Interest expense	289		275		
Borrowing related expenses	55		54		
Interest expense on investment corporation bonds	11		11		
Amortization of deferred investment corporation bond issuance costs	1		1		
Investment unit issue costs	—		55		
Other non-operating expenses	0		0		
Ordinary income	1,793	36.6	1,886	36.3	92
Extraordinary Losses	73		—		-73 (3)
Income before income taxes for current period	1,720		1,886		
Income taxes- current	1		1		
Income taxes- deferred	0		-0		
Net income for current period	1,718	35.1	1,884	36.2	166
Retained earnings brought forward from the previous period	0		0		
Retained earnings at the end of current period	1,719		1,885		

Cash Distribution Statement

(Unit: thousands of yen)

Item	25th Fiscal Period	26th Fiscal Period	Change
	Amount	Amount	Amount
Retained earnings at the end of current period	1,719,286	1,885,158	165,871
Distributions	1,719,007	1,884,852	165,844
(Distribution per unit (JPY))	(2,877)	(2,952)	(75)
Retained earnings carried forward	279	306	27

(Main factors for increase/decrease)

(1) Operating revenues

Increase in income from lease through acquisition of new properties (OZONE, Nigawa, Higashiosaka and Hakata): JPY +192 mn
 Increase in income from lease (Tennozu, Itami, etc.): JPY +112 mn

(2) Operating expenses

Increase in building management expenses (OZONE, etc.): JPY +39 mn
 Increase in repair expense (Yamada, Takatsuki, HEP, etc.): JPY +81 mn
 Increase in depreciation (OZONE, Hakata, etc.): JPY +41 mn

(3) Extraordinary loss

Decrease in expenses due to absence of payment of settlement money (Tamachi): JPY -73 mn

Lease operating revenues/expenses

Breakdown: See pages 48 and 49



(Unit: millions of yen)

(Unit: millions of yen)

Item	25th Fiscal Period (as of Nov. 30, 2017)		26th Fiscal Period (as of May 31, 2018)		Change	Item	25th Fiscal Period (as of Nov. 30, 2017)		26th Fiscal Period (as of May 31, 2018)		Change
	Amount	Ratio (%)	Amount	Ratio (%)	Amount		Amount	Ratio (%)	Amount	Ratio (%)	Amount
Assets						Liabilities					
I Current assets total	14,830	10.0	9,799	6.3	-5,031	I Current liabilities total	11,944	8.1	14,241	9.2	2,297
Cash and deposits	6,973		3,917			Operating accounts payable	540		537		
Cash and deposits in trust	7,616		5,320			Short-term debt	7,200		5,500		
Operational income receivables	1		14			Long-term debt due within one year	3,000		7,000		
Deposits paid	83		100			Lease obligations in trust	—		3		
Consumption taxes receivable	—		214			Distribution payable	6		7		
Prepaid expenses	152		225			Accrued expenses	161		159		
Others	2		5			Income taxes payable	1		1		
II Fixed assets total	133,100	90.0	145,772	93.7	12,672	Accrued consumption taxes	63		—		
1. Tangible fixed assets						Advances received	731		782		
Buildings	2,085		3,580			Deposits received	0		8		
Structures	203		196			Security deposits due within one year	238		241		
Tools, furniture and fixtures	0		0			II Long-term liabilities total	62,630	42.3	62,729	40.3	-99
Land	18,143		26,452			Investment corporation bonds	4,000		4,000		
Buildings in trust	24,951		25,823			Long-term debt	51,700		51,400		
Structures in trust	516		502			Lease obligations in trust	—		43		
Machinery and equipment in trust	148		144			Security deposits	1,297		1,668		
Tools, furniture and fixtures in trust	76		90			Security deposits in trust	5,633		5,618		
Land in trust	85,466		87,050			Liabilities total	74,574	50.4	76,970	49.5	2,396
Lease assets in trust	—		46			Net assets					
Construction in progress in trust	94		453			I Unitholders' capital	71,659	48.4	76,736	49.3	
Tangible fixed assets total	131,686	89.0	144,342	92.8	12,655	II Surplus total	1,719	1.2	1,885	1.2	
2. Intangible fixed assets						Retained earnings at the end of current period	1,719		1,885		
Leasehold rights	957		957			Net assets total	73,378	49.6	78,621	50.5	0
Others	59		55								
Intangible fixed assets total	1,016	0.7	1,012	0.7	-4						
3. Investments, other assets											
Long-term prepaid expenses	387		386								
Lease and guarantee deposits	10		31								
Investment, other assets total	397	0.3	418	0.3	20						
III Total deferred assets	22	0.0	21	0.0	-1						
Deferred investment corporation bond issuance costs	22		21								
Assets total	147,953	100.0	155,592	100.0	7,639	Liabilities and net assets total	147,953	100.0	155,592	100.0	7,639

Interest-bearing debt
JPY 67,900 mn

Total security deposits
JPY 7,528 mn
↓
JPY 3,762 mn was allocated for property acquisitions

7-3. Income and Expenditure by Property (1)

(Unit: millions of yen)

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 Gracy Tamachi	LaLaport KOSHIEIN (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)	kotocross Hankyu Kawaramachi	LIFE Shimoyamate Store (site) (Note)
Number of operating days of 26th fiscal period	182	182	182	182	182	182	182	182	182	182	182	182	182	182
Lease operating revenues total	305	551	371	284		68	112	257	623					102
Income from lease	235	369	261	283		68	108	257	622					102
Utilities expense income	13	110	43	—		—	—	—	—					—
Other incomes	55	71	66	0		0	4	0	1					—
Lease operating costs total	196	403	264	162		6	50	108	202					46
Property/Facility management fees	46	113	78	13		0	1	1	0					1
Utilities expense	20	119	43	0		—	—	—	—					—
Rent paid	3	0	1	22		—	—	0	6					12
Advertising and promotion expenses	31	3	5	—		—	—	—	—					—
Repair expense	21	20	40	31		—	0	2	0					—
Nonlife insurance premium	0	1	0	0		—	0	0	1					0
Tax and public dues	24	49	26	25		6	14	102	59					10
Other expenses	7	1	3	0		—	0	1	0					0
Depreciation	40	92	64	67		—	32	0	132					21
NOI (Lease operating income + Depreciation)	148	240	171	190	60	62	95	148	553	211	53	87	76	34
Lease operating income	108	147	107	122	60	62	62	148	421	211	53	87	55	34
Capital expenditure	50	200	30	—	—	—	4	4	41	—	—	—	1	—

(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.

7-3. Income and Expenditure by Property (2)

(Unit: millions of yen)

Item	MANDAI Gojo Nishikoji Store (site) (Note)	KOHYO Onohara Store (Note)	OASIS Town Itami Konoike (site) (Note)	METS OZONE	(Tentative name) MANDAI Nigawa Store (site)(Note)	LAMU Higashiosaka Branch (site) (Note)	Vessel Inn Hakata Nakasu (Note)	Shiodome East Side Bldg.	Hankyu Corporation Head Office Bldg.	Ueroku F Bldg.	Sphere Tower Tennozu 33% of the quasi co-ownership of the trust beneficiary interests)	LAXA Osaka	Kita-Aoyama San cho-me Bldg. (Note)	Total (27 properties)
Number of operating days of 26th fiscal period	182	182	182	106	66	66	64	182	182	182	182	182	182	—
Lease operating revenues total				173				399	359	136	268	254		5,203
Income from lease				150				376	359	117	217	254		4,717
Utilities expense income				12				19	—	9	16	—		227
Other incomes				10				3	—	8	34	—		257
Lease operating costs total				92				186	163	90	197	137		2,429
Property/Facility management fees				38				19	1	22	29	1		381
Utilities expense				13				23	—	10	50	—		283
Rent paid				12				1	—	—	0	17		79
Advertising and promotion expenses				1				—	—	—	0	—		42
Repair expense				0				11	—	4	18	4		156
Nonlife insurance premium				0				0	1	0	0	2		13
Tax and public dues				—				21	47	12	28	47		559
Other expenses				0				4	0	1	5	1		29
Depreciation				23				105	112	39	64	62		883
NOI (Lease operating income + Depreciation)	109	43	153	105	9	15	21	318	308	84	135	179	36	3,657
Lease operating income	109	35	153	81	9	15	10	213	196	45	71	116	32	2,774
Capital expenditure	—	0	—	1	—	—	—	17	8	2	33	50	—	448

(Main repair expense)

Dew Hankyu Yamada	
Waterproofing repair work on 7th floor parking	JPY 39 mn
Takatsuki-Josai Shopping Center	
Painting of steel poles and frames in parking lot	JPY 28 mn

(Main capital expenditure)

HEP Five	Renovation of restrooms	JPY 17 mn
Kitano Hankyu Building		
	Heat source equipment renewal	JPY 107 mn
	Drainage renewal	JPY 33 mn
	Escalator renewal	JPY 27 mn
	Establishment of 2nd floor smoking room	JPY 15 mn
Dew Hankyu Yamada		
	Renovation of refractory coating in 5th fl. parking	JPY 23 mn
LAXA Osaka	Fan coil renewal	JPY 39 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	25th Fiscal Period	26th Fiscal Period	Remarks
Operation period	183 days	182 days	25th fiscal period: Jun. 1, 2017 to Nov. 30, 2017 26th fiscal period: Dec. 1, 2017 to May. 31, 2018
Return On Assets (ROA)	1.2%	1.2%	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2 }
(per annum)	2.4%	2.5%	Calculated from duration of operation
Return On Equity (ROE)	2.3%	2.5%	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2 }
(per annum)	4.7%	5.0%	Calculated from days of operation
Ratio of net assets at end of period	49.6%	50.5%	Net assets / Total assets
Loan To Value ratio at end of period (LTV)	41.4% (47.3%)	41.1% (47.2%)	(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%	43.6%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	9.5 times	10.6 times	Pre-interest and pre-depreciation Net income for current fiscal period / Interest expenses
Net Operating Income (NOI)	JPY3,474 mn	JPY3,657 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY2,560 mn	JPY2,768 mn	Net income for current fiscal period + Depreciation - Income/loss on sale of real estate

