



Hankyu Hanshin REIT

Hankyu Hanshin REIT **Sustainability Report**

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Top Message



Yoshiaki Shiraki

Executive Director,
Hankyu Hanshin REIT, Inc.

Hankyu Hanshin REIT, Inc. and its asset management company Hankyu Hanshin REIT Asset Management, Inc. (hereinafter collectively referred to as "Hankyu Hanshin REIT") recognize that consideration of ESG issues is essential for medium-to-long-term competitiveness as well as for continued growth of investor value of the REIT. Thus, Hankyu Hanshin REIT established a "Sustainability Policy" in March 2019 that conforms to the management philosophy as well as concept of social contribution and environmental conservation of the Hankyu Hanshin Holdings Group, and has implemented the policy through its real estate investment management.

We have prepared this Sustainability Report to make the various ESG-related measures undertaken by Hankyu Hanshin REIT to date along with its ESG concept widely known to unitholders and other stakeholders. Our hope is that this report will help deepen readers' understanding of such efforts carried out by Hankyu Hanshin REIT.

The environment surrounding J-REITs has changed dramatically due to the impact of the coronavirus pandemic (COVID-19), and operation responding to new lifestyles is needed. Toward the realization of a sustainable society, while continuously pursuing ESG issues to cope flexibly with various environmental changes and promote sustainable growth and expansion based on medium-to-long-term perspectives Hankyu Hanshin REIT strives to increase unitholder value in the medium-to-long-term by building relationships of mutual trust with its stakeholders.

1. Sustainability Policy

Hankyu Hanshin REIT, Inc. (hereafter "HHR") and Hankyu Hanshin REIT Asset Management, Inc. (hereafter "HHRAM") recognize that it is essential for their medium-to-long-term competitiveness and the continued growth of the investor value of the REIT to act with consideration of environmental, social and governance (hereafter "ESG") issues, and aim to practice them through real estate investment management by establishing the "Sustainability Policy" that conforms to the management philosophy and the concept of social contribution and environmental conservation of the Hankyu Hanshin Holdings Group.

① Realization of "a city in which we want to live now and in the future" that can contribute to the sustainable development

We aim to contribute to the sustainable development of society and towns through business activities that take environmental and social issues into consideration through dialogue and collaboration with tenants and local communities.

② Conservation of the global environment

We aim to conserve the global environment such as a shift to a decarbonized society by initiatives for energy-conservation and renewable energy, and realization of a recycling-based society by initiatives for water saving, waste reduction and such through our real estate investment management business.

③ Environmental and social considerations in collaboration with stakeholders

We seek the cooperation of with suppliers involved in the management and renovation of real estate, and collaborate and strengthen engagement with tenants to reduce the environmental burden of our properties and promote social considerations.

④ Respect and development of human resources

Each and every executive and employee involved in our business is our irreplaceable asset. We strive to create a healthy working environment that can maximize the diversity of personality and ability of our employees, and aim to improve our business competitiveness through proactive talent development.

⑤ Enlightenment on ESG

Our executives and employees deepen their understanding and ability to practice ESG consideration through our continuous implementation of education and enlightenment activities.

⑥ Compliance with integrity

We promote compliance not only to observe the minimum required legal compliance but also to maintain our integrity with the aim to meet the expectations of all our stakeholders such as investors, tenants, local communities, suppliers, executives and employees.

⑦ Ensure ESG information disclosure and transparency

We strive to disclose information on ESG to our stakeholders in a timely and appropriate manner, and to ensure transparency through acquiring external evaluations such as environmental certifications.

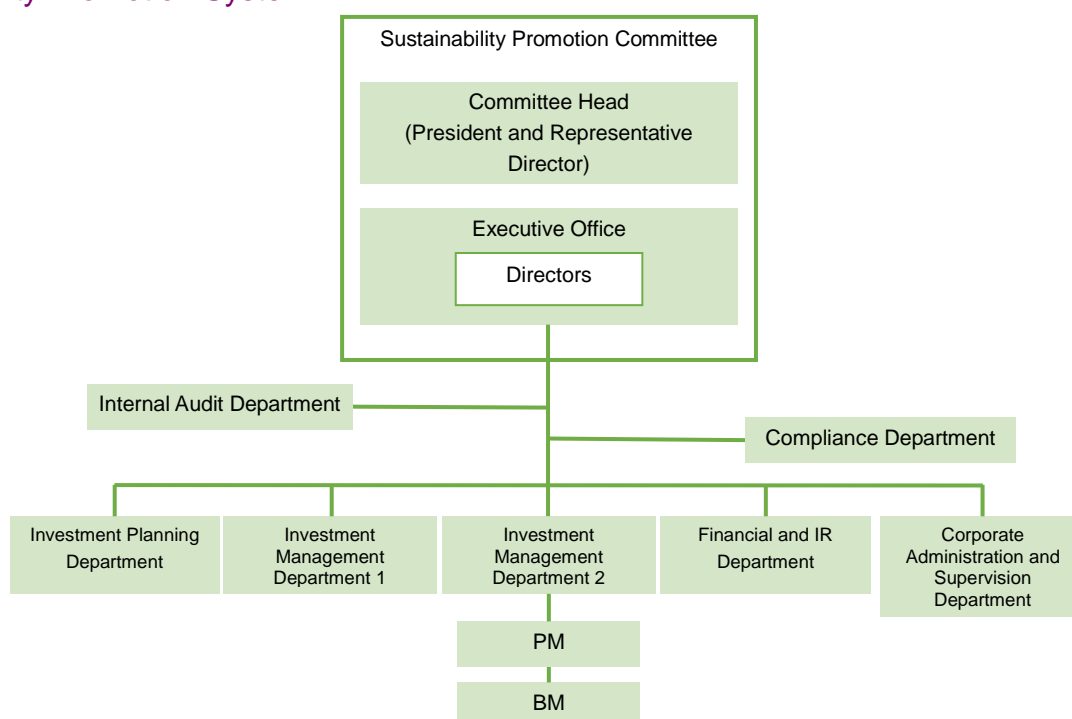
2. Sustainability Promotion System

In order to put the "Sustainability Policy" into practice, HHRAM has established the "Sustainability Promotion System Regulations," with the purpose of establishing various policies concerning sustainability. The Sustainability Promotion System Regulations establishes basic policies, etc., for internal systems, collaboration with external stakeholders, and information disclosure. Within this system, the "Sustainability Promotion Committee" has been set up for decision-making processes related to sustainability.

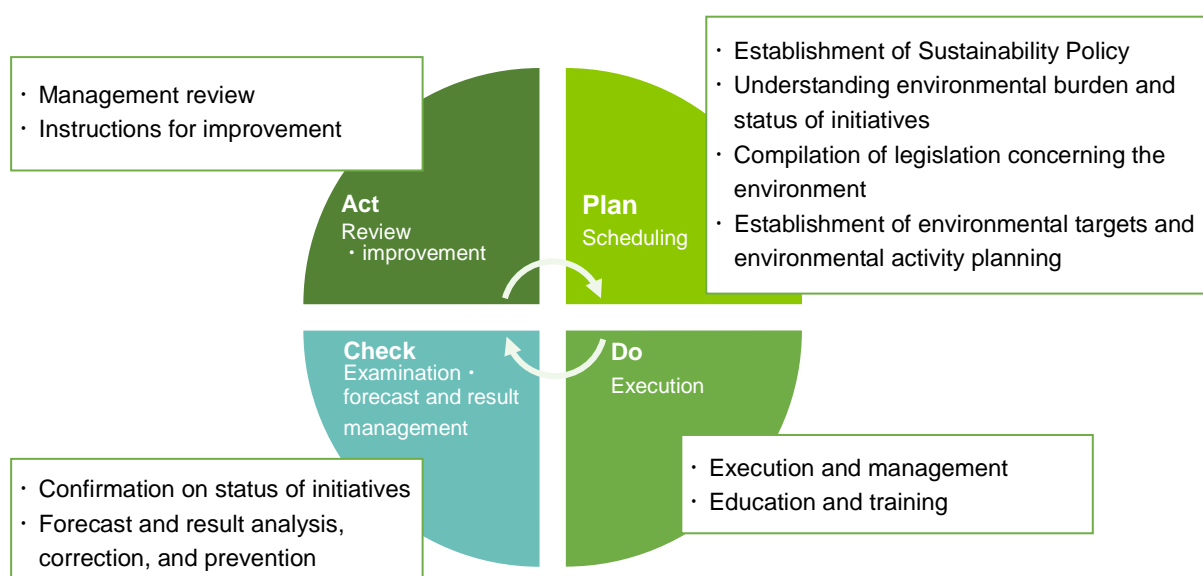
The Sustainability Promotion Committee is comprised of the President and Representative Director, who acts as the Committee Head, the Director in charge, who acts as the Committee's Operating Officer, full-time Directors, and Directors of Departments and Offices. The Committee meets at least once every three months (six times in fiscal 2019, four times scheduled for fiscal 2020).

In addition to considering and drafting various policies, goals, and measures concerning sustainability, the Sustainability Promotion Committee also reports appropriate information to the Board of Directors of HHR. Please refer to Chapter 4 Governance Initiatives 1. Corporate Governance for our governance system.

Sustainability Promotion System



Conceptual Diagram of the Environmental Management System (EMS) based on the PDCA cycle



Chapter 2 Environmental Initiatives

1. Environmental Targets

In a Sustainability Promotion Committee meeting conducted in March 2019, the following environmental targets were established.

- ① Energy consumption: 5% reduction over five years (Intensity)
- ② Greenhouse gas emissions: 5% reduction over five years (Intensity)
- ③ Water consumption: 5% reduction over five years (Intensity)

*The base year is fiscal 2018.

2. Energy Consumption and Intensity

	Fiscal 2018		Fiscal 2019		Intensity YoY
	Consumption	Intensity	Consumption	Intensity	
Energy consumption	89,298,458kWh	285kWh/m ² · year	92,669,778 kWh	278 kWh/m ² · year	97.5%
Water consumption	448,782m ³	1.412m ³ /m ² · year	468,297 m ³	1.410 m ³ /m ² · year	99.8%
Greenhouse gas emissions	29,984t	0.095t/m ² · year	31,232 t	0.094 t/m ² · year	98.3%

*Data retention rate: 99.2% (excludes site properties of owned properties; figures for properties under quasi co-ownership are arrived by multiplying the ownership interest)

3. Energy Management

① Established the Energy Conservation Policy

Based on the "Energy Conservation Policy" established in March 2019, HHR and HHRAM will continually seek to understand the energy consumption levels of the portfolio and measure the rate of achievement against the targeted values. Considerations for operational improvements and equipment investments will be made for energy inefficient properties, and we will continually aim to reduce energy consumption across the entire portfolio.

