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Asset Management Company

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Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Interests
(Namba-Hanshin Building and Richmond Hotel Hamamatsu)

Hankyu REIT, Inc. (hereafter “Hankyu REIT”) hereby notifies that Hankyu REIT Asset Management, Inc., the asset management company that Hankyu REIT has selected to manage its assets (hereafter the “Asset Management Company”), today decided to make the following transfer of assets (hereafter the “Transfer”).

Details

1. Overview of Transfer

Name of asset to be transferred	Namba-Hanshin Building	Richmond Hotel Hamamatsu	Total
Type of asset to be transferred	Real estate trust beneficiary interests	Real estate trust beneficiary interests	—
Acquisition date	January 22, 2009	January 22, 2009	
Facility (Type of use)	Mixed-use (complex) facility	Retail-use facility	
Proposed transfer price (Note 1)	3,230 million yen	2,200 million yen	5,430 million yen
Book value (Note 2)	3,836 million yen	1,454 million yen	5,290 million yen
Difference between proposed transfer price and book value	-606 million yen	745 million yen	139 million yen
Appraisal value (Note 3)	2,600 million yen	2,160 million yen	4,760 million yen
Proposed contract date	March 11, 2016		—
Proposed transfer date	April 8, 2016 (Note 4)		
Proposed transferee	See “5. Overview of Transferees” later in this document		

Note 1: Excluding transfer-related expenses, the amount of the settlement of property tax and city planning tax, and consumption tax, among others.

Note 2: The projected value at the proposed transfer date, rounded down to the nearest million yen.

Note 3: Appraisal organization of Namba-Hanshin Building: Daiwa Real Estate Appraisal Co., Ltd. (Date of appraisal: February 20, 2016)

Appraisal organization of Richmond Hotel Hamamatsu: Rich Appraisal Institute Co., Ltd. (Date of appraisal: February 20, 2016)

Note 4: In the agreement to transfer beneficiary interests concluded with the respective proposed transferee the parties have agreed to such provisions as that, in cases where the agreement on transfer pertaining to trust beneficiary interests of the other party ends or expires for any reason whatsoever, said agreement to transfer beneficiary interests shall also cease to be effective as a matter of course.

2. Reason for Transfer

With establishment of a new Investment Planning Office at the Asset Management Company in April 2015 for the purpose of enhancing portfolio management and such, Hankyu REIT has been continuing to consider measures for enhancement of portfolio quality as part of its growth strategies.

Under such circumstances, pursuing a stronger portfolio structure through bulk transfer of the concerned two properties—the yield after depreciation of which is lower than the average and the level of contribution to distributions of which is low out of the properties in the Hankyu REIT portfolio—this time and then aiming for new property acquisition using the transfer proceeds are judged to serve to realize the growth strategies of Hankyu REIT.

Furthermore, the Transfer is expected to not only enhance the average NOI yield and the average yield after depreciation but also eliminate the unrealized loss of Namba-Hanshin Building and thereby lead to greater unrealized income of the entire portfolio.

[Impact on portfolio]

	Before transfer (A)	After transfer (B) (Note 5)	Difference (B - A)
Number of properties	23 properties	21 properties	-2 properties
Asset scale (Note 1)	139,307 million yen	132,897 million yen	-6,410 million yen
Unrealized income/loss (Note 2)	8,479 million yen	9,066 million yen	587 million yen
Average NOI yield (Note 3)	4.8%	4.9%	0.1 pt
Average yield after depreciation (Note 4)	3.4%	3.6%	0.2 pt

Note 1: Asset scale is the sum total of acquisition price.

Note 2: The difference between appraisal value and book value as of the end of the 21st fiscal period (end of November 2015).

Note 3: The figure arrived at when the sum total of the amount of property lease operating revenues minus property lease operating costs plus depreciation is divided by acquisition price based on actual results for the 21st fiscal period (fiscal period ended November 2015) and budget for the 22nd fiscal period (fiscal period ending May 2016) (the figures of the forecasts of the conditions surrounding the management of Hankyu REIT's assets for the fiscal period ending May 2016 announced in the "Financial Results for the 21st Fiscal Period from June 1, 2015 to November 30, 2015"; the same shall apply hereafter).