8. APPENDIX





8-1. Portfolio List (1)

As of May 31, 2018

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	19.6	6,337.37 (2,958.94)	100.0% (99.3%)	1 (125)	5.0%	Feb. 1, 2005	6,468	4.2%	9,002	3.5%
	R2(K)	Kitano Hankyu Bldg.	Kita-ku, Osaka City	Jun. 1985	33.0	28,194.15 (18,477.35)	100.0% (96.3%)	2 (24)	10.7%	Feb. 1, 2005	7,740	5.0%	7,540	4.4%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	14.7	13,027.28	100.0%	27	4.7%	Feb. 1, 2005	6,930	4.5%	8,780	4.3%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	15.2	31,451.81	100.0%	1	5.9%	Nov. 15, 2005	8,600	5.6%	8,480	4.9%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	—	—	6,541.31	100.0%	1	—	Mar. 29, 2006	1,318	0.9%	1,730	4.6%
	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	1.4%	1,890	5.5%
	R8	Hotel Gracery Tamachi	Minato-ku, Tokyo	Sep. 2008	9.7	4,943.66	100.0%	1	10.3%	Dec. 25, 2008	4,160	2.7%	4,210	4.2%
	R9(K)	LaLaport KOSHIIEN (site)	Nishinomiya City, Hyogo Prefecture	—	—	126,052.16	100.0%	1	6.4%	Jan. 22, 2009	7,350	4.8%	7,960	4.1%
	R11(K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Nishinomiya City, Hyogo Prefecture	Oct. 2008	9.7	65,372.41	100.0%	1	9.2%	Apr. 16, 2013	18,300	11.9%	25,116	4.2%
	R12(K)	AEON MALL SAKAIKITA HANADA (site)	Kita-ku, Sakai City, Osaka Prefecture	—	—	64,104.27	100.0%	2	—	Jun. 27, 2013	8,100	5.3%	10,230	4.1%
	R13(K)	MANDAI Toyonaka Honan store (site)	Toyonaka city, Osaka Prefecture	—	—	8,159.41	100.0%	1	—	Jun. 27, 2013	1,870	1.2%	2,310	4.3%
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	Kamigyo-ku, Kyoto city	—	—	3,776.15	100.0%	1	—	Jun. 4, 2014	3,100	2.0%	3,810	4.1%
	R15(K)	kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto city	Oct. 2007	10.7	4,400.13	100.0%	1	2.6%	Jun. 4, 2014	2,770	1.8%	3,400	4.2%
	R16(K)	LIFE Shimoyamate Store (site)	Chuo-ku, Kobe city	—	—	2,397.83	100.0%	1	—	Jun. 4, 2014	1,421	0.9%	1,670	4.1%
	R17(K)	MANDAI Gojo Nishikoji Store (site)	Ukyo-ku, Kyoto city	—	—	9,182.80	100.0%	1	—	Jun. 24, 2014	4,182	2.7%	4,760	4.3%
	R18(K)	KOHO Onohara Store	Minoh City, Osaka Prefecture	May 2016	2.1	3,310.31	100.0%	1	5.3%	Jul. 1, 2016	1,631	1.1%	1,780	4.8%
	R19(K)	OASIS Town Itami Konoike (site)	Itami City, Hyogo Prefecture	—	—	17,997.10	100.0%	1	—	Nov. 25, 2016	7,100	4.6%	7,440	4.1%
	R20	METS OZONE	Higashi-ku, Nagoya City, Aichi Prefecture	Apr. 2002	16.2	15,681.37	100.0%	13	5.6%	Feb. 15, 2018	5,400	3.5%	5,620	4.5%
	R21(K)	(Tentative name) MANDAI Nigawa Store (site)	Takarazuka City, Nishinomiya City, Hyogo Prefecture	—	—	9,194.01	100.0%	1	—	Mar. 27, 2018	2,280	1.5%	2,330	4.2%
	R22(K)	LAMU Higashiosaka Branch (site)	Higashiosaka City, Osaka Prefecture	—	—	8,942.54	100.0%	1	—	Mar. 27, 2018	1,850	1.2%	1,880	4.4%
	R23	Vessel Inn Hakata Nakasu	Hakata-ku, Fukuoka City	Jul. 2009	8.9	2,776.49	100.0%	1	0.2%	Mar. 29, 2018	2,760	1.8%	2,770	4.2%



As of May 31, 2018

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 Bldg.	Chuo-ku, Tokyo	Aug. 2007	10.8	9,286.58	100.0%	6	4.6%	Feb. 29, 2008	19,025	12.4%	14,700	3.9%
	O2(K)	Hankyu Corporation Head Office Building	Kita-ku, Osaka City	Sep. 1992	25.7	27,369.37	100.0%	1	3.7%	Apr. 10, 2013	10,200	6.6%	12,500	3.9%
Mixed-use (complex) facilities	M1(K)	Ueroku F Bldg.	Chuo-ku, Osaka City	Sep. 1993	24.7	4,611.82	100.0%	11	3.2%	Nov. 1, 2005	2,980	1.9%	2,870	5.0%
	M2	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa-ku, Tokyo	Apr. 1993 (Note 6)	25.2	8,818.09	94.8%	25	2.7%	Oct. 2, 2007	9,405	6.1%	6,897	3.8%
	M3(K)	LAXA Osaka	Fukushima-ku, Osaka City	Feb. 1999	19.3	30,339.91	100.0%	1	3.7%	Jan. 22, 2009	5,122	3.3%	5,870	4.6%
	M5	Kita-Aoyama San cho-me Building	Minato-ku, Tokyo	Sep. 2013	4.7	619.76	100.0%	3	7.4%	Nov. 12, 2013	1,680	1.1%	2,060	3.3%
Portfolio total					16.5	538,417.84 (525,322.61)	99.9% (99.8%)	108 (254)	3.4%	—	153,918	100.0%	167,605	4.2%

(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. It is based on the acquisition date for newly acquired properties.

(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.

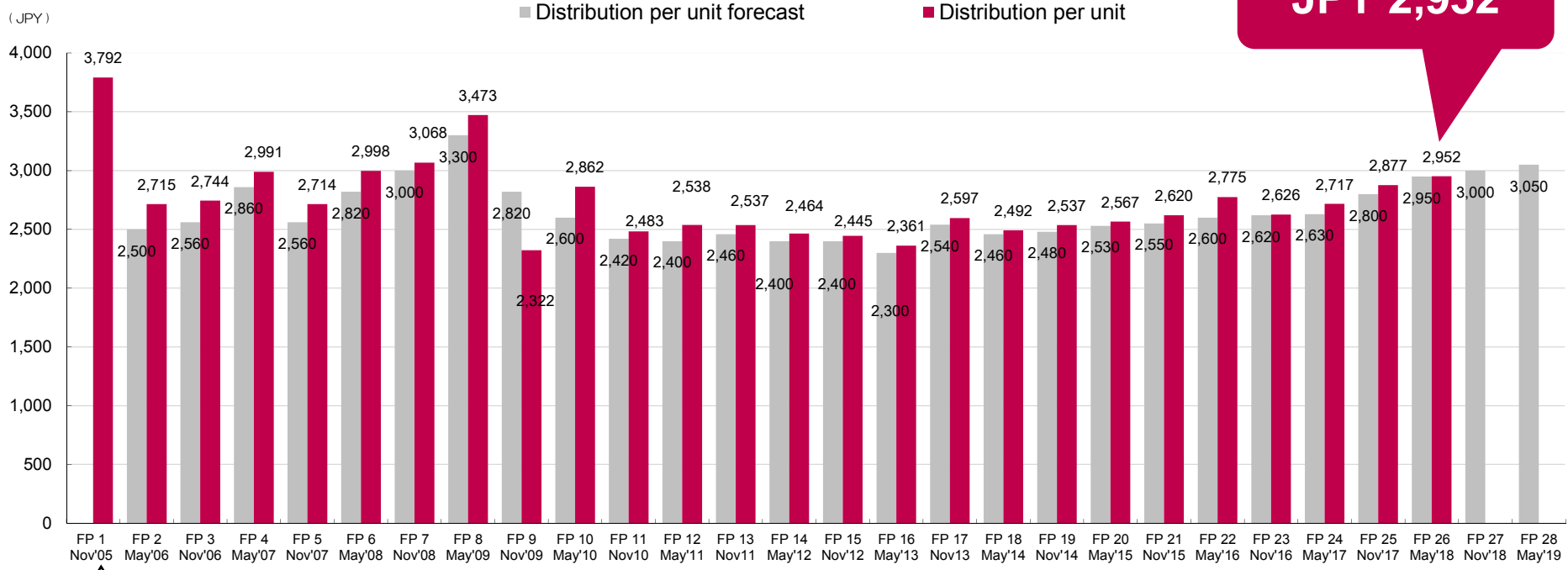
(Note 4) PML of LaLaport KOSHIEN (site) is calculated for the parking garage space administration building (394.88 m²).

(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 SAKAIKITAHANADA (site), LIFE Shimoyamate Store (site) and LAMU Higashiosaka Branch (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.