● Initiatives through equipment renovation

For measures that require equipment investments such as installing LED lighting and switching to high efficiency air conditioning, measures that are the most cost-effective will be prioritized based on consideration of the lifecycle costs, etc.

● Initiatives through operational improvement

HHR promotes initiatives in collaboration with property management companies and tenants, such as inspection to ensure that electricity and gas are turned off after store hours, appropriate temperatures are set for air-conditioners in common areas, appropriate temperatures are set for hot water for hand-washing as well as toilet seat heaters in the summer season, and appropriately reducing the number of lights that are on in common use areas (backyard).

② Selected as a body eligible for receiving subsidy of the fiscal 2017 ASSET Project by the Ministry of Environment

The ASSET Project (Note) is a project that aims to significantly and efficiently reduce CO₂ emissions by introducing advanced facilities that are promoted by the Ministry of Environment and by accelerating operational improvement. As part of the project, HHR participated in CO₂ reduction project by upgrading a freezer at Kitano Hankyu Building, and was selected as a body eligible to receive subsidies.

(Note) Advanced technologies promotion Subsidy Scheme with Emission reduction Targets



Kitano Hankyu Building

③ Selected as body by the Ministry of Environment eligible to receive subsidy of CO₂ Reduction Promotion Project through Facilities Optimization Repair

During the parts replacement of air conditioners conducted in fiscal 2018 at HANKYU NISHINOMIYA GARDENS, highly efficient machines were installed. As this contributed to the reduction of CO₂ emissions, HHR was selected as a body eligible to receive subsidies for the Ministry of Environment's CO₂ Reduction Promotion Project through Facilities Optimization Repair.



HANKYU NISHINOMIYA GARDENS

④ Leading project to reduce carbon footprint in housing / buildings

A leading project to reduce carbon footprint in housing / buildings is a project that is selected after the government solicits entries of housing / building projects to become leading projects for carbon footprint reduction, and offers support for them from its budget by subsidizing part of the projects' cost, such as maintenance costs. GRAND FRONT OSAKA was chosen as a leading project in 2009 and has been supported for its environment-friendly design. Its "organizing an integrated water and green network over multiple city blocks", "adoption of highly effective carbon footprint reduction technology" and "building a sustainable management system" initiatives were adopted to realize its environment-friendly design such as extensive greenery on the rooftops and in the surrounding city blocks, natural ventilation system and adoption of a solar power system.



GRAND FRONT OSAKA
(Umekita Plaza and South Building)
GRAND FRONT OSAKA(North Building)

⑤ Countermeasures against urban heat islands

As a countermeasure against urban heat islands that occur in the summer, we have installed a fountain and mist spraying system in the roof-top garden of HANKYU NISHINOMIYA GARDENS, water sprinklers on the roofs of cinema complexes, a mist spraying system at the main entrance of HEP Five, and water facilities such as cascades and a mist projection system at the Umekita Plaza of GRAND FRONT OSAKA. These have contributed to cutting CO₂ emissions by reducing the load placed on air conditioners.



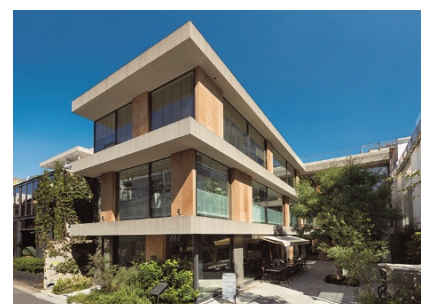
Mist spraying system



Fountain

⑥ Coating roofs with heat barriers

At Kita-Aoyama San cho-me Building, the roof has been coated with a heat barrier, which prevents the room temperature from rising in the 3rd floor. This has contributed to cutting CO₂ emissions by reducing the load placed on air conditioners.



Kita-Aoyama San cho-me Building

⑦ Promoting the installation of LED lighting

HHR promotes the installation of LED lighting at each of the properties in the portfolio. At HEP Five and HANKYU NISHINOMIYA GARDENS, all of the common area lights have been upgraded to LED lighting, excluding the lights in the backyard. Installation of LED lighting in areas leased by tenants was implemented at Shiodome East Side Building in fiscal 2019, and installation of LED lighting in areas leased by tenants will also be promoted at Ueroku F Building.

⑧ Using the cooling and heating sources of a district heating and cooling system

Sphere Tower Tennozu uses the steam and cold water supplied by a district heating and cooling system owned by TENNOZ AREA SERVICE INC. District heating and cooling systems are plants that centrally produce cold water and steam for the cooling and heating and hot-water supply of the entire area, which is distributed through a network of supply pipes. Through the centralization of boiler and chiller facilities, these systems conserve energy by improving operating efficiency, and also contribute to the prevention of air pollution and global warming, thereby contributing to environmental protection.



Sphere Tower Tennozu

⑨ Utilization of renewable energies

● Implementation of solar power generator facilities

Solar panels were installed above the south parking lot of HANKYU NISHINOMIYA GARDENS (along Yamate Kansen), and the power generated is used to illuminate the lights. Solar panels were also installed on the roof of HEP Five, and the clean natural energy is used to light up the Ferris wheel. A monitor indicating the quantity of energy generated by the sunlight has been set up in the atrium on the first floor. Furthermore, amount of energy generated and consumed are as follows.



Solar panels

Property name	Fiscal 2018	Fiscal 2019
HEP Five	18,054kWh	18,197kWh

● Installation of wind turbine generator system

At HANKYU NISHINOMIYA GARDENS, a hybrid-type generator that combines a Savonius wind turbine with solar panels is installed, and the power generated by it is used to illuminate the rooftop lights.



Windmills and solar panels

⑩ Promoting green walls and planting vegetation

At GRAND FRONT OSAKA, there is the 500-meter-long "Icho Namiki" (row of ginkgo trees) that encircles the building, and the "Keyaki Namiki" (row of zelkova trees) that runs east-west between the South Building and the North Building. The 4,000 m² garden on the north side of the North Building is a space where people can experience the changes in the four seasons, and people enjoy walks in the garden throughout the year. Moreover, on the roof of the 9th floor of the South Building and the North Building, there is a rooftop garden totaling more than 10,000 m². This space lightens the mood of those who visit, and is also a place where office workers can exchange ideas.

In addition, the Sky Garden on the rooftop of HANKYU NISHINOMIYA GARDENS is a space of relaxation for those who visit. This is because vegetation indigenous to the Rokko mountain range is planted in the garden such as trees, cherry trees, and fruit trees, based on the facility concept of "harmony with the natural environment".



Row of ginkgo trees



Rooftop garden

⑪ Collaboration with tenants

(1) Promotion of green lease agreements

Green lease agreements are agreements in the form of a contract or memorandum, etc. voluntarily entered into by building owners and tenants and concern reduction of environmental load through energy conservation at real estate and improvement of working environment, as well as implementation of their content. HHR will strive to increase the number of agreements that have green leases in their clauses.

(2) Case of concluded green lease agreement

At Dew Hankyu Yamada, an agreement with a green lease clause was concluded with a tenant having a strong interest in sustainability. The points of the agreement are as follows:

- Suppression of amount of energy and water used in area leased by the tenant, suppression of waste generated and promotion of waste-sorting on a daily basis, and establishment of system for voluntary management of such.
- Suppression of amount of energy and water used in construction work in area leased by the tenant and when procuring goods, suppression of waste generated and introduction of environmentally friendly materials.
- Cooperation toward sustainability promotion measures (obtain certifications, exchange information on amount of energy and water usage amount and waste generated, and maintenance and improvement of comfort in building)



Dew Hankyu Yamada

4. Water Resource Initiatives

① Established the Water Conservation Policy

Based on the "Water Conservation Policy" established in March 2019, HHR and HHRAM will continually seek to understand the water consumption levels of the portfolio and measure the rate of achievement against the targeted values. Considerations for operational improvements and equipment investments will be made for water resource inefficient properties, and we will continually aim to reduce water consumption across the entire portfolio.

[Examples]

● Initiatives through equipment renovation

For measures that require equipment investments such as switching to water conservation equipment and installing water-saving devices, measures that are the most cost-effective will be prioritized based upon consideration of the lifecycle costs, etc.

● Initiatives through operational improvement

Water conservation is strived for in collaboration with property management companies and tenants through measures such as saving water during cleaning as part of property management and checking for water leaks in washrooms and toilets during patrol.

② Reusing rainwater

At HANKYU NISHINOMIYA GARDENS, GRAND FRONT OSAKA, and METS OZONE, rainwater is stored and reused as sprinkling water for plants and for flushing toilets.

③ Using water reclamation equipment

Sphere Tower Tennozu has water reclamation equipment, which cleans water resources discharged from office buildings and reuses the water to flush toilets, etc.

④ Installation of kitchen wastewater pretreatment equipment

By preparing kitchen wastewater pretreatment equipment at HANKYU NISHINOMIYA GARDENS, the pollutants found in kitchen wastewater produced by cafés and restaurants are reduced by processing it with mixed-microbial communities, before draining it into public sewage systems. As a result, HANKYU NISHINOMIYA GARDENS is able to maintain water quality that falls well within the wastewater standards for sewage systems of Nishinomiya City.

5. Waste Management

① Waste Management

HHR and HHRAM regularly seek to understand the figures submitted by the waste disposal operators of the portfolio.

② Charging by waste amount

At HANKYU NISHINOMIYA GARDENS and GRAND FRONT OSAKA, the waste disposed by each tenant is measured on an exclusive measurement device, and a fee is assessed based on the quantity of waste produced. This system has contributed to the suppression of waste generated by tenants.



③ Thorough waste sorting and recycling

At Dew Hankyu Yamada and HEP Five, cardboards, papers, cans, glass bottles, and plastic bottles are sorted and recycling is conducted thoroughly.



6. External Certifications

① Acquisition of “3 Star” and “Green Star” Rating in GRESB Real Estate Assessment

GRESB is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) integration of real estate companies and funds. In the 2020 GRESB Real Estate Assessment, HHR received a “3 Star” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won a “Green Star” designation for the 2nd consecutive year by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned. HHR also received the highest “A Level” for the GRESB Public Disclosure, which assess the width of ESG disclosure.