Note 4: The figure arrived at when the sum total of the amount of property lease operating revenues minus property lease operating costs is divided by acquisition price based on actual results for the 21st fiscal period (fiscal period ended November 2015) and budget for the 22nd fiscal period (fiscal period ending May 2016).

Note 5: Calculated on the basis that there are no changes in cash flows, appraisal value, etc., from those before transfer in the case of the properties other than the properties to be transferred.

3. Use of Transfer Proceeds

The planned use of transfer proceeds is allocation to funds for acquisition of new properties in the future, etc.

4. Details of Assets to be Transferred

(1) Namba-Hanshin Building

Property name		Namba-Hanshin Building			
Type		Trust beneficiary interests			
Location (Address)		4-7-14 Namba, Chuo-ku, Osaka			
Acquisition date		January 22, 2009			
Land	Building coverage	80%	Building	Month/Year built	March 1992
	Floor area ratio	1,000%		Structure / Floors	Steel-frame, steel-frame reinforced concrete structure with flat roof / 2 underground levels, 11 floors
	Zone use	Commercial district		Use	Office, store and parking garage space
	Lot area	971.61 m ²		Total floor area	9,959.01 m ²
	Form of ownership	Right of ownership		Form of ownership	Right of ownership
	Tenant details				
Total number of tenants		1 (20) (Note 1)			
Total rent income		266 million yen (Note 2)			
Security deposits		139 million yen (Note 3)			
Leasable area		9,959.01 m ² (6,452.69 m ²) (Note 4)			
Leased area		9,959.01 m ² (6,192.06 m ²) (Note 4)			
Occupancy rate		100% (96.0%) (Note 5)			

Note 1: The total number of tenants is considered as 1 because the property is entirely leased to tenants under the pass-through master lease method. In parentheses is the total number of end-tenants as of today.

Note 2: The sum total of the actual figures for the 20th fiscal period (fiscal period ended May 2015) and the 21st fiscal period (fiscal period ended November 2015).

Note 3: The sum total of the amount specified in the lease agreement as of today. The amount is rounded down to the nearest million yen. Storage, parking garage space, machinery room, etc., are not included.

Note 4: The leasable area and leased area are both the contractual area specified in the master lease agreement. The leasable area in parentheses is the area thought to be leasable to end-tenants as of today and the leased area in parentheses is the sum total of the contractual area specified in the lease agreement with end-tenants as of today. Storage, parking garage space, machinery room, etc., are not included.

Note 5: The ratio of leased area to leasable area as of today. The occupancy rate in parentheses is the occupancy rate calculated on the basis that the leasable area is the area thought to be leasable to end-tenants as of today and the leased area is the leased area specified in the lease agreement with end-tenants as of today. The rates are rounded to one decimal place. Storage, parking garage space, machinery room, etc., are not included.

(2) Richmond Hotel Hamamatsu

Property name		Richmond Hotel Hamamatsu			
Type		Trust beneficiary interests			
Location (Address)		218-1 Motoshiro-cho, Naka-ku, Hamamatsu			
Acquisition date		January 22, 2009			
Land	Building coverage	80%	Building	Month/Year built	September 2002
	Floor area ratio	600%		Structure / Floors	Steel-frame structure with flat roof / 11 floors
	Zone use	Commercial district		Use	Hotel and store
	Lot area	1,264.43 m ²		Total floor area	6,995.33 m ² (Note 1)
	Form of ownership	Right of ownership		Form of ownership	Right of ownership
Tenant details					
Total number of tenants		1 (Note 2)			
Principal tenant		RNT HOTELS Co., Ltd.			
Total rent income		Undisclosed (Note 3)			
Security deposits		Undisclosed (Note 3)			
Leasable area		6,995.33 m ² (Note 4)			
Leased area		6,995.33 m ² (Note 4)			
Occupancy rate		100% (Note 5)			

Note 1: Including the area of 4 annexed buildings (1 parking garage and 3 changing rooms) totaling 114.24 m².

Note 2: The total number of tenants is considered as 1 because the property is entirely leased to tenants under the master lease method.

Note 3: The Asset Management Company decided not to disclose these items as no consent has been obtained from the tenants for the disclosure of rents, etc. and there is a possibility that the disclosure of actual Total rent income and Security deposits will affect its competitiveness and damage the interests of unitholders.

Note 4: The area specified in the registry as of today.

Note 5: The ratio of leased area to leasable area as of today.