8-2. Trends of Distribution per Unit

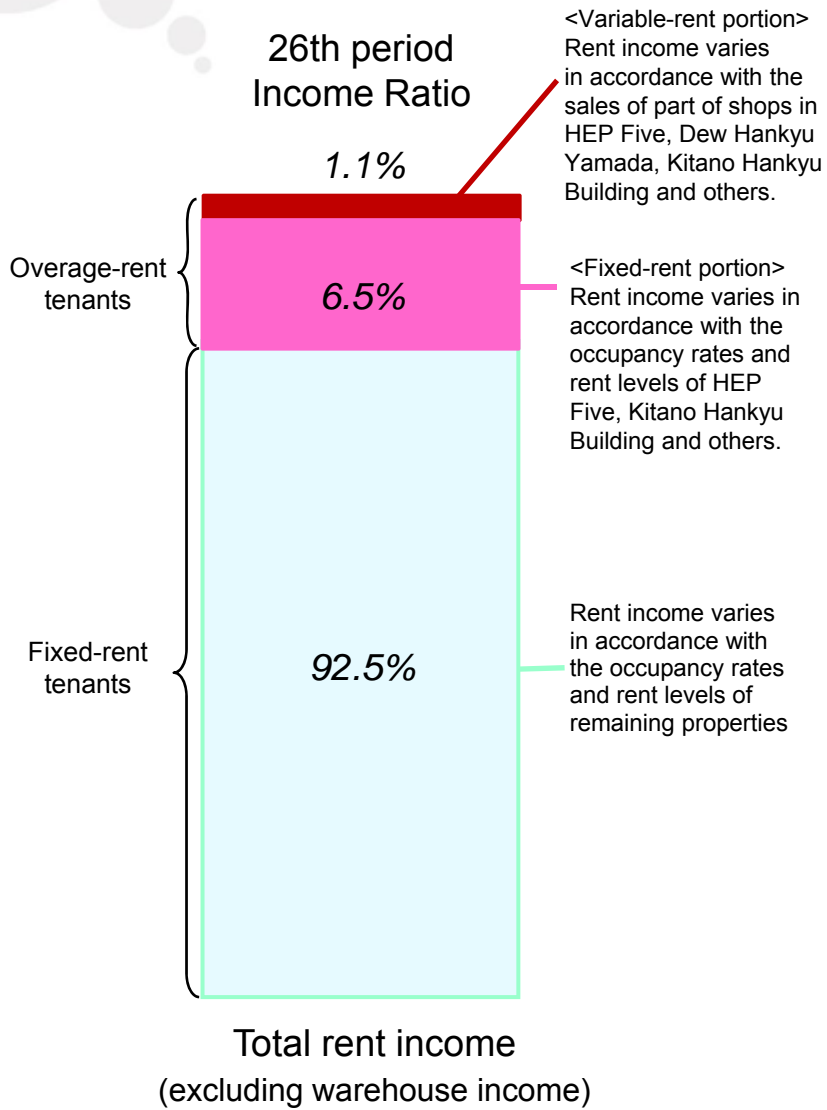


JPY 2,952

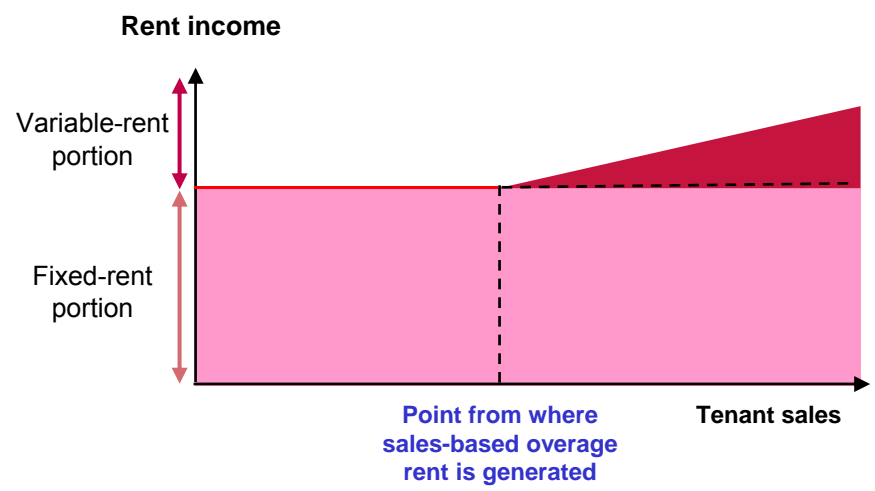
Irregular period (303 days)