② Acquisition of DBJ Green Building Certification

DBJ Green Building Certification is a program which Development Bank of Japan grants certifications after assessing properties in five ranks, from the perspective of environmental and social considerations.

In the future, HHR will continue to work to expand the number of certified properties.



DBJ Green Building
2018

Properties with the best class
environmental & social awareness

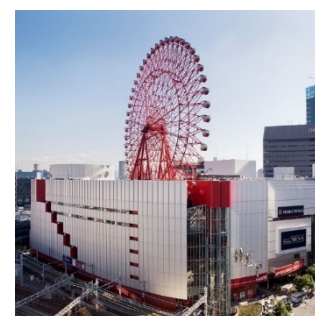


HANKYU NISHINOMIYA GARDENS



DBJ Green Building
2018

Properties with exceptionally high
environmental & social awareness



HEP Five



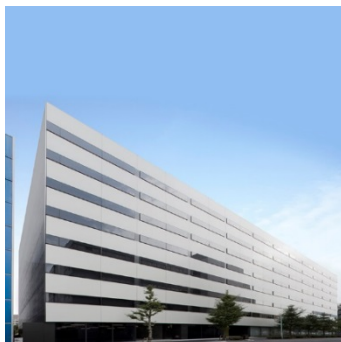
Properties with excellent environmental & social awareness



Kitano Hankyu Building



Dew Hankyu Yamada



Shiodome East Side Building



Hankyu Corporation Head Office Building

③ Acquisition of Certification for CASBEE for Real Estate

Certification for CASBEE for Real Estate is an evaluation system that evaluates and ranks buildings and structures in terms of their environmental performance by using CASBEE (Comprehensive Assessment System for Built Environment Efficiency).

HHR has received the rank "S (Excellent)," the highest ranking of CASBEE certification, for SHIBAURA RENASITE TOWER and Sphere Tower Tennozu.



SHIBAURA RENASITE TOWER



Sphere Tower Tennozu

④ Received an award for fiscal 2015 Minato City Local Green City Development

The award for Minato City Local Green City Development was established by Minato City, Tokyo in fiscal 2004 with the aim to further promote greening in the city.

It is a program to commend private buildings for their environmental considerations and outstanding greening planning.



Kita-Aoyama San cho-me Building

7. Green Finance

HHR has established Green Finance Framework (hereafter the “Green Finance Framework”) that complies with the Green Bond Principles 2018, the Green Bond Guidelines 2020, the Green Loan Principles, and the Green Loan and Sustainability Linked Loan Guidelines 2020 for the implementation of green finance.

① Green Finance Framework

● Use of Proceeds

The proceeds of green finance are allocated to the acquisition of Eligible Green Assets (*) or implementation of renovation work or the refinancing or reimbursement of borrowings (including green loans) or investment corporation bonds (including green bonds) which have been allocated to such.

(*) Assets that meet the following eligibility criteria

● Eligibility Criteria

(1) Eligible Green Assets

The criteria apply to assets for which any of the following green building certifications was obtained or renewed within 36 months prior to the payment date of green bonds or the execution date of green loans or the reporting date based on the Green Finance Framework, or will be obtained or renewed in the future.

- DBJ Green Building Certification: 3 Star, 4 Star or 5 Star
- Certification for CASBEE for Real Estate: B+, A or S Rank
- BELS Certification: 3 Star, 4 Star or 5 Star
- LEED Certification: Silver, Gold or Platinum

(2) Renovation Work

The criteria apply to renovation work aiming to meet any of the following standards which were completed within 36 months prior to the payment date of green bonds or the execution date of green loans, or will be completed in the future.

- Improvement of 1 step or higher in the number of Star or the Rank of any of the above-mentioned green building certifications.
- Reduction of 10% or more in any of carbon dioxide emissions, energy consumption or water consumption.
- Any other renovation work pursuing effective improvement in terms of the environment (in which a reduction of 10% or more in the volume of consumption or emissions is expected compared with conventional methods).
- Introduction or acquisition of renewable energy-related facilities.

- Management of Procured Funds

The maximum amount of green finance is set at an amount arrived at by multiplying the sum of total acquisition price of Eligible Green Assets owned by HHR and amount of expenditure for renovation work that meet the eligibility criteria by the ratio of interest-bearing debt to total assets (hereafter, "Eligible Green Debt Amount"). HHR will conduct manage so that the balance of the proceeds of green finance will not exceed Eligible Green Debt Amount.

Total acquisition price of Eligible Green Assets (millions of yen)	81,543
Ratio of interest-bearing debt to total assets (%)	44.1
Eligible Green Debt Amount (millions of yen)	35,960

※The figures are as of May 31, 2020.

- Assessment by External Institution

HHR has acquired Green1 (F), the highest ranking in the JCR Green Finance Framework Evaluation by assessment institution Japan Credit Rating Agency, Ltd. (JCR) concerning the eligibility of its green finance framework. For the content and other details of the JCR Green Finance Framework Evaluation, please refer to the following website.

JCR Green Finance Framework Evaluation: <https://www.jcr.co.jp/en/greenfinance/>

② Status of Finance

- Balance of green bonds issued

The balance of green bond issued is 2,000 million yen (as of November 2020).

	Issue amount (millions of yen)	Interest rate	Issue date	Redemption date	Use of proceeds
Hankyu Hanshin REIT Fourth Series of Unsecured Investment Corporation Bonds	1,000	0.300% Per annum	October 28, 2020	October 28, 2025	Repayment of the loans (including the loans from subsequent refinancing) that were required for acquisition of Shiodome East Side Building, an Eligible Green Asset under the Green Finance Framework.
Hankyu Hanshin REIT Fifth Series of Unsecured Investment Corporation Bonds	1,000	0.540% Per annum	October 28, 2020	October 28, 2030	Repayment of the loans (including the loans from subsequent refinancing) that were required for acquisition of Shiodome East Side Building, an Eligible Green Asset under the Green Finance Framework.

1. Relationships with the Local Communities

① Participating in locally hosted events

Umekita Plaza of GRAND FRONT OSAKA is the site where the Umeda Yukata Matsuri, a summer event in the Umeda area, is hosted, and in addition to hosting Bon festival dances and customer participation-type Uchimizu events, it is also the event site for the Umeda Snowman Festival.

The Umeda Yukata Matsuri, run by Umeda Area Management Alliance (Osaka Station District) as part of their activities, is a local event aimed at further improving the area's attractiveness, under the theme of "yukata," which is a part of traditional Japanese culture.

We also offer the open space of Hankyu Corporation Head Office Building as event sites for locally hosted events such as the Umeda Yukata Matsuri, the Umeda Snowman Festival, and 1 Million People's Candle Night



the Umeda Yukata Matsuri

(Note) Umeda Yukata Matsuri 2020 and 1 Million People's Candle Night were canceled due to the impact of COVID-19 pandemic.

② Offering venues for holding of local events

HHR is offering spaces at properties it owns to support the holding of local events.

【Examples】

- METS OZONE

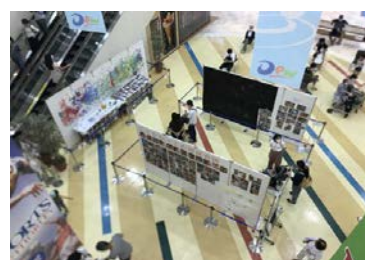
Offering spaces for holding events such as school concerts in collaboration with nearby schools. (Photo was taken before COVID-19 pandemic.)

- Dew Hankyu Yamada

Offered space to exhibit artwork of children who attend nearby nursery schools. Contributing to local community while taking measures to prevent COVID-19 infection such as avoiding the Three Cs.

- GRAND FRONT OSAKA

Regularly holding music events while securing physical distance in preparation for the with-coronavirus phase. In addition, launched "SpringX," a program to provide online venues for practical learning and supporting startups.



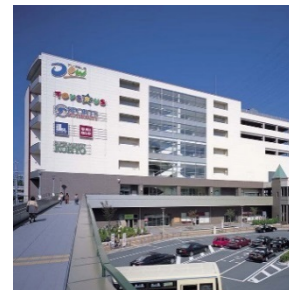
③ Introduced a trial run of bike sharing

Kitano Hankyu Building has introduced a trial run of bike sharing operated by DOCOMO BIKESHARE, INC. and contributes to reducing the environmental load by mitigating traffic congestion in the city center. Moreover, this also contributes to the development of local industry as transportation infrastructure for commuting, business, and tourism.



④ Implemented a park-and-ride

Dew Hankyu Yamada has implemented a park-and-ride on its rooftop parking lot. A park-and-ride, is a method of commuting whereby people park their automobiles in parking lots with public transport connections, and transfer to public transportations such as railways and fixed-route busses. It is a transportation policy that is promoted as a way to mitigate traffic congestion in city centers and tourist sites, suppress traffic pollution, and reduce illegal parking, etc.



Dew Hankyu Yamada

⑤ Supporting startups

On the first floor below ground at HEP Five, we have set up the "FIVE LAB," which is a pop up space that collects and dispatches popular contents. It provides opportunities for creators and EC shops to make sales at functions, and supports the opening of actual stores. In the spring of 2019, one member who had participated in our events became an official tenant who opened shop.



⑥ Hankyu Nishinomiya GALLERY / Stajimo NISHINOMIYA

At the Hankyu Nishinomiya GALLERY located on the fifth floor of HANKYU NISHINOMIYA GARDENS, events that took place at the Hankyu Nishinomiya Stadium are on exhibit, such as famous moments and memorial items of the Hankyu Braves, a professional baseball team that Hankyu Corporation used to own, videos about the history and culture of Hankyu Corporation, and a diorama model that recreates the area around Nishinomiya-kitaguchi Station in 1983. In the same gallery is the "Stajimo NISHINOMIYA" which provides a space for locals to "gather," "connect," and "create." This enables the vitalization of the community, allows people to conduct activities that create an attachment to the locals along the railways, and creates the value of the line-side areas.



⑦ **Participating in the Hankyu Hanshin Mirai no Yume Machi Project**

Our sponsor, Hankyu Hanshin Holdings Group conducts the Hankyu Hanshin Mirai no Yume Machi Project, and the employees of HHRAM also participate in this project.