5. Overview of Transferees

(1) Namba-Hanshin Building

The name, etc., are undisclosed as consent has not been obtained from the transferee, which is a domestic corporation. Please note that there are no capital relationships, personnel relationships or business relationships to be specially noted between Hankyu REIT or the Asset Management Company and the Corporation. In addition, the Corporation does not fall under the definition of "related party."

(2) Richmond Hotel Hamamatsu

Name	MG Leasing Corporation
Location	2-1-1 Hitotsubashi, Chiyoda-ku, Tokyo
Title and name of representative	Shigemasa Sonobe, President & CEO
Business activities	General leasing and related business

Capital	4,500 million yen
Date of establishment	December 1993
Net assets	10,467 million yen
Total assets	111,587 million yen
Major shareholders and their shareholding ratio	Sumitomo Mitsui Finance and Leasing Co., Ltd. (Shareholding ratio: 55%) Marubeni Corporation (Shareholding ratio: 45%)
Relationship between Hankyu REIT or the Asset Management Company and the Company	
Capital relationships	There are no capital relationships to be stated between Hankyu REIT or the Asset Management Company and the Company.
Personnel relationships	There are no personnel relationships to be stated between Hankyu REIT or the Asset Management Company and the Company.
Business relationships	There are no business relationships to be stated between Hankyu REIT or the Asset Management Company and the Company.
Applicability as related party, etc.	The Company does not fall under the definition of “related party” of Hankyu REIT or the Asset Management Company.

6. Overview of Intermediary

The name, etc., are undisclosed as consent has not been obtained from the intermediary, which is a domestic corporation. Please note that there are no capital relationships, personnel relationships or business relationships to be specially noted between Hankyu REIT or the Asset Management Company and the Corporation. In addition, the Corporation does not fall under the definition of “related party.”

7. Transfer Schedule

March 10, 2016	Resolution of transfer of two properties at the Asset Management Company's board of directors' meeting
March 11, 2016 (planned)	Conclusion of agreement to transfer beneficiary interests of two properties
April 8, 2016 (planned)	Transfer of two properties

8. Transactions with Interested Parties, etc.

Not applicable.

9. Future Outlook

Concerning the forecasts of the conditions surrounding the management of Hankyu REIT's assets for the fiscal period ending May 2016 (22nd fiscal period: December 1, 2015 to May 31, 2016) announced in the “Financial Results for the 21st Fiscal Period from June 1, 2015 to November 30, 2015” dated January 22, 2016, as a result of factoring in the net gain on transfer, intermediary fees and other transfer-related expenses, etc., arising from the Transfer, the impact on property lease operating income, etc., is expected to be minimal and the distribution forecast is not expected to increase by 5% or more and there is thus no revision to the forecasts for such.

- The Japanese original document was distributed to press clubs within the Tokyo Stock Exchange (Kabuto Club), Osaka Securities Exchange, and the Ministry of Land, Infrastructure, Transport and Tourism, and to the press club of the construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.

- Hankyu REIT website: <http://www.hankyu-reit.jp/eng/>

<Attached Materials>

- Reference Material 1 Overview of Appraisal Report of Assets to be Transferred
- Reference Material 2 Table of Real Estate Portfolio After the Asset Transfer

• Reference Material 1

Overview of Appraisal Report of Assets to be Transferred

(1) Namba-Hanshin Building

Property name	Namba-Hanshin Building
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Appraisal value	2,600,000,000 yen
Appraisal organization	Daiwa Real Estate Appraisal Co., Ltd.
Date of appraisal	February 20, 2016