Income Ratio by Rent Category

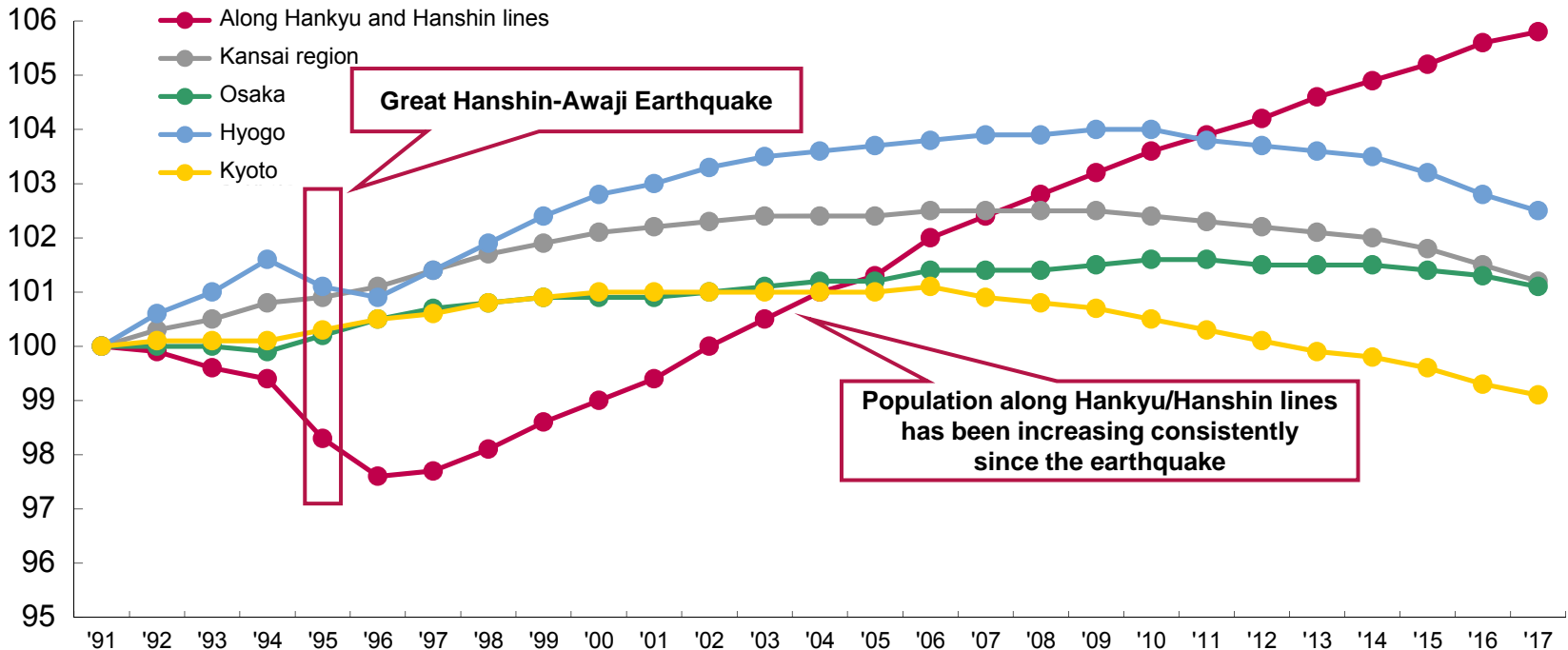


Concept Diagram of General Sales-Based Overage Rent System



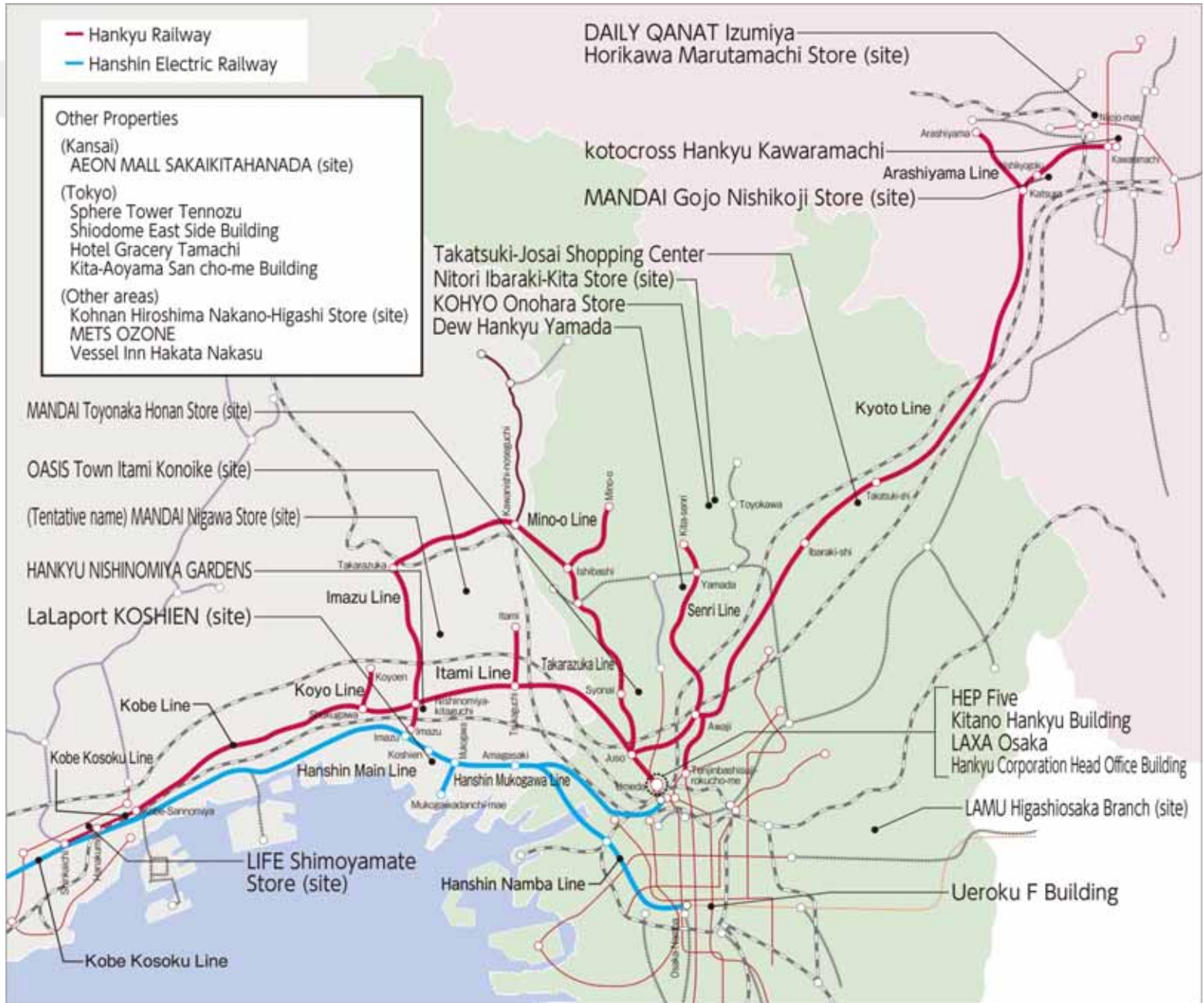


The population in Kansai Region is either remaining flat or trending downwards due to the aging population along with a decreasing birthrate, but areas along Hankyu/Hanshin lines are relatively popular and the population in these areas has been increasing consistently after bottoming out in 1996



(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.

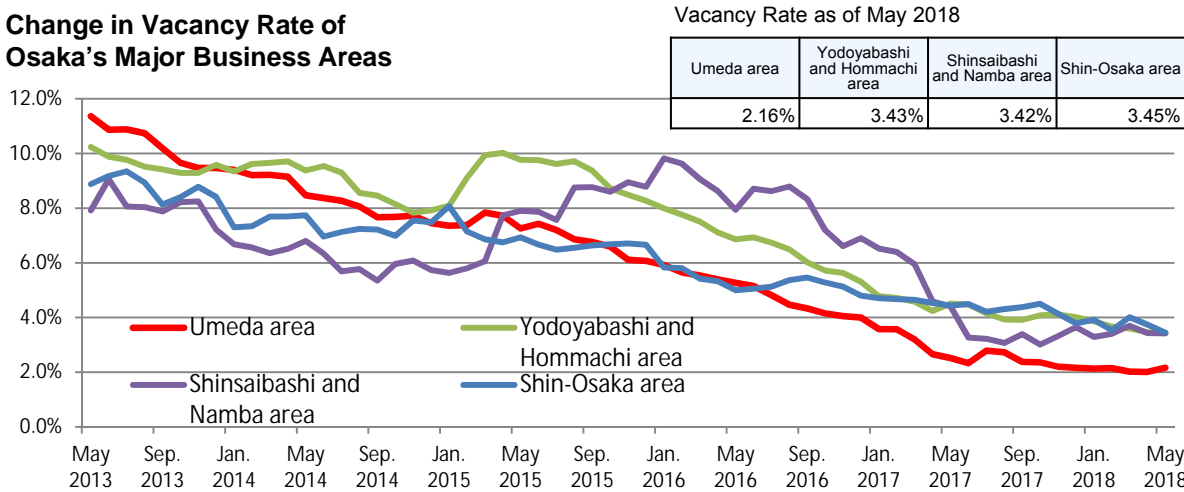




Decreasing Trend of Office Vacancy Rate Continuing in Osaka

- Advancement of relocation of offices from Yodoyabashi and Hommachi areas, 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
- New contract rent for Umeda area has risen due to the ongoing decline of the vacancy rate

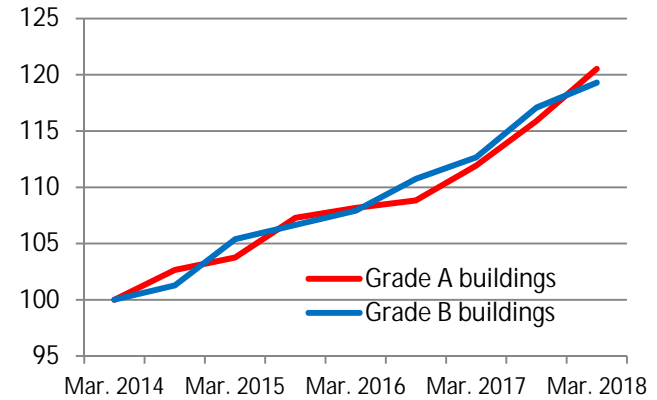
Change in Vacancy Rate of Osaka's Major Business Areas



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

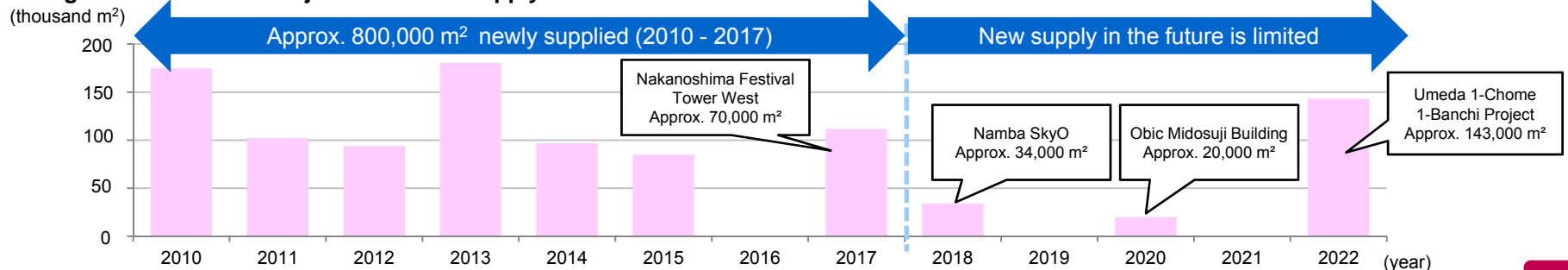
Change in New Contract Rent in Umeda Area

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



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

Change in Floor Area of Major New Office Supply in Osaka



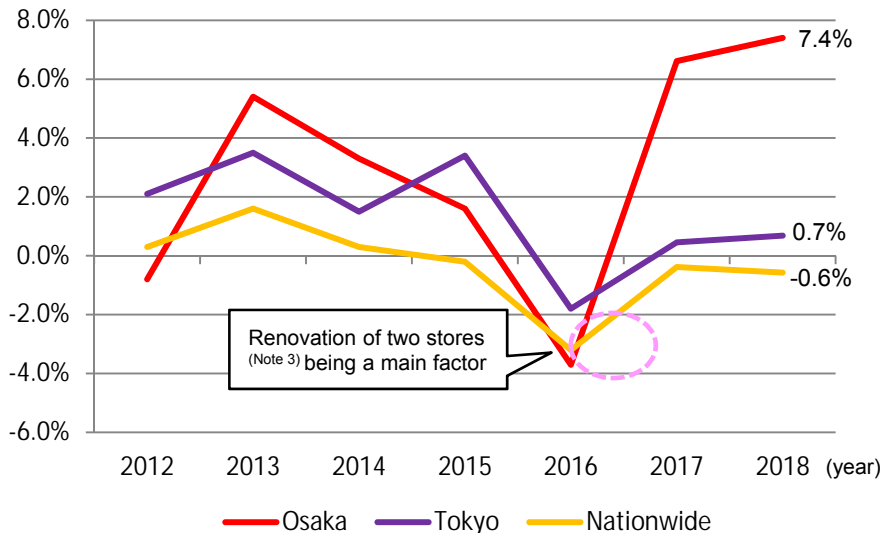
(Source) Calculated by Hankyu Hanshin REIT Asset Management, Inc. based on materials from office brokerage companies (include some estimates) (February 2018)



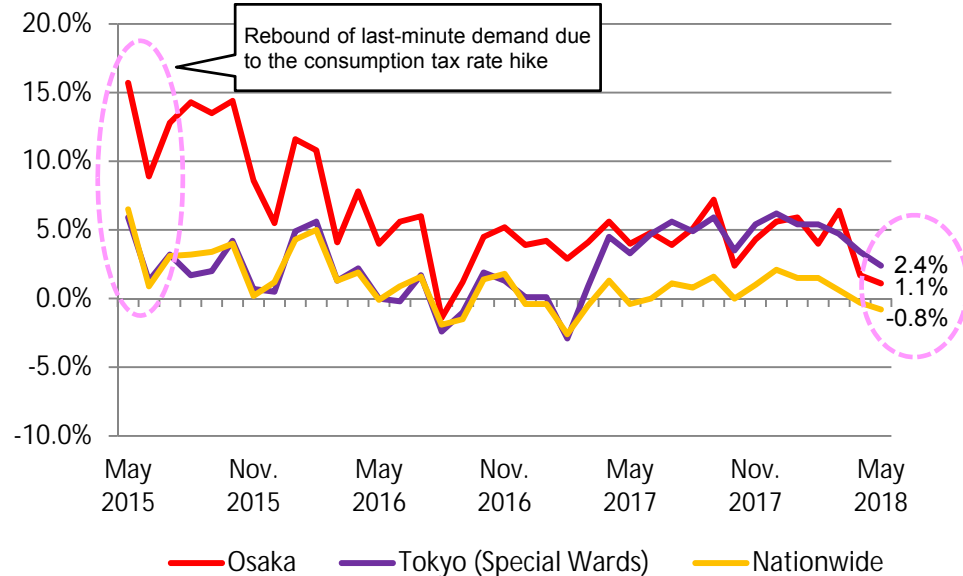
Department Store Sales are on an Upward Trend while Supermarket Sales Remain Strong