[Overview of Hankyu Hanshin Mirai no Yume Machi project]

<https://www.hankyu-hanshin.co.jp/yume-machi/top.html> (in Japanese)

2. Relationships with Tenants

① **Employee satisfaction surveys**

With the cooperation of Hankyu Hanshin Building Management Co., Ltd. a property management company, we conduct regular employee satisfaction surveys at the properties owned by HHR listed below, and aim to improve employee satisfaction and increase the value of facilities, through improvements based on the survey results.

Properties with employee satisfaction surveys

HEP Five, HANKYU NISHINOMIYA GARDENS, Dew Hankyu Yamada, GRAND FRONT OSAKA

② **Training for employees of tenants**

At HEP Five, HANKYU NISHINOMIYA GARDENS, and GRAND FRONT OSAKA, we conduct various training sessions aimed at helping the employees of tenants in their careers, including basic mannerism training, customer service training, color coordination training, and VMD training. In fiscal 2020, we also held training sessions on the theme of “customer service for the with-coronavirus phase” while taking measures such as avoiding Three Cs to prevent infection. HANKYU NISHINOMIYA GARDENS and GRAND FRONT OSAKA have sent participant to the national customer service role playing contest hosted by Japan Council of Shopping Centers. In addition to improving the skills of the employees, we work to improve the enjoyability of customers who use the facilities.



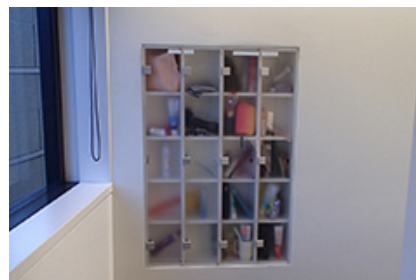
③ **Hosting social gatherings and trips for employees**

At HEP Five, HANKYU NISHINOMIYA GARDENS, and GRAND FRONT OSAKA, we contribute to improving employee satisfaction and promoting employee communication by hosting one-day bus trips, musical viewings, and social gatherings for the employees of tenants. However, it was decided that these events would not be held in fiscal 2020 in order to prevent COVID-19 infection.



④ Providing building environments that makes it easy to work

Shiodome East Side Building has prepared an environment where employees can easily purchase lunch within the building, and works to improve tenant satisfaction. In addition, a shelf and boards used when changing clothes have been installed in the ladies' rooms, supporting the comfortable office work of female employees who work at this building.



HEP Five renovated its employee cafeteria in fiscal 2019 and newly established a meeting space where employees can communicate with one another, in addition to a space for charging devices. In addition, HANKYU NISHINOMIYA GARDENS newly established a female powder room in the employee lounge to provide and support an environment where tenant employees can work comfortably.



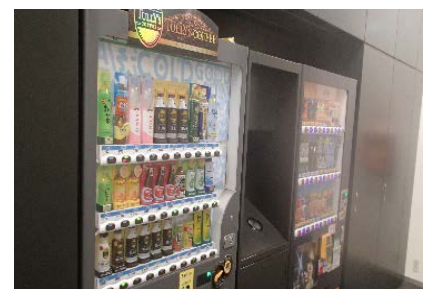
HEP Five



HANKYU NISHINOMIYA GARDENS

⑤ Installation of Tokuho (Foods for Specified Health Uses) Drink Vending Machines

Tokuho (Foods for Specified Health Uses) drink vending machines are installed at Shiodome East Side Building. In establishing an environment where vegetable juice and healthy drinks have been made readily available, the health of tenant workers is promoted.



⑥ Award history

HEP Five has received the ES Award multiple times at the Developer and Tenant Awards hosted by SENKEN SHIMBUN CO., LTD., and HANKYU NISHINOMIYA GARDENS received the Gold Award at the Japan SC Awards in 2013 as the first commercial facility ever to receive the award outside of the Tokyo metropolitan area.

3. Initiatives towards Employees of HHRAM

Due to the provisions of the Act on Investment Trusts and Investment Corporations (hereafter "Investment Trusts Act"), HHR cannot hire employees. As such, its assets are managed by the employees of HHRAM. We believe that each and every employee related to the business is an indispensable asset, and in addition to working to create a healthy work environment where employees can maximize their various personalities and abilities, it also aims to improve business competitiveness through proactive personnel development.

① Health management

Hankyu Hanshin Holdings Group holds "respect for people" as one of its most important values and believes that the health of its employees and their families is the cornerstone of the company's future.

In order to instill a clear awareness of health in our employees and their families, from the viewpoint of "health management," we have also established a "declaration on employee health management" in order to promote the improvement of health awareness in each and every employee and the realization of a comfortable workplace.

Health Declaration

As the only REIT management company in the group, Hankyu Hanshin REIT Asset Management Company aims to contribute to the development of a safer and more comfortable town by providing funds for the development and growth of office buildings and retail facilities through the securitization of real estate properties mainly in the Kansai Region.

In order to deliver "safety and comfort", which is the group's management philosophy, as well as "dream and excitement" to everyone, it is important for the employees and their families to be healthy and each employee to demonstrate their individuality and skills to the maximum extent in a "Heartful & Joyful" work environment.

We will make efforts in health management with the motto of "making people and the town vigorous forever!" to realize such goal.

Hankyu Hanshin REIT Asset Management Company declares that it will strive to proactively support everyone's health and create a work environment where employees can work enthusiastically under the "Hankyu Hanshin Wellness Challenge" set by Hankyu Hanshin Holdings Group.

September 1, 2019

Yoshiaki Shiraki

President and Representative Director,
Health Management Promotion Officer,
Hankyu Hanshin REIT Asset Management, Inc.

Health Declaration : <https://www.hhram.co.jp/health.html> (in Japanese)

Recognized as 2020 Certified Health & Productivity Management Organization (SME category)

The Certified Health & Productivity Management Organization Recognition Program is a program that Minister of Economy, Trade and Industry examines large enterprises, SMEs and other organizations that are engaging in health-conscious activities in collaboration with health insurance society members and promoting such activities led by the Nippon Kenko Kaigi, and recognizes outstanding enterprises engaging in efforts for health and productivity management.



② Work environment

Personnel development

We have put various training policies in place with the purpose of improving the skills of its employees. Beginning with specialty skills needed for real estate investment management operations, it also provides training to improve human skills, compliance training, and training concerning sustainability, etc.

In addition, it has also implemented an incentive system to acquire qualifications for professional personnel development.

As of October 1, 2020

Name	
Real Estate Appraiser	2
ARES Certified Master	15
Real Estate Transaction Agent	16
Certified Building Administrator	16
Shopping Center Business Administrator	1
TOEIC SCORE over 850	2
EIKEN Test in Practical English Proficiency Grade Pre-1	1
EIKEN Test in Practical English Proficiency Grade 2	1
Certified Public Accountant	1
First-class Architect	1
Second-class Architect	1
Building Mechanical and Electrical Engineer	1
The Official Business Skill Test in Book-keeping Grade 1	1
The Official Business Skill Test in Book-keeping Grade 2	5
The 1st Class Health Supervisor	1

Office environment

Upon office expansion, a collaboration space was added after taking employee opinions into consideration. The new space will promote ease of work and communication.



③ Work-life balance

Introduction of flextime system

With the purpose of improving productivity, the flextime system (without core time) was introduced starting in August 2019, which gives employees the choice of when they will work, including daily start and end times, and enables them to work efficiently while balancing life and work.

Combined with the flextime system, a work interval system was also introduced, which sets a certain interval of time between the time employees leave work until they can start again. In this way, we are also making considerations to prevent long work hours.

Introduction of high-performance notebook PCs and in-house wireless LAN

Along with introduction of a flextime system, office PCs were replaced with high-performance notebook PCs, and in-house wireless LAN was set up. As a result, employees were enabled to select their workplace and working hours more freely, productivity was improved, and paperless meetings, etc. were achieved.

Enabling remote work

With the purpose of realizing smooth progress in business while considering the health of employees amid the spread of COVID-19, we allowed our employees to select remote work as an option.

In addition to introducing secure remote-access services for safe access from outside the office, the target of web-conferencing system users was expanded to all employees of HHRAM.

Health management

By conducting regular health examinations and covering the costs of influenza vaccinations, we are engaged in maintaining and improving the health of our employees.

④ Diversity

Respecting human rights, preventing harassment

We respect the diversity of each and every employee and believe that mutual acceptance is indispensable to sustainable growth, and the sponsor group takes initiative as one body by conducting human rights training, conducting surveys, and increasing the number of consultation service counters. Moreover, we have also established an external harassment consultation counter and direct people towards this service.

Promoting women's success

We are creating an environment where female employees are able to realize their potential and succeed as part of our diversity acceptance measures.

Personnel data

As of October 1, 2020

Personnel Data		
Number of full-time directors		5
Number of employees (by gender)		37
	Male	20
	Female	17
Number of employees (by type of employment)		37
	Number of regular employees	12
	Number of seconded employees	20
	Number of contract employees	5
Attendance rate for sustainability training (actual results in fiscal 2019)		100%
Attendance rate for compliance training (actual results in fiscal 2019)		100%
Paid holiday acquisition rate (Note)		58.9%
Health examination rate (actual results in fiscal 2019)		100%
Number of employees on child care leave (cumulative)		0 (1)
Number of employees on family care leave		0

(Note) Total actual results of regular employees (Oct. 1, 2019 - Sep. 30, 2020) and seconded employees (Sep. 1, 2019 - Aug. 31, 2020).

4. Securing Safety and Security

By delivering "Safety and Comfort" and "Dreams and Excitement," Hankyu Hanshin Holdings Group creates satisfaction among our customers and contributes to society.

Safety and security of owned properties

Ever since the Great East Japan Earthquake (2011), interest in the seismic resistance of buildings has risen extremely high. In order to secure business continuity in the face of natural disasters and epidemics, etc., HHR has prepared various measures to minimize damage and speed up recovery.

① Preparing for seismic risks - utilizing PML value

The probable maximum loss (PML) refers to the forecasted maximum loss that could be incurred due to an earthquake.

The PML is indicated by the ratio of forecasted replacement costs assuming maximum material losses against the largest earthquake that can be expected during the use-period of a building (475-year return period = 10% chance of exceedance in 50 years), and the lower the ratio, the lower the expected losses. When deciding upon the acquisition of a property, HHR will check its PML value and will not acquire the property if the PML value does not meet a certain standard.

*For the PML values of each property in the portfolio, please refer to the "Portfolio List" on our website.