Item	Value	Basis for valuation
Value indicated by the income approach	2,600,000,000 yen	
Value using the direct capitalization method	2,730,000,000 yen	
(1) Operating revenues (a + b - c)	304,305,192 yen	
a. Income from rental fees, etc.	265,391,520 yen	Assessment based on the appropriate rent level recognized to be stable over the medium to long term
b. Other income	58,550,200 yen	Recorded utilities and other income
c. Loss from non-occupancy, etc.	19,636,528 yen	Assessment based on assumption that the occupancy rate level will be stable over the medium to long term
(2) Operating costs (a + b + c + d + e + f)	136,454,181 yen	
a. Maintenance/Administrative fees, etc.	46,175,300 yen	Assessment based on existing agreement content and taking as reference the maintenance/administrative fees, etc. level of similar real estate
b. Utilities	34,771,400 yen	Assessment based on past actual amount and taking as reference the utilities level of similar real estate
c. Repairs	14,610,150 yen	Assessment based on level of repair expenses of similar real estate
d. Public charges and taxes	37,671,080 yen	Assessment based on actual amount
e. Casualty insurance premiums	1,400,451 yen	Assessment based on actual amount
f. Other expenses	1,825,800 yen	Recorded by assessment of property management fees
(3) Net operating income (NOI = (1) - (2))	167,851,011 yen	
(4) Operating profit on deposit and security	2,938,300 yen	Assessment taking into consideration the investment management yield from the perspective of both the investment management aspect and procurement aspect
(5) Capital expenditures	34,090,350 yen	Assessment based on level of renewal expenses of similar real estate
(6) Net cash flow (NCF = (3) + (4) - (5))	136,698,961 yen	
(7) Capitalization rate	5.0%	Assessment taking into consideration the appraised real estate's location conditions, building conditions, agreement conditions, etc. in a comprehensive manner
Value using the discounted cash flow (DCF) method	2,540,000,000 yen	
Discount rate	4.8%	Assessment taking into consideration the long-term financial instruments investment yield, borrowing interest rates, risks as an investment target, etc.
Terminal capitalization rate	5.2%	Assessment taking into consideration the appraised real estate's location conditions, building conditions and agreement conditions in a comprehensive manner
Value indicated by the cost approach	2,630,000,000 yen	
Land ratio	56.4%	
Building ratio	43.6%	

Special items to consider at the time of making adjustments to provisional calculations and deciding the appraisal value	The appraisal decision was based on an assessment of the value indicated by the income approach using both the direct capitalization method and DCF method at 2,600,000,000 yen and taking as reference the value indicated by the cost approach. As a result, the appraisal value was decided at 2,600,000,000 yen.
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The appraisal value of real estate is no more than an indication of the opinion of the value of the appraised real estate at the time of the appraisal conducted by the real estate appraiser in accordance with the Act on Real Estate Appraisal, Real Property Appraisal Standards, etc. There are cases where another appraisal of the same real estate may result in a different appraisal value, depending on the real estate appraiser conducting the appraisal and the method or timing of the appraisal. Furthermore, the appraisal of real estate is neither a guarantee nor an obligation, now or into the future, of a sale or purchase at that appraisal value.

(2) Richmond Hotel Hamamatsu

Property name	Richmond Hotel Hamamatsu
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Appraisal value	2,160,000,000 yen
Appraisal organization	Rich Appraisal Institute Co., Ltd.
Date of appraisal	February 20, 2016

Item	Value	Basis for valuation
Value indicated by the income approach	2,160,000,000 yen	
Value using the direct capitalization method	2,180,000,000 yen	
(1) Operating revenues	Undisclosed (Note)	
(2) Operating costs	Undisclosed (Note)	
(3) Net operating income (NOI = (1) - (2))	132,768,795 yen	
(4) Operating profit on deposit and security	2,960,000 yen	Assessment based on management of security deposits with annual return of 2.0%
(5) Capital expenditures	11,615,000 yen	Assessment based on engineering report
(6) Net cash flow (NCF = (3) + (4) - (5))	124,113,795 yen	
(7) Capitalization rate	5.7%	
Value using the discounted cash flow (DCF) method	2,150,000,000 yen	
Discount rate	5.5%	
Terminal capitalization rate	5.9%	
Value indicated by the cost approach	1,410,000,000 yen	
Land ratio	25.7%	
Building ratio	74.3%	

Special items to consider at the time of making adjustments to provisional calculations and deciding the appraisal value	The subject real estate is Richmond Hotel Hamamatsu located about 1 km north-west of Hamamatsu Station on JR Lines (Tokaido Shinkansen and Tokaido Main Lines) and about 160 m south-east from Hamamatsu City Hall. The subject neighborhood is a commercial district in which store, office and other buildings are concentrated along National Route 152. The value using the DCF method was based on assessment of the value indicated by the income approach using the DCF method with the discount rate and terminal capitalization rate used to calculate the present value as 5.5% and 5.9%, respectively. The value using the direct capitalization method was based on assessment of the value indicated by the income approach using the direct capitalization method with net income in the first fiscal year as the standard net income of a stable period and capitalization rate as 5.7%. In this appraisal, the appraisal value was decided with a weighting towards the value using the DCF method.
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The appraisal value of real estate is no more than an indication of the opinion of the value of the appraised real estate at the time of the appraisal conducted by the real estate appraiser in accordance with the Act on Real Estate Appraisal, Real Property Appraisal Standards, etc. There are cases where another appraisal of the same real estate may result in a different appraisal value, depending on the real estate appraiser conducting the appraisal and the method or timing of the appraisal. Furthermore, the appraisal of real estate is neither a guarantee nor an obligation, now or into the future, of a sale or purchase at that appraisal value.