- Sales of department stores for January to May 2018 increased due to greater purchases by foreign tourists visiting Japan frequently and Japan's high-net-worth individuals.
 - Duty-free sales of department stores in Kansai Region increased by 60.1% year on year (April 2018 renewed a record for duty-free sales for a single month) (Note 1)
- Sales of supermarkets in central areas continued to be on an upward trend due to return of the population to the city center despite the increase of rate in the most recent period being gradual (Note 2)
- Population increase/decrease is becoming clearer in certain areas, leading to a state of progress in polarization

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

*Figures for 2018 are compared with the cumulative total for January to May 2018

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

(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 Store (from February 2015) and Daimaru Shinsaibashi Store (from January 2016)



Foreign Tourists Visiting Osaka Continue to Increase

- Number of foreign tourists visiting Osaka: Reached 11.11 million in 2017, marking a new record and exceeding 10 million for the first time
- Visitation rate by prefecture of foreign tourists visiting Japan: Most recent visitation rate for Osaka Prefecture was comparable to Tokyo and about 40% of all tourists visited Osaka

Visitation Rate by Prefecture of Foreign Tourists Visiting Japan

Year	2013	2014	2015	2016	2017 (Note 2)
Osaka Prefecture	30.2%	34.1%	41.9%	44.7%	44.1%
Tokyo	43.2%	48.5%	48.2%	44.5%	41.1%

(Note 1) Source: Osaka Convention & Tourism Bureau

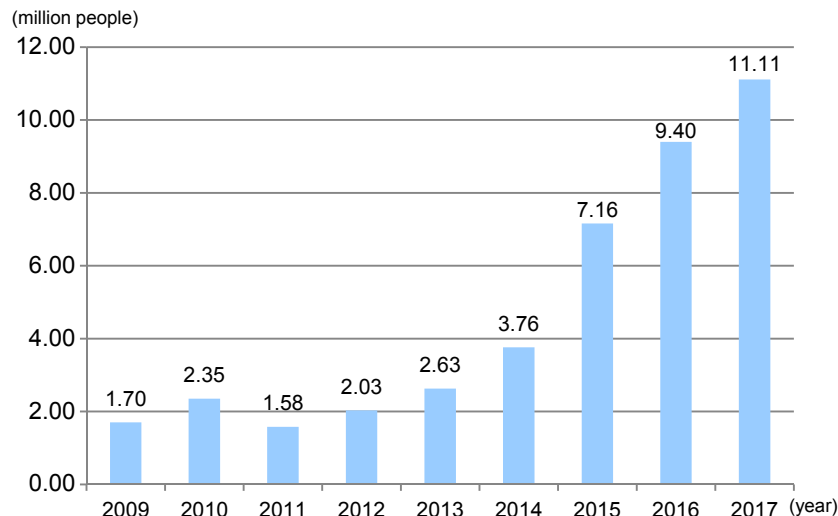
(Note 2) Source: Prepared by the Asset Management Company based on "Consumption Trend Survey for Foreigners Visiting Japan" (Japan Tourism Agency)

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

- International flight passengers at Kansai International Airport for fiscal 2017 reached 14.31 million, marking a new record (Note)
- Number of foreigners from nearby Asian countries (China, South Korea, Taiwan and Hong Kong) using LCCs is on the rise due to a shift from group tours to independent travel

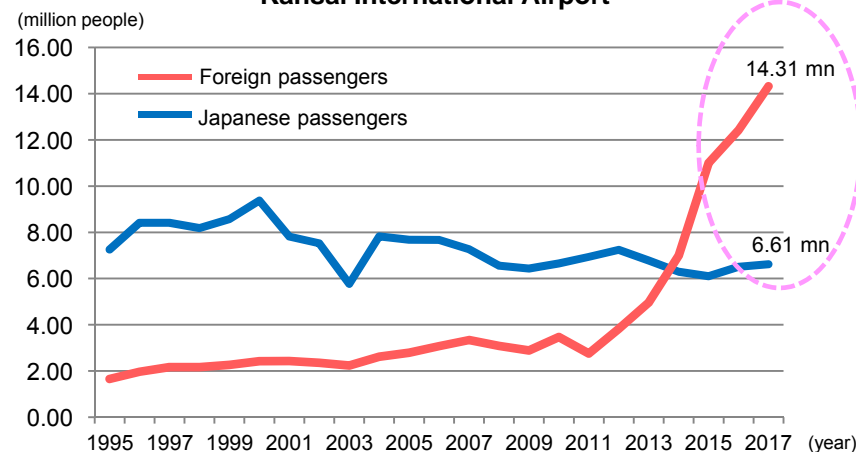
(Note) Source: Kansai Airports Co., Ltd.

Change in Number of Foreign Tourists Visiting Osaka



Source: Osaka Convention & Tourism Bureau

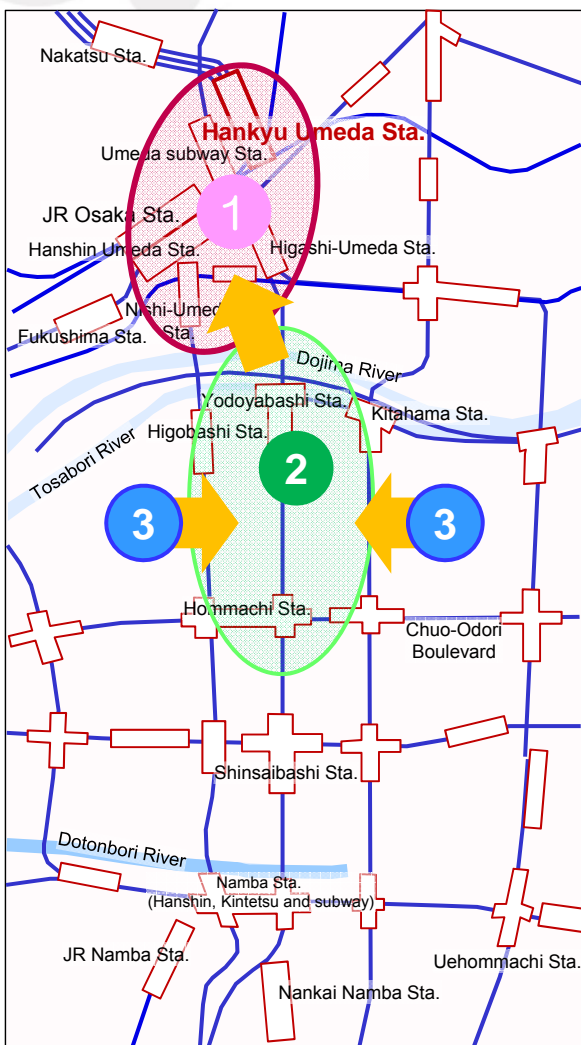
Status of International Flight Passengers at Kansai International Airport



Source: Kansai Airports Co., Ltd.



Renewal in central Osaka is advancing

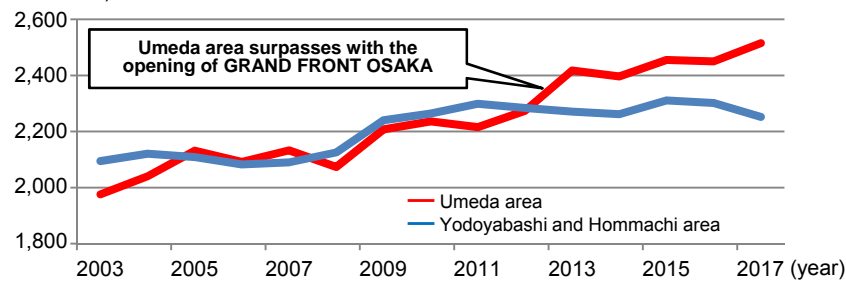


1

In Umeda area, construction of large and high-spec buildings including Umeda Hankyu Building and GRAND FRONT OSAKA have completed one after another

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

Change in Leased Office Area of Umeda Area and Yodoyabashi and Hommachi Area (thousand m²)



2

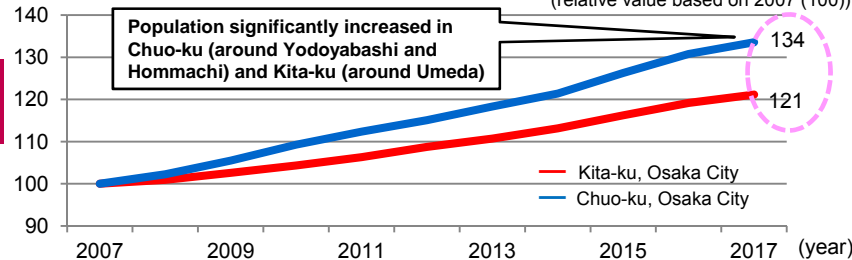
Relocations of tenants from Yodoyabashi and Hommachi area (central business area of Osaka for more than 50 years) to Umeda area is advancing as aging of office buildings is progressing

3

Old buildings in the surrounding areas which tenants moved out from tend to be converted into tower condominiums and hotels

Population of central Osaka has increased

Change in Population of Chuo-ku and Kita-ku of Osaka City (relative value based on 2007 (100))

