

For Immediate Release

REIT Issuer

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Notice Concerning Revision to the Forecasts of Financial Results and Distribution
for the Fiscal Periods Ending May 31, 2020 and November 30, 2020

Hankyu Hanshin REIT, Inc. (hereafter “HHR”) hereby announces a revision to its forecasts of financial results and distribution for the fiscal periods ending May 2020 (30th fiscal period: December 1, 2019 to May 31, 2020) and November 2020 (31st fiscal period: June 1, 2020 to November 30, 2020) which were disclosed on January 23, 2020 in the “Hankyu Hanshin REIT, Incorporated Financial Results for the 29th Fiscal Period From June 1, 2019 to November 30, 2019” as detailed below.

Details

1. Revision to the Forecasts of Financial Results and Distribution for the Fiscal Period Ending May 2020
(30th fiscal period: December 1, 2019 to May 31, 2020)

	Operating revenues	Operating income	Ordinary income	Net income	Distribution per unit (not including distribution in excess of earnings)	Distribution in excess of earnings per unit
Prior forecast (A)	5,962 million yen	2,567 million yen	2,205 million yen	2,203 million yen	3,170 yen	-
Revised forecast (B)	6,625 million yen	2,788 million yen	2,427 million yen	2,425 million yen	3,170 yen	-
Change (B-A)	662 million yen	221 million yen	221 million yen	221 million yen	-	-
Rate of change (B-A) / A	11.1%	8.6%	10.1%	10.1%	-	-

Notes: 1. Total number of investment units issued and outstanding at the end of the 30th fiscal period:
695,200 (planned)

2. Figures are rounded down to the nearest specified unit. Percentage figures are rounded to one decimal place. The same applies hereafter.

3. A certain amount of unappropriated retained earnings is retained internally by applying the reduction entry method, and roughly the total amount of the balance after deducting the relevant internal reserve from unappropriated retained earnings will be distributed.

2. Revision to the forecasts of Financial Results and Distribution for the Fiscal Period Ending November 2020 (31st fiscal period: June 1, 2020 to November 30, 2020)

	Operating revenues	Operating income	Ordinary income	Net income	Distribution per unit (not including distribution in excess of earnings)	Distribution in excess of earnings per unit
Prior forecast (A)	6,044 million yen	2,544 million yen	2,170 million yen	2,169 million yen	3,120 yen	-
Revised forecast (B)	6,127 million yen	2,607 million yen	2,242 million yen	2,240 million yen	3,140 yen	-
Change (B-A)	82 million yen	63 million yen	71 million yen	71 million yen	20 yen	-
Rate of change (B-A) / A	1.4%	2.5%	3.3%	3.3%	0.6%	-

Notes: 1. Total number of investment units issued and outstanding at the end of the 31st fiscal period: 695,200 (planned)

2. A certain amount of unappropriated retained earnings is retained internally by applying the reduction entry method, and roughly the total amount of the balance after deducting the relevant internal reserve from unappropriated retained earnings will be distributed.

3. Reason for Revision and Announcement

There were changes in the assumptions for forecasts of financial results and distribution for the fiscal period ending May 2020 (30th fiscal period: December 1, 2019 to May 31, 2020), which had been announced in “Hankyu Hanshin REIT, Incorporated Financial Results for the 29th Fiscal Period From June 1 to November 30, 2019” dated January 23, 2020, as a result of acquisition of the assets to be acquired, transfer of the assets to be transferred as announced today in “Notice Concerning Acquisition of Domestic Real Estate, and Transfer of Domestic Real Estate Trust Beneficiary Interest and Domestic Real Estate” and new debt financing as separately announced today in “Notice Concerning Debt Financing”. In addition, a 10% or more difference from the forecasts in operating revenues is expected. Therefore, we hereby revise the forecasts considering the financial results of the properties held as of today.

Furthermore, forecasts of financial results and distribution for the fiscal period ending November 2020 (31st fiscal period: June 1, 2020 to November 30, 2020) are revised as a result of a change in the assumptions.

Note:

The above numerical forecasts are forecasts as of today based on the assumptions indicated in the attachment. Actual operating revenues, operating income, ordinary income, net income, distribution per unit (not including distribution in excess of earnings) and distribution in excess of earnings per unit may change due to future acquisition or transfer of real estate, fluctuations in the real estate market, and other change in conditions surrounding HHR. Furthermore, the forecasts do not guarantee any cash distribution amounts.

If a certain difference is expected from the forecasts above, HHR may revise them.

* HHR website: <https://www.hankyuhanshinreit.co.jp/eng/>

Assumptions for Forecasts of Financial Results and Distribution for the Fiscal Period ending May 2020 (30th Fiscal Period: December 1, 2019 to May 31, 2020) and the Fiscal Period ending November 2020 (31st Fiscal Period: June 1, 2020 to November 30, 2020)