Portfolio List: <https://www.hankyuhanshinreit.co.jp/eng/portfolio>

② Systematic repairs and CAPEX

HHR conducts repairs systematically according to the age of properties, etc., in an effort to prevent unforeseen accidents and minimize damages during disasters.

[Examples]



Waterproofing work on the roof of Takatsuki-Josai Shopping Center



Repairing the exterior wall at Dew Hankyu Yamada

③ Providing lifelines and disaster protection centers

HHR's properties provide lifelines and disaster protection centers to its customers during natural disasters.

[Examples]

- Takatsuki-Josai Shopping Center

It has a disaster cooperation agreement with Takatsuki City, and will provide an emergency vehicle base in the case of a disaster.



●HEP Five

It has first-aid kits, disaster prevention equipment for people who are temporarily prevented from returning home, and has been designated as a primarily evacuation site based on the "Plan to Secure Underground Evacuation Space in Umeda."



●Dew Hankyu Yamada, Takatsuki-Josai Shopping Center

These properties will provide food and disaster prevention goods, etc., to local residents in the case of a disaster.

5. Safety and Security of Customers and Tenant Employees

①Conducting fire drills

Fire drills are conducted at HHR's properties in accordance with the Fire Services Act, which includes training on how to use fire extinguishers and first aid measures, etc., with the assumption that these will be put into practice.



②Storing emergency goods

At some of HHR's properties, emergency goods boxes have been set up, which contain items that are necessary if one was to be locked in an elevator during an emergency. At HEP Five and Kitano Hankyu Building, disaster prevention equipment, to be used by people who are prevented from returning home, are stored in sofas (disaster prevention chairs) installed on every floor of the buildings.



③ Installation of rat proof ultrasound equipment

At Shiodome East Side Building, rat proof ultrasound equipment has been installed. By installing these devices, rats are kept away without using poison for unnecessary killing, and we provide a safe and enjoyable office environment to tenant employees.



6. Safety and Security of HHRAM's Employees

① Promoting disaster prevention and BCP measures

Under the policy that human resources are its most important corporate resource, HHRAM conducts various initiatives to secure the safety and security of employees.

【Examples of activities】

- Establishment of business continuity plan (BCP)
- Establishment of “Initial Response Manual for Large-Scale Disasters (Earthquakes)” and “Initial Response Manual for Large-Scale Disasters (Typhoons/Advance Response)”
- Establishment of initial response manual for outbreak of a new type of influenza and other diseases
- Implementation of confirmation of safety services

- Implementation of disaster prevention drills



- Distribution of disaster prevention goods and storage of emergency goods



7. Initiatives towards Property Management Companies and Suppliers

① Established the Sustainable Procurement Policy

Based on the "Sustainable Procurement Policy" established in March 2019, HHR and HHRAM will promote initiatives that consider sustainability issues in the supply chains of HHR and HHRAM. For this purpose, the status of sustainability initiatives is included in one of the criteria for selecting and evaluating property management companies and suppliers.

② Continuous evaluation of property management companies

The period of the property management entrustment agreements concluded with parties HHR entrusts with property management of properties it owns is one year as a general rule, and HHR evaluates the management

results of property management companies by the end of the agreement period. In the continuous evaluation for fiscal 2019, HHR evaluated the sustainability initiatives at properties it owns carried out by property management companies.

③ Implementation of sustainability training

In order to establish a mindset on sustainability and reinforce the collaboration system, HHR invites external experts once a year as lecturers and implements sustainability training for the employees of its asset management company employees as well as persons in charge of properties working at parties HHR entrusts with property management of properties it owns.

8. Dialogue with Unitholders and Investors

① Regarding information disclosure

Recognizing sufficiently that replete information disclosure can largely impact the development and success or failure of the real estate investment trust market, HHR will stand in our unitholders' shoes and disclose information from the perspective of "timeliness" and "fairness".

- Information will be disclosed in line with the details and methods outlined in the Financial Instruments and Exchange Act, in the Investment Trust Act, by the Tokyo Stock Exchange, Inc., and by The Investment Trusts Association, Japan.
- A system for the accurate and timely collection of information has been established, and we work to disclose information to our unitholders while making considerations for transparency and comprehensibility.
- We work to proactively disclose information that is deemed important for making investment decisions, even for information that is not indicated in information disclosure legislation.

② Status of IR activities

We work to disclose information in a timely manner through our website including statutory disclosure documents, press releases, financial results information (financial statements, financial results, materials for analyst briefing), characteristics of managed assets, and performance status, etc.

Each fiscal period, we hold an analyst briefing on the operating status and the financial outlook, etc., for domestic institutional investors, lenders, and other interested parties. In addition, we hold approximately 50 to 70 one-on-one meetings for institutional investors.

For our overseas investors, we hold six IR events a year, focusing mainly on North America, Europe, Australia, and Asia, and hold approximately 50 one-on-one meetings. In addition, we also proactively participate in conferences held by securities companies in Japan. (Circumstances may be different in fiscal 2020 due to the impact of the COVID-19 pandemic).

For our individual investors, we hold a meeting updating our operational status in Tokyo and Osaka once a year (institutional investors can also participate; institutional investors can also participate; however, it was decided for fiscal 2020 that neither Tokyo nor Osaka would host meetings). Moreover, we also proactively participate in private investors seminars held by the Association for Real Estate Securitization, the Tokyo Stock Exchange, and securities companies, etc.

1. Corporate Governance

(1) Matters Concerning Corporate Governance

(i) Details of the Organization

HHR shall have at least one Executive Director(s) and at least two Supervisory Directors (and at least one more Supervisory Director than the number of Executive Directors).

As of the date of this document, the organization of HHR is comprised of the General Unitholders' Meeting featuring unitholders, in addition to one Executive Director, two Supervisory Directors, the Executive Meeting, which includes all Executive Directors and Supervisory Directors, as well as the Accounting Auditor.

a. General Unitholders' Meeting

Certain matters concerning HHR, as stipulated under the Investment Trusts Act or the Articles of Incorporation, shall be resolved at a General Unitholders' Meeting, comprised of unitholders.

b. Executive Director, Supervisory Director and Executive Meeting

In addition to undertaking the executive management of HHR, the Executive Director has the authority to take any judicial or extra-judicial acts related to the business of HHR on behalf of HHR. However, the approval of the Executive Meeting is required for certain duties stipulated in the Investment Trusts Act, such as providing consent for cancelling the asset management services agreement originating from HHRAM, convening of the General Unitholders' Meeting, entrusting administrative work to general administrative service providers, concluding asset management services agreements and asset custody entrustment agreements, and other duties. Supervisory Directors have the authority to oversee the Executive Director's execution of duties. Executive Meeting, in addition to having the authority to approve the execution of certain duties as stated above, has the authority as stipulated in the Investment Trusts Act and the Articles of Incorporation to oversee the Executive Director's execution of duties.

c. Accounting Auditor

HHR has designated KPMG AZSA LLC as the Accounting Auditor. The Accounting Auditor shall audit HHR's calculation documents, etc. Furthermore, the Accounting Auditor shall report to Supervisory Auditors in the event a fraudulent act or material fact violating any law or the Articles of Incorporation concerning the execution of duties of the Executive Director is detected and shall execute other duties stipulated by laws.

(ii) Internal Audit and Supervision Organization by Supervisory Directors, Personnel and Procedures

The rules of the Executive Meeting of HHR indicate that the Executive Meeting shall be held at least once every three months, and in practice, these meetings are convened roughly once a month.

The Executive Meeting is comprised of, in addition to one Executive Director and two Supervisory Directors, the President and Representative Director and Directors of HHRAM, and has established the internal audit structure by confirming the status of HHRAM's asset management operations.

In addition to the above, it supervises the Executive Director's execution of duties by drafting decision-making documents under the prerogative of the Executive Director, saves them, and thereafter obtains the approval of the Supervisory Directors.

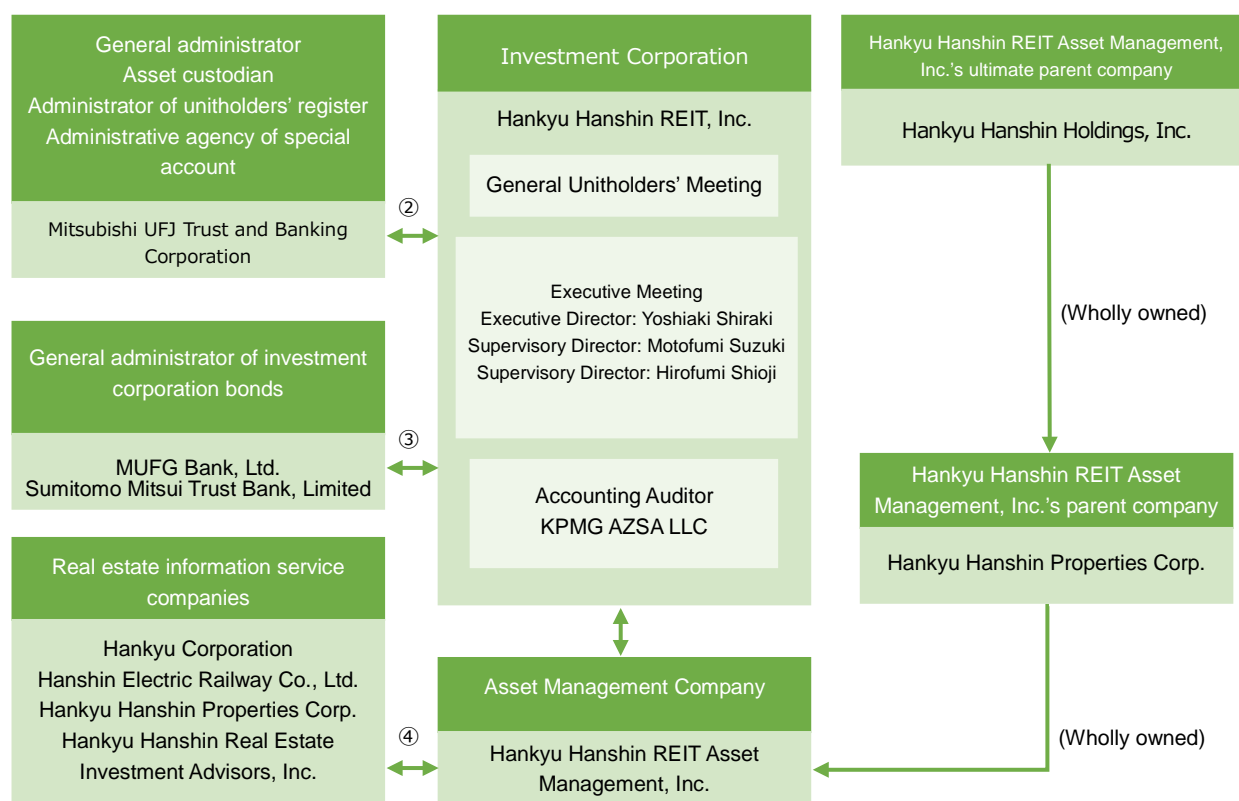
As of the date of this document, one attorney and one certified public accountant are appointed as Supervisory Directors, and based on their operational experience and insight, they supervise the Executive Director's execution of duties from various viewpoints.