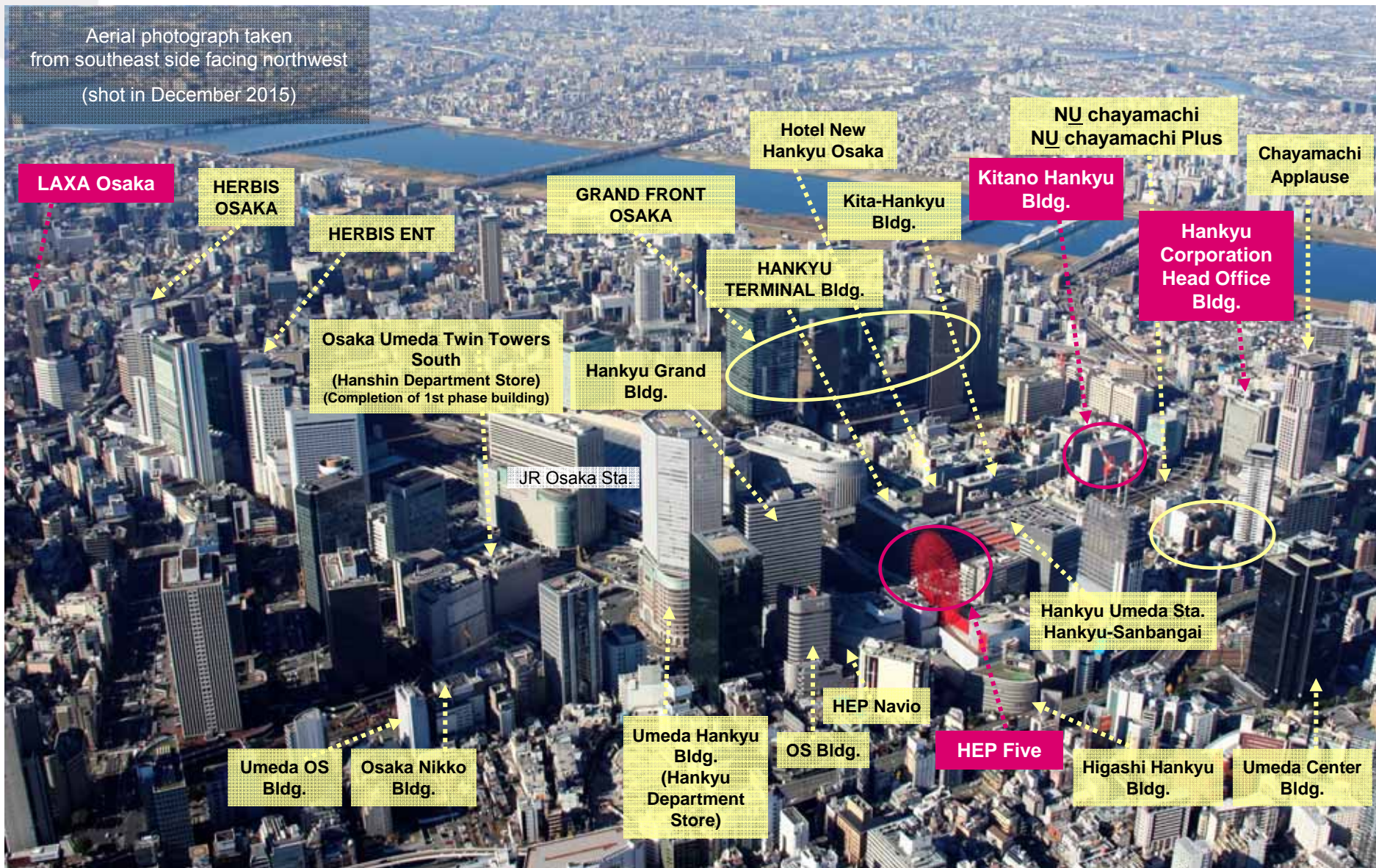


Openings of supermarkets in central Osaka has accelerated



8-10. Main Investment Area of Hankyu REIT "Umeda"

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



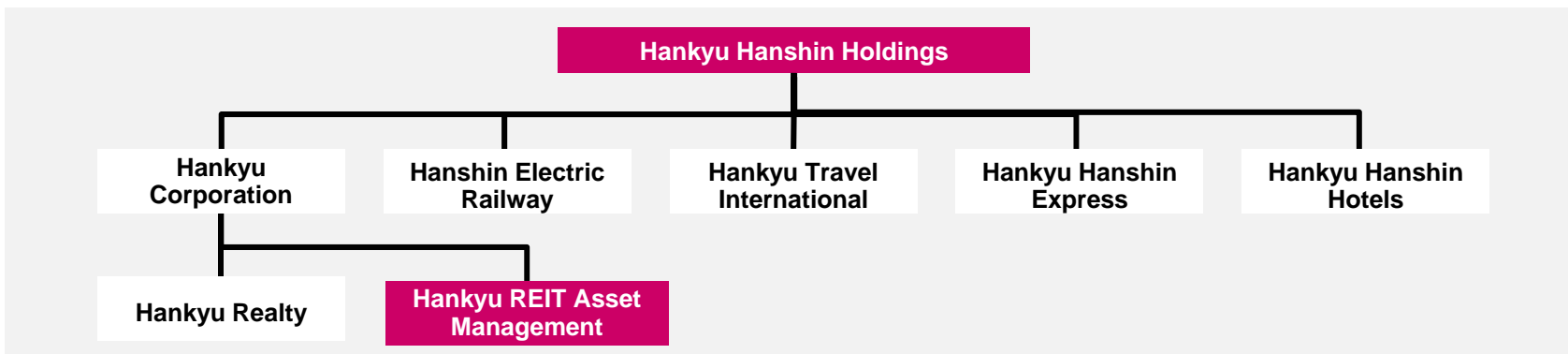
Property owned by Hankyu REIT

Major property developed and owned by Hankyu Hanshin Holdings Group

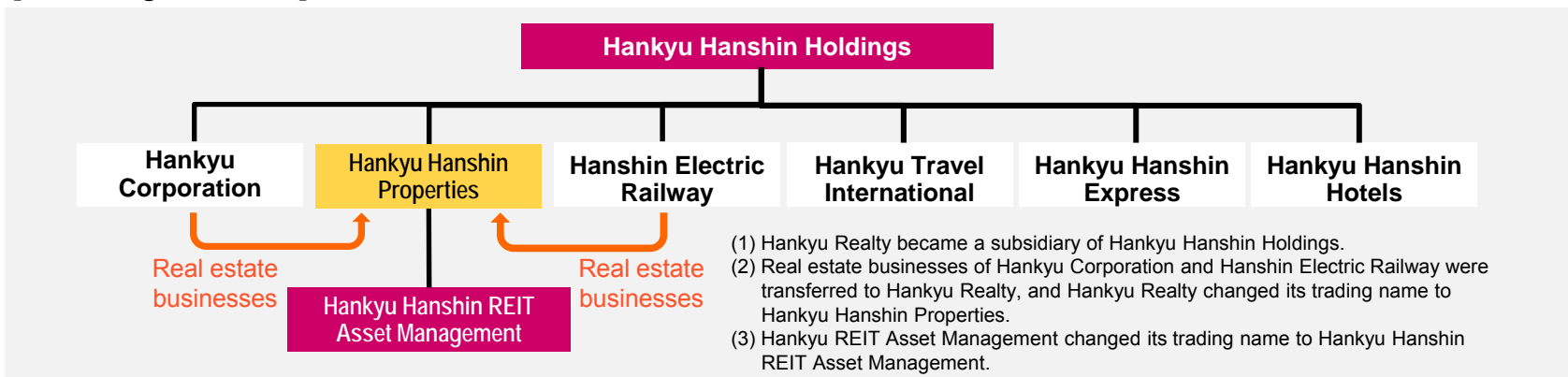


- Since April 2018, the sponsor group launched its new organization possessing resources and know-how of the group’s real estate businesses and consolidated with an aim to accelerate achievement of “strengthening and expanding the real estate leasing business in Umeda, along Hankyu/Hanshin lines, metropolitan areas and overseas” and “thoroughly differentiating the real estate sales businesses and other businesses,” as part of its long-term vision.
- Aim to strengthen cooperation between the sponsor group and Hankyu REIT through the asset management company “Hankyu Hanshin REIT Asset Management, Inc.” (the company was changed from Hankyu REIT Asset Management, Inc.) being a subsidiary of “Hankyu Hanshin Properties Corp.” (the company name was changed from Hankyu Realty Co., Ltd.), which launched as a business supervising company directly under Hankyu Hanshin Holdings.

[Former Organization]



[New Organization] Since April 1, 2018







Average NOI yield =

$$\frac{[\text{Total real estate lease operation income}^* - \text{Real estate lease operation expenses}^* + \text{Total depreciation}^*]}{\text{Total acquisition price}}$$
 concerning owned real estate or new assets (to be) acquired as of each period

Average yield after depreciation =

$$\frac{[\text{Total real estate lease operation income}^* - \text{Real estate lease operation expenses}^*]}{\text{Total acquisition price}}$$
 concerning owned real estate or new assets (to be) acquired as of each period

Unrealized income/loss =

$$\text{Total appraisal value of owned real estate or new assets (to be) acquired as of each period} - \text{Total book value}$$

* Figures are based on results. However, for METS OZONE, (Tentative name) MANDAI Nigawa Store (site), LAMU Higashiosaka Branch (site) and Vessel Inn Hakata Nakasu, the net operating revenues and operating expenses in the first year (in the second year for OASIS Town Itami Konoike (site)) based on the discounted cash flow (DCF) method recorded in the appraisal report are used for figures other than depreciation, and amounts calculated following Hankyu REIT's accounting policy are used for depreciation. For public charges and taxes, they are posted in expenses from the first fiscal year and yields on an on-going basis are calculated.

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

- When corporate bonds have been issued, the amount of outstanding debts shall include the amount of outstanding bonds.
- Matched money refers to cash or deposits reserved in the trust account to guarantee the deposit and security money for the assets owned by Hankyu REIT as the object of the trust beneficiary interests.
- The total amount of assets refers to the amount in the assets section of the most recent balance sheet for each period. However, with respect to tangible fixed assets, the difference between appraisal value and book value at the end of the fiscal period shall be added to or subtracted from the book value of the tangible fixed assets at the end of the fiscal period.