Note: The Asset Management Company decided not to disclose these items as no consent has been obtained from the tenants for the disclosure of rents, etc., the assessment is based on actual results for reference and there is a possibility that disclosure of these items will affect its competitiveness and damage the interests of unitholders.

• Reference Material 2

Table of Real Estate Portfolio After the Asset Transfer

Property Code (Note)	Property Name	Facility (Type of Use)	Region	Acquisition Date	Acquisition Price (million yen)	Investment Ratio
R1 (K)	HEP Five (14% of the quasi co-ownership of the trust beneficiary interests)	Retail	Kansai	February 1, 2005	6,468	4.9%
R2 (K)	Kitano Hankyu Building	Retail	Kansai	February 1, 2005	7,740	5.8%
R3 (K)	Dew Hankyu Yamada	Retail	Kansai	February 1, 2005	6,930	5.2%
R4 (K)	Takatsuki-Josai Shopping Center	Retail	Kansai	November 15, 2005	8,600	6.5%
R5 (K)	Nitori Ibaraki-Kita Store (site)	Retail	Kansai	March 29, 2006	1,318	1.0%
R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Retail	Other	October 2, 2006	2,170	1.6%
				April 9, 2007	5	
R8	Hotel Gracery Tamachi	Retail	Other	December 25, 2008	4,160	3.1%
R9 (K)	LaLaport KOSHIEEN (site)	Retail	Kansai	January 22, 2009	7,350	5.5%
R10	Richmond Hotel Hamamatsu	Retail	Other	Transfer	-	-
R11 (K)	HANKYU NISHINOMIYA GARDENS (28% of the quasi co-ownership of the trust beneficiary interests)	Retail	Kansai	April 16, 2013	18,300	13.8%
R12 (K)	AEON MALL SAKAIKITAHANADA (site)	Retail	Kansai	June 27, 2013	8,100	6.1%
R13 (K)	MANDAI Toyonaka Honan Store (site)	Retail	Kansai	June 27, 2013	1,870	1.4%
R14 (K)	DAILY QANAT Izumiya Horikawa Marutamachi Store (site)	Retail	Kansai	June 4, 2014	3,100	2.3%
R15 (K)	kotocross Hankyu Kawaramachi	Retail	Kansai	June 4, 2014	2,770	2.1%
R16 (K)	LIFE Shimoyamate Store (site)	Retail	Kansai	June 4, 2014	1,421	1.1%
R17 (K)	MANDAI Gojo Nishikoji Store (site)	Retail	Kansai	June 24, 2014	4,182	3.1%
	Subtotal				84,484	63.6%
O1	Shiodome East Side Building	Office	Other	February 29, 2008	19,025	14.3%
O2 (K)	Hankyu Corporation Head Office Building	Office	Kansai	April 10, 2013	10,200	7.7%
	Subtotal				29,225	22.0%
M1 (K)	Ueroku F Building	Complex	Kansai	November 1, 2005	2,980	2.2%
M2	Sphere Tower Tennozu (33% of the quasi co-ownership of the trust beneficiary interests)	Complex	Other	October 2, 2007	9,405	7.1%
M3 (K)	LAXA Osaka	Complex	Kansai	January 22, 2009	5,122	3.9%
M4 (K)	Namba-Hanshin Building	Complex	Kansai	Transfer	-	-
M5	Kita-Aoyama 3 cho-me Building	Complex	Other	November 12, 2013	1,680	1.3%
	Subtotal				19,187	14.4%
	Total				132,897	100.0%

Note: 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 numbers are assigned to each facility in the chronological order of the acquisition. Also, the letter "K" in parentheses to the right of the numerals indicates that the property is located in the Kansai region.