(iii) Mutual Cooperation between Internal Audit, Supervision by Supervisory Directors and Accounting Audit

Each Supervisory Director receives reports concerning asset management and compliance from The Executive Director and HHRAM at the Executive Meeting of HHR.

On the other hand, the Accounting Auditor cooperates with the Supervisory Directors by regularly hosting audit briefing sessions, etc. for the Supervisory Directors. In addition, in the execution of their tasks, if the Accounting Auditor detects a fraudulent act or material fact violating any law or the Articles of Incorporation concerning the Executive Director's execution of duties and other duties stipulated by laws, the Accounting Auditor has the responsibility to report this to the Supervisory Directors.

As of November 1, 2020



① Asset management services agreement

② Administrative agency agreement/asset custody agreement/agreement on administration of unitholders' register/special account management agreement

③ Financial agency agreement

④ Information sharing-related agreement

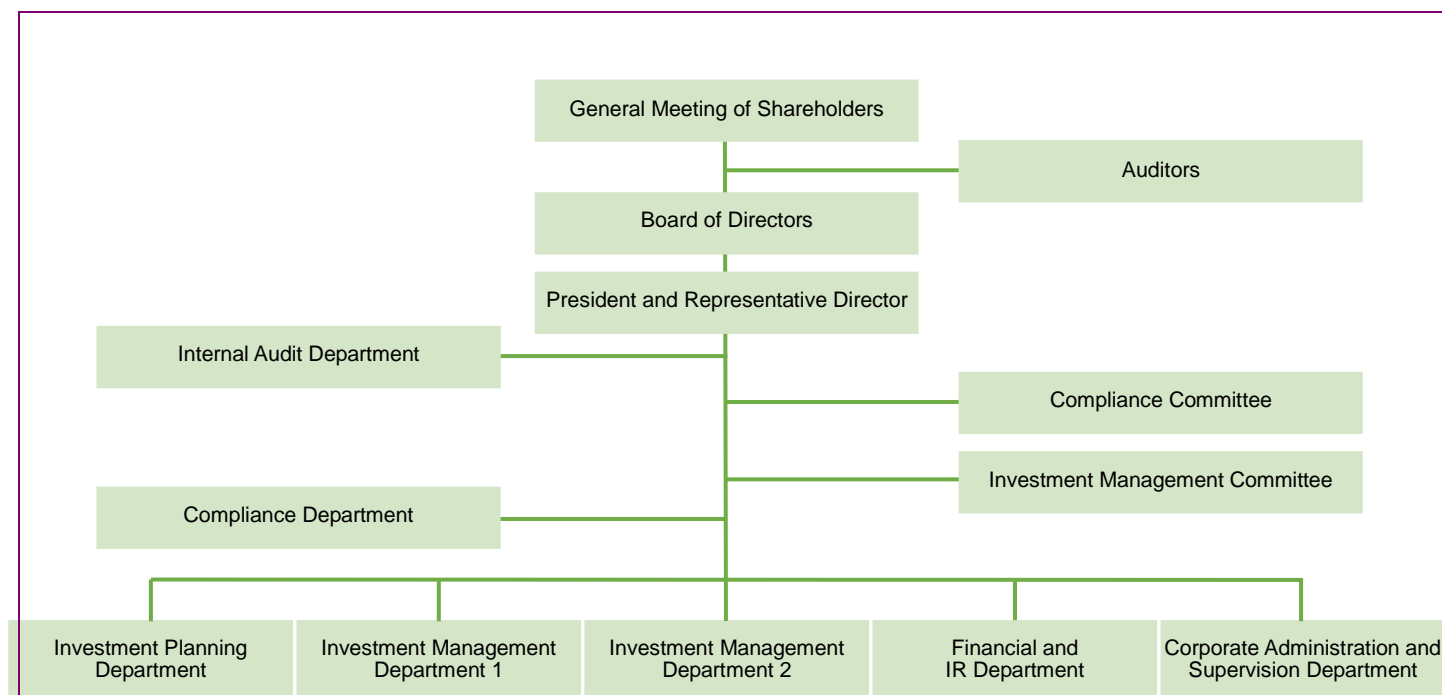
(2) Organization of Hankyu Hanshin REIT Asset Management, Inc.

Asset management of HHR has been entrusted to Hankyu Hanshin REIT Asset Management Inc., the asset management company.

HHRAM shall engage in operations relating to asset management entrusted by HHR based on the above organizational structure.

The Board of Directors of HHRAM acts as the decision-making body for important matters concerning the management of HHRAM, and in addition to making decisions regarding management policy and basic matters concerning the execution of duties, it also supervises the duties of the directors. The operations of HHRAM are assigned to the respective departments including the Investment Planning Department, Investment Management Department 1, Investment Management Department 2, Financial and IR Department, Corporate Administration and Supervision Department, Compliance Department, and the Internal Audit Department, and each of these departments are supervised by a Director in charge and Director of Department and Office.

The Investment Management Committee has been established as the organization responsible for conducting deliberation and making decisions concerning asset management and management evaluation, and furthermore, the Compliance Committee has been established as the organization responsible for deliberation and decisions concerning conflict-of-interest transactions, etc., as well as consultation for matters related to compliance, etc



As of October 1, 2020

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	42 (full-time workers only)	
Executive officers	President & Representative Director	Yoshiaki Shiraki
	Managing Director	Toshinori Shoji
	Director	Toshihiko Mori
	Director	Takahito Emoto
	Director	Toyoshige Okazaki
	Director (part-time)	Noriyuki Yagi
	Director (part-time)	Toyoyuki Komori
	Corporate Auditor (part-time)	Ken Kitano
	Corporate Auditor (part-time)	Yorio Fujita
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 • Building Lots and Buildings Transaction Business License: The Governor of Osaka Prefecture (4) No. 50641 • Approval of discretionary dealing trustee, etc.: No. 23 by Minister of Land, Infrastructure, Transport and Tourism 	

(3) Decision-Making Structure for Investment Management

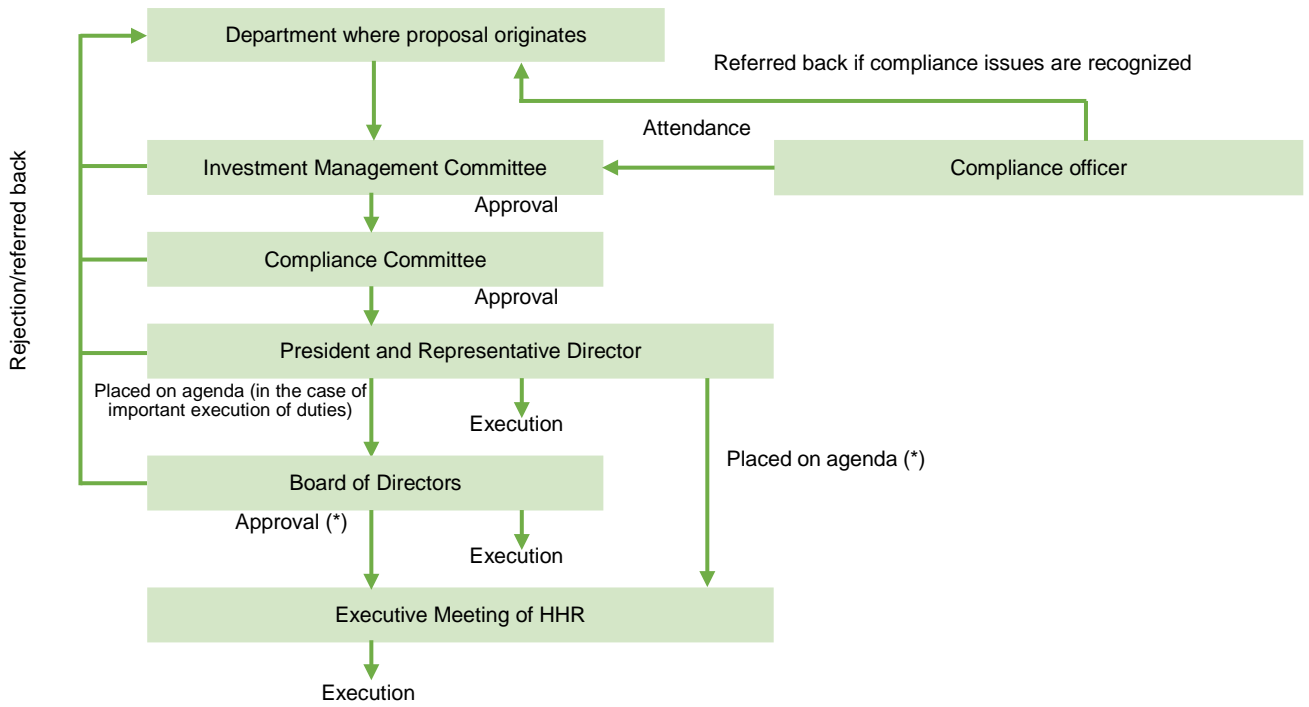
HHRAM establishes Regulations for Asset Management and Operational Guidelines, and sets forth basic approaches to investment management including investment policy, rules on transactions involving interested parties, and disclosure policy, etc.

Furthermore, HHRAM establishes asset management plans in accordance with the Operational Guidelines, and makes decisions on acquisitions and other matters concerning asset management according to the investment policy and rules on conflict-of-interest transactions set forth in the Operational Guidelines.