As of May 31, 2018

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 Bldg.	10.7%	
	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% (Note)	
	R11(K)	HANKYU NISHINOMIYA GARDERNS (28% of the quasi co-ownership of the trust beneficiary interests)	9.2%	
	R12(K)	AEON MALL SAKAIKITAHANADA (site)	-	
	R13(K)	MANDAI Toyonaka Honan store (site)	-	
	R14(K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	-	
	R15(K)	kotocross Hankyu Kawaramachi	2.6%	
	R16(K)	LIFE Shimoyamate Store (site)	-	
	R17(K)	MANDAI Gojo Nishikoji Store (site)	-	
	R18(K)	KOHO Onohara Store	5.3%	
	R19(K)	OASIS Town Itami Konoike (site)	-	
	R20	METS OZONE	5.6%	
	R21(K)	(Tentative name) MANDAI Nigawa Store (site)	-	
	R22(K)	LAMU Higashiosaka Branch (site)	-	
	R23	Vessel Inn Hakata Nakasu	0.2%	
	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%	
Portfolio total			3.4%	

● 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 3.4% (including new properties (to be) acquired).

● 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:

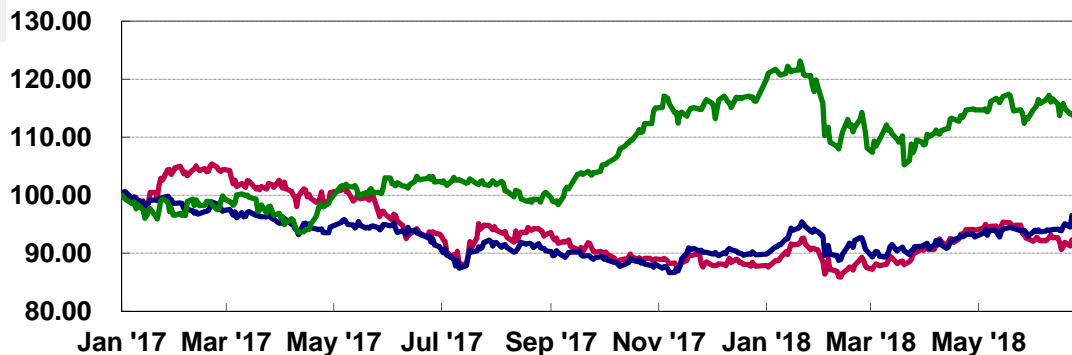
“Hankyu REIT will investigate earthquake insurance coverage when the PML of an individual property exceeds 15%.”

(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 January 4, 2017 / closing price basis)

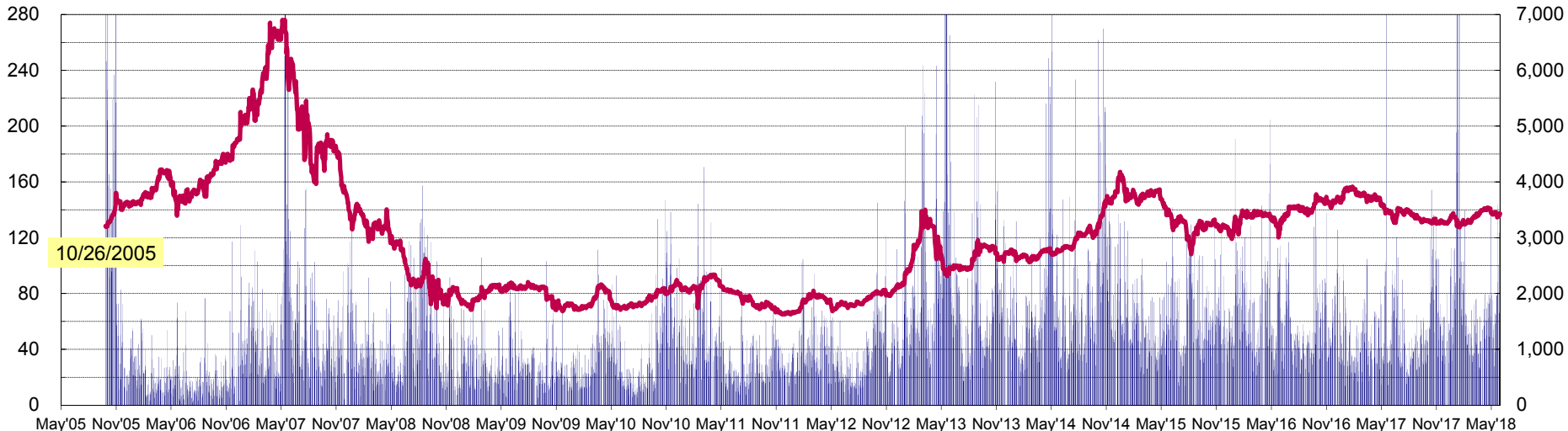


— Hankyu REIT — TSE REIT Index — Nikkei Stock Average

Source: QUICK

Unit Price (closing price basis)

(Unit: JPY thousand)



Source: QUICK

— Volume — Unit Price

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.

Per Unit Trading Trends*

(Oct. 26, 2005 — June 29, 2018)

High (closing price basis) JPY 276,000 (Jun. 2007)

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

January 4, 2017 — June 29, 2018

High (closing price basis) JPY 156,500 (Feb. 24, 2017)

Low (closing price basis) JPY 127,500 (Feb. 15, 2018)

Price on June 29, 2018 (closing price basis)

JPY 137,300

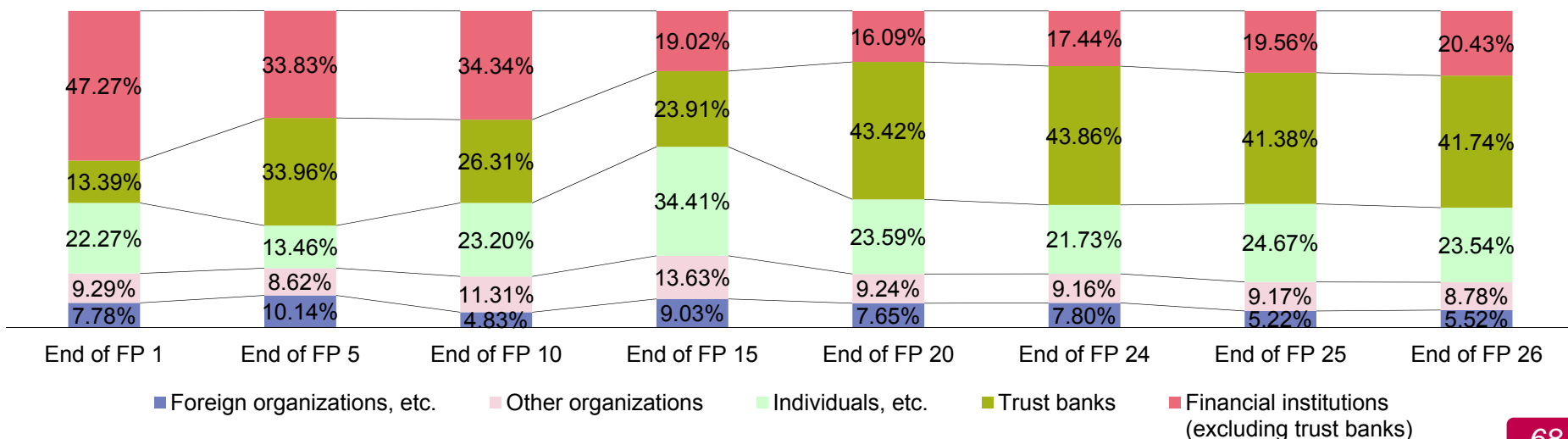
Unitholder Composition

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)	116	0.79%	130,427	20.43%
Trust banks	9	0.06%	266,479	41.74%
Individuals, etc.	14,135	96.63%	150,280	23.54%
Other organizations	248	1.70%	56,086	8.78%
Foreign organizations, etc.	120	0.82%	35,228	5.52%
Total	14,628	100.00%	638,500	100.00%

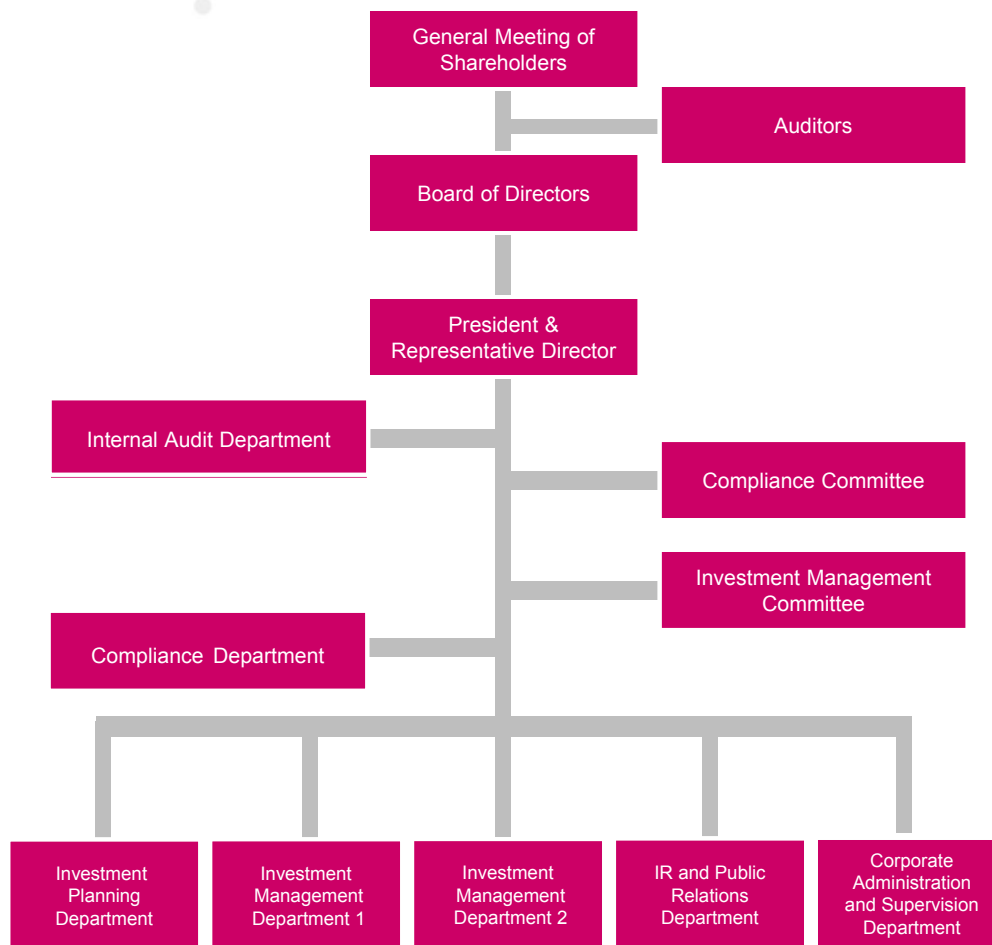
Top 10 Unitholders

Unitholder name	Number of units held (units)	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	146,443	22.94%
The Master Trust Bank of Japan, Ltd. (Trust account)	76,946	12.05%
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	23,399	3.66%
Hankyu Hanshin Properties Corp.	22,400	3.51%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	14,636	2.29%
The Hachijuni Bank, Ltd.	13,620	2.13%
THE CHUKYO BANK, Ltd.	11,385	1.78%
Aozora Bank, Ltd.	8,642	1.35%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7,431	1.16%
The Senshu Ikeda Bank, Ltd.	7,177	1.12%
Total investment	332,079	52.01%
Number of outstanding units	638,500	100.00%

Ratio of Units by Unitholder Category



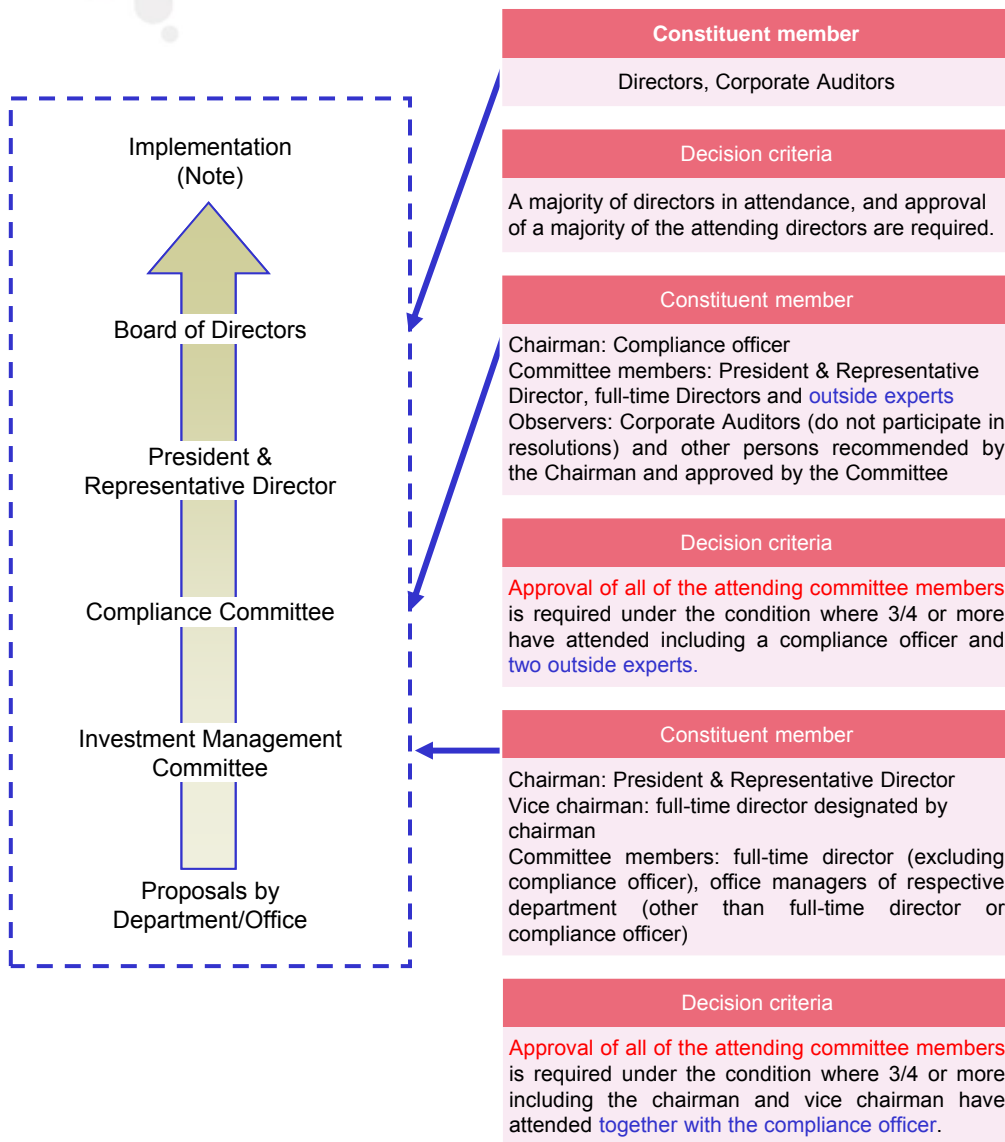
(As of May 31, 2018)



Corporate Data		
Trade name	Hankyu Hanshin 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 Hanshin Properties Corp. (100%)	
Number of officers and employees	34 (full-time workers only)	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Managing Director	Toshinori Shoji
	Director	Hideo Natsuaki
	Director	Hiroshi Aoyama
	Director	Futoshi Kinoshita
	Director (part-time)	Noriyuki Yagi
	Director (part-time)	Toyoyuki Komori
	Corporate Auditor (part-time)	Koji Yoshida
	Corporate Auditor (part-time)	Yasuki Fukui
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

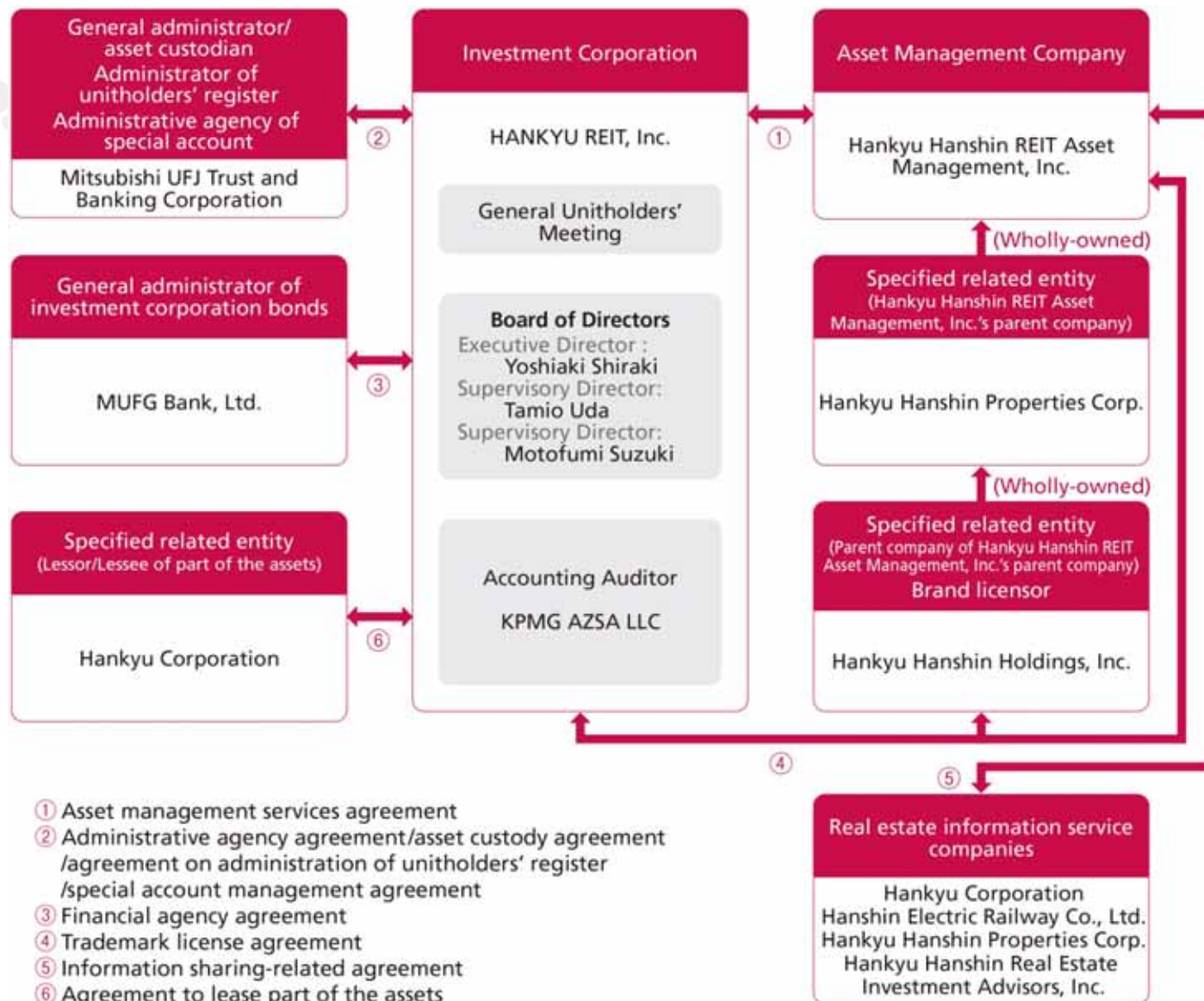
- Develop a compliance system as the most important management issue based on the basic policy concerning compliance
- Achieve comprehensive compliance by establishing a Compliance Officer and a Compliance Department
- The Compliance Committee, including outside experts, deliberates on Conflicts of Interests 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, 2018)



(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.