●Decision-making flow for asset management

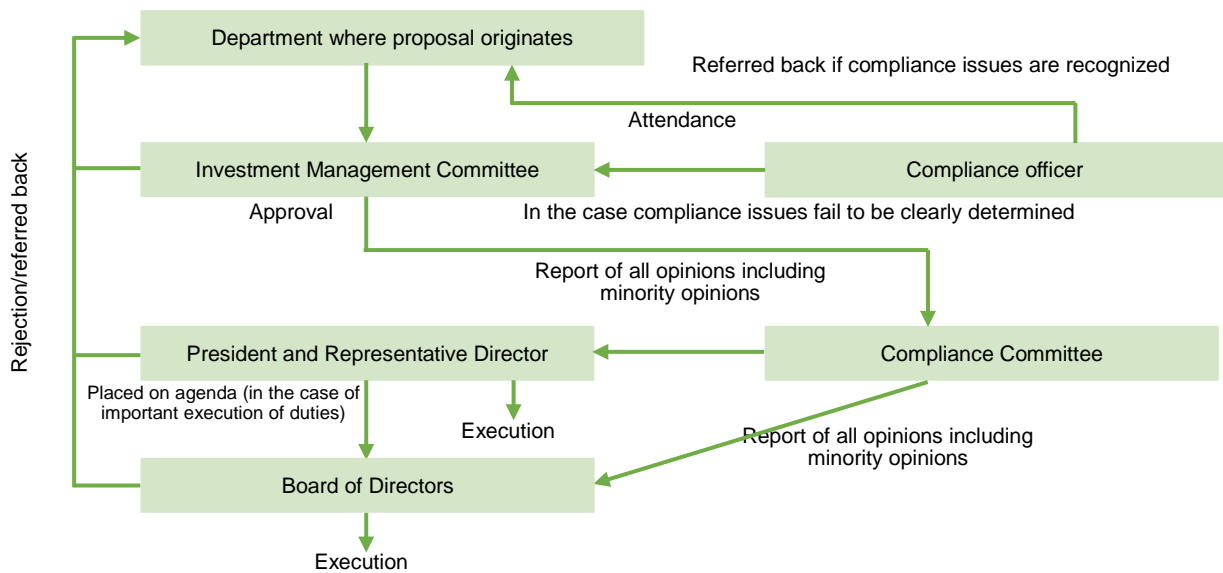
- i. Concerning decision-making on execution of duties concerning asset management, each related department shall draft a proposal on execution of duties, which is then placed on the agenda of the Investment Management Committee. If the proposal fails to obtain the approval of the Investment Management Committee, or if the Compliance Officer recognizes compliance issues within the proposal, the proposal shall be referred back to the department where the proposal originated.
- ii. Upon approval by the Investment Management Committee, if (i) the proposal falls under a transaction involving conflicts of interest, or if (ii) the Compliance Officer fails to determine clearly whether the details deliberated or the deliberation process of the Investment Management Committee observed the laws and the Articles of Incorporation or whether there were compliance issues, and requests deliberation, it shall be placed on the agenda of the Compliance Committee and deliberated.
- iii. In the case of ii. (i) above, if approved by the Compliance Committee the proposal shall be submitted to the President and Representative Director. If not approved by the Compliance Committee because compliance issues are recognized, it shall be referred back to the department where the proposal originated.
- iv. In the case of ii. (ii) above, the Compliance Committee shall only be regarded as an advisory organ. Upon deliberation by the Compliance Committee, all opinions of the members and observers, including minority opinions, shall be presented to the President and Representative Director and the Board of Directors.
- v. Upon approval by the President and Representative Director, whether a resolution by the Board of Directors will be needed is based on the Board of Directors' standards for placing items on the agenda, defined separately (the necessity of placing it on the agenda is also subject to decisions of compliance.). If not approved by the President and Representative Director or the Board of Directors, it shall be referred back to the department where the proposal originated.
- vi. In the case of ii. (i) above, if the proposal falls under an acquisition, transfer, or transaction for securities or real estate (excluding transactions under Article 245-2 of Regulation for Enforcement of the Investment Trusts Act.), the consent of HHR must be confirmed in addition to the obtainment of approval of the Executive Meeting.

<In the case a transaction involves conflicts of interest (ii. (i) above)>



In the case of acquisition, transfer, or leasing of securities or real estate (excluding transactions under Article 245-2 of Regulation for Enforcement of the Investment Trusts Act.)

<In the case the Compliance Officer fails to determine clearly whether the details deliberated or the deliberation process in the Investment Management Committee observed the laws and Articles of Incorporation or fails to determine clearly where there were compliance issues, and requires the members for deliberation (ii. (ii) above)>



Name	Calculation method
Management Remuneration 1	Total assets at end of previous fiscal period × 0.15%
Management Remuneration 2	Distributable amount per unit during the concerned operating period × NOI × 0.0011%
Remuneration upon acquisition	Acquisition price of real estate-related assets × 0.5%
Remuneration upon transfer	Transfer price of real estate-related assets × 0.5%
Remuneration upon merger	Appraisal value of assets to succeed × 0.5% (maximum)

(Note) The above asset management remuneration system was approved at the 11th General Unitholders' Meeting of HHR held on August 25, 2020. Furthermore, the effective date for remuneration upon acquisition, remuneration upon transfer, and remuneration upon merger is September 1, 2020, and that for management remuneration 1 and 2 is December 1, 2020.

2. Compliance

① Basic policies concerning compliance

Hankyu Hanshin REIT, Inc. (hereafter "HHR") and Hankyu Hanshin REIT Asset Management, Inc. (hereafter "HHRAM"), the asset management company that HHR has selected to manage its assets, strive to contribute to social and economic development through engagement with business partners, those using our properties, local communities and such considering the public nature of real estate investment trusts, while responding to the expectations of unitholders by complying with laws and regulations and sincerely acting in accordance with corporate ethics. In order to achieve this goal, HHR and HHRAM have prepared the following compliance arrangements as the most important business agenda.

(1) HHR

HHR is aware of the importance of comprehensive compliance and regularly conducts discussions concerning compliance issues at its Executive Meetings. At these meetings, which are held roughly once a month, in addition to deliberating matters for resolution, we also receive matters of resolution including a report regarding the deliberation process for determinations made by the Compliance Committee of HHRAM (defined in (2) below). Additionally, as part of the supervision of the Executive Director on the part of the Supervisory Directors, a letter of intent is prepared upon the execution of duties within the exclusive jurisdiction of the Executive Director and confirmation is subsequently obtained from the Supervisory Directors. Furthermore, two experts from outside the company who are not considered interested parties of the sponsor company have been appointed as Supervisory Directors for the purpose of improving HHR's supervisory and check functions.

(2) HHRAM

HHRAM, for the purpose of ensuring legitimate and fair management of overall operations and to prevent fraudulent practices, and toward robust growth of HHRAM and HHR and the drastic protection of unitholders, the Compliance Department has been formed independently from the Corporate Affairs Division as an organization that fulfills the check function. The Compliance Department formulates a compliance manual and compliance program as a basic action guideline, ensures awareness of compliance requirements in accordance with the compliance program implementation plan, verifies the status of compliance and cultivates awareness in a systematic manner.

Additionally, as the organization responsible for compliance issues concerning asset management, it has established a Compliance Committee for the purpose of determining the propriety of transactions involving conflicts of interest in accordance with applicable rules and regulations. The Compliance Committee appoints invited experts, and at present comprises one attorney and one certified public accountant that are not considered interested parties of HHRAM or the sponsor company. These two experts and the Compliance Officers attend the Compliance Committee meetings, and on the condition that no less than three-fourths of all the committee members including the committee chair are present, deliberation and decisions concerning

conflict of interest issues are made with approval of all attendees. Furthermore, in addition to Auditors, and part-time Directors, with the endorsement of the committee chair and the approval of the committee, an observer may be present at the committee meetings and offer opinions (the observer is not permitted to participate in resolution).

The Investment Management Committee exists as the organization responsible for deliberation and decisions concerning asset management and operational evaluation, and the participation of a member of the Compliance Department appointed by a Compliance Officer or Compliance Committee in the Investment Management Committee is required (the member must be the assistant to the General Manager of the Compliance Department), and this person is responsible for confirming that there are no compliance issues concerning matters for resolution or the resolution process.

Additionally, the content of a request for decision concerning execution of duties, which serves as a letter of intent, is closely inspected under required consensual decision making by Compliance Officers prior to a final determination.

② Establishment of a structure for the elimination of anti-social forces

HHRAM has formulated a compliance manual to serve as the basic policies to which all executives and employees are required to adhere, and ensuring practice in accordance with the compliance manual is one of the key responsibilities of HHRAM. The code of behavior in the Compliance Manual stipulates "Resolute confrontation of anti-social forces and associations" and sets forth HHRAM's basic stance concerning the elimination of anti-social forces.

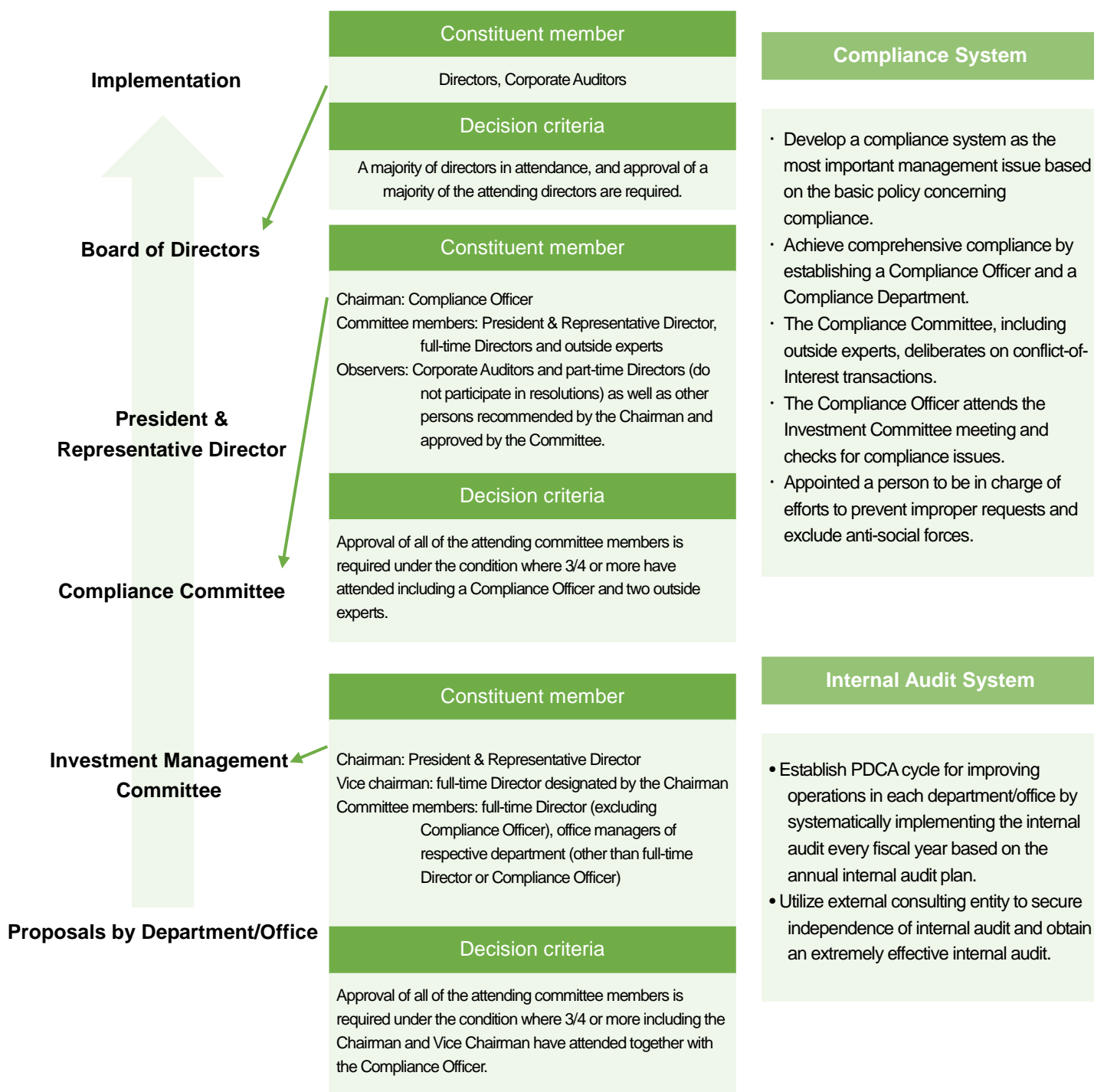
Additionally, HHRAM has selected a person to be responsible for the prevention of unreasonable demands in accordance with the Act on Prevention of Unjust Acts by Organized Crime Group Members, and has registered with the public safety commission in order to acquire the necessary knowledge and skill to handle unreasonable demands by crime syndicates.

Furthermore, selecting new tenants, we are endeavoring to eliminate anti-social forces by checking for relationships with anti-social forces in accordance with established standards.

Procedures for the "Reporting system of suspicious transactions" are formulated as part of Operational Guidelines and, in accordance with the Act on Prevention of Transfer of Criminal Proceeds, we routinely undertake "confirmation at time of transaction," "creation and maintenance of records of confirmation at time of transaction" and "creation and maintenance of records of transactions" as well as properly reporting suspicious transactions, etc. to the supervisory authorities.

③ Compliance and Internal Audit Systems of HHRAM

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



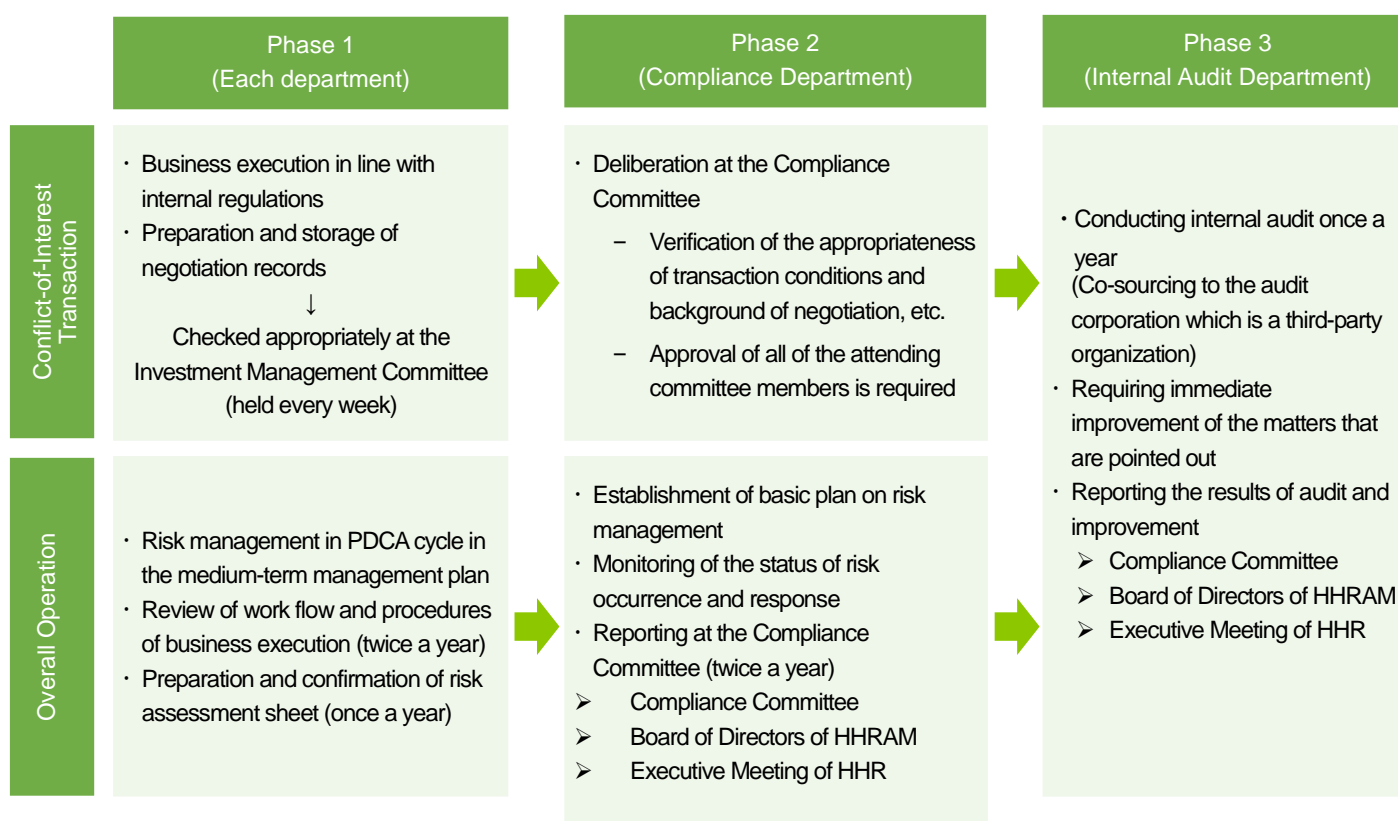
④ Compliance training

HHRAM invites external lecturers to conduct training targeting all of its officers and employees with the purpose of having them observe compliance and developing an awareness. In addition, training for managers and transferees is also provided by in-house lecturers in a timely manner.

<Major themes in fiscal 2019 (provided by external lecturers)>

- Fiduciary duty
- Financial regulations, etc.
- Accidents, clerical errors, etc.
- Insider, sensitive corporate information, fair-disclosure rules
- Instructing subordinates to prevent misconduct from occurring

⑤ Risk monitoring by HHRAM



⑥ Declaration of Fiduciary Duty

HHRAM will establish the basic policy for customer-oriented business conduct (hereafter the “Basic Policy”) in order to further implement the customer-oriented business conduct considering the importance of stable asset formation for investors.

1. Basic Policy for Customer-Oriented Business Conduct

[Announcement and Smooth Promotion of Basic Policy regarding Customer-Oriented Business Conduct]

HHRAM will announce the Basic Policy on its website and work for smooth promotion of the policy while periodically confirming the progress.

In addition, the implementation status will be verified through internal audit by an external third party as needed, and any issues identified will be corrected without delay.

[Pursuit of the Investors’ Best Interest]

HHRAM will maintain a high level of expertise and professional ethics as an asset management company of a J-REIT, and conduct its business in an honest and fair manner for its investors in order to pursue their best interest.

HHRAM will endeavor to establish such an attitude towards business operations as its corporate culture.

[Appropriate Management of Conflicts of Interest]

To prevent unjustly damaging the interest of investors, HHRAM will accurately grasp potential conflicts of interest with the sponsor group, etc. If there is a potential conflict of interest with regards to transactions, HHRAM will appropriately manage such conflict of interest by having the Compliance Department verify the transaction prior to execution pursuant to laws and regulations as well as internal rules, and, when necessary, having the Compliance Committee that includes outside experts deliberate in advance while also obtaining prior approval at HHR's Executive Meeting.

[Clarification of Management Fees]

HHRAM will work to disclose detailed information on management fees, etc. paid to HHRAM by HHR, including description of the services for which such fees are incurred, in an easy-to-understand manner for investors.

[Provision of Important Information that is Easily Understandable]

HHRAM will, as an asset management company of a J-REIT, strive to provide important information regarding HHR and the asset management carried out by HHRAM, in a timely and easily understandable manner for investors.

[Provision of Services Suitable for Investors]

HHRAM will make efforts to grasp the investors' requirements for HHR and strive to provide services suitable for such requirements.

[Establishment of Framework for Appropriately Motivating its Employees]

HHRAM will periodically and continuously provide training programs on compliance, etc. to all employees for the sound development of the real estate securitization market, to make constant improvements. Furthermore, HHRAM will properly evaluate the efforts of each employee on compliance and work to further raise awareness.

HHRAM will develop a framework to provide a compliance program every year in accordance with the compliance manual in order to steadily implement measures for customer-oriented business conduct and compliance with the Basic Policy, and strive to establish appropriate structures for governance and execution of business.

The details of the governance structure, basic policy, management policy (growth policy, financial policy, distribution policy, etc.) and such of HHR, which entrusts management of its assets to HHRAM, are available on HHR's website, etc.

Scope of subjects	Hankyu Hanshin REIT, Inc. Hankyu Hanshin REIT Asset Management, Inc. (the asset management company of Hankyu Hanshin REIT, Inc.) Partly includes Hankyu Hanshin Holdings, Inc. and Hankyu Hanshin Properties Corp., the parent company of the asset management company.
Frequency of report	Published annually in principle
Fiscal year	April through March of the following year. Fiscal 2019 indicates the period from April 2019 through March 2020.

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 HHR 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 HHR 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 HHR, 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.

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