Item	Assumption
Accounting period	30th Fiscal Period: December 1, 2019 to May 31, 2020 Operating period: 183 days 31st Fiscal Period: June 1, 2020 to November 30, 2020 Operating period: 183 days
Assets under management	- It is assumed that the three assets to be acquired will be acquired on the planned acquisition dates and that the two assets to be transferred will be transferred on the planned transfer date, as indicated in “Notice Concerning Acquisition of Domestic Real Estate, and Transfer of Domestic Real Estate Trust Beneficiary Interest and Domestic Real Estate” announced today, in addition to the 30 existing properties owned as of today. Additionally, it is assumed that there will be no changes other than these to the assets under management until the end of the 31st fiscal period (ending November 30, 2020). - The planned acquisition dates of the three assets to be acquired and the planned transfer dates of the two assets to be transferred as indicated in “Notice Concerning Acquisition of Domestic Real Estate, and Transfer of Domestic Real Estate Trust Beneficiary Interest and Domestic Real Estate” are as follows. [Planned acquisition dates] nanohana Ebisubashi (site): March 31, 2020 MANDAI Shimoshinjo Store: March 31, 2020 SHIBAURA RENASITE TOWER (equivalent of 10% co-ownership): May 28, 2020 [Planned transfer dates] Kohnan Hiroshima Nakano-Higashi Store (site): March 19, 2020 Hotel Gracery Tamachi (equivalent of 90% quasi co-ownership): May 28, 2020 (equivalent of 10% quasi co-ownership): August 28, 2020 - However, these assumptions may change if there are any changes in the assets under management.
Operating revenues	- Calculated based on lease agreements currently in effect for the existing 30 properties and based on lease agreements scheduled to take effect on the planned acquisition dates for the three assets to be acquired, taking into consideration portfolio property competitiveness, market conditions and other factors. Also, with regard to other factors that might change such as variable revenue or contract cancellation notices, we have made calculations taking into account a reasonable margin for fluctuation in the reported figures based on past financial results and the conditions of individual tenants. - It is assumed that there are no rents in arrears or delinquency of tenants. - As stated in “Assets under management” above, Hotel Gracery Tamachi (equivalent of 90% quasi co-ownership) is scheduled to be transferred on May 28, 2020, and gain on sale of investment property of 659 million yen is expected for the 30th fiscal period. Furthermore, Hotel Gracery Tamachi (equivalent of 10% quasi co-ownership) is scheduled to be transferred on August 28, 2020, and gain on sale of investment property of 74 million yen is expected for the 31st fiscal period.

Operating expenses	- Expenses of real estate rent that are principal operating expenses are calculated based on past financial results (excluding depreciation costs of the existing 30 properties) reflecting factors that might affect expenses. Also, expenses other than the depreciation costs of the three assets to be acquired are calculated by reflecting factors that might affect expenses and taking into consideration the information provided by the current owners and lease agreements scheduled to take effect on the planned acquisition dates of the three assets to be acquired. - Public charges such as property tax, city planning tax, and other taxes are estimated to be 585 million yen for the 30th fiscal period and 578 million yen for the 31st fiscal period. In general, public charges such as property tax, city planning tax, and other taxes applicable in the fiscal year of acquisition are calculated on a pro rata basis as of the time of acquisition and shared between the buyer and seller. However, they will not be recorded as expenses upon acquisition as HHR capitalizes the amount of these taxes into the acquisition cost. In addition, as for the three assets to be acquired, the total amount of public charges such as property tax, city planning tax, and other taxes capitalized into the acquisition cost is estimated to be 12 million yen. - Repair and maintenance expenses of buildings are estimated to be 143 million yen for the 30th fiscal period and 207 million yen for the 31st fiscal period. The actual repairs and maintenance expenses may, however, differ significantly from the amount estimated, as a substantial amount of unexpected contingent repairs and maintenance expenses may be required, and these expenses differ significantly between fiscal years, and are not incurred on a regular basis. - Outsourcing fees for property/facility management are estimated to be 492 million yen for the 30th fiscal period and 519 million yen for the 31st fiscal period. - Depreciation costs, including incidental expenses and capital expenditures expected in each fiscal period, are calculated using the straight line method and are estimated to be 1,021 million yen for the 30th fiscal period and 1,014 million yen for the 31st fiscal period. - Operating expenses other than expenses of real estate rent (asset management fees, asset custodian fees, and administrative service fees) are estimated to be 591 million yen for the 30th fiscal period and 572 million yen for the 31st fiscal period. - As stated in "Assets under management" above, Kohnan Hiroshima Nakano-Higashi Store (site) is scheduled to be transferred on March 19, 2020, and loss on sale of investment property of 401 million yen is expected for the 30th fiscal period.
Non-operating expenses	Interest expenses and finance-related costs are estimated to be 361 million yen for the 30th fiscal period and 365 million yen for the 31st fiscal period.
Interest-bearing debt	- HHR's balance of interest-bearing debt as of today is 73,900 million yen, out of which 69,900 million yen is debt financing and 4,000 million yen is investment corporation bonds. - It is assumed that in addition to the interest-bearing debt above, new debt financing of 1,500 million yen on March 31, 2020 will be implemented as indicated in "Notice Concerning Debt Financing" separately announced today, as well as that there will be no increase or decrease in the balance of interest-bearing debt of 75,400 million yen on and after March 31, 2020. - Short-term borrowings of 5,000 million yen due in the 30th fiscal period were fully refinanced. - It is assumed that long-term borrowings of 5,000 million yen and short-term borrowings of 4,500 million yen due in the 31st fiscal period will be fully refinanced. - It is assumed that the outstanding balance of investment corporation bonds will be 4,000 million yen and that there will be no increase or decrease until the end of the 31st fiscal period. Moreover, there are no investment corporation bonds

	due for redemption until the end of the 31st fiscal period.
Investment units	• It is assumed that there will be no issuance of new investment units until the end of the 31st fiscal period (November 30, 2020) in addition to the total of 695,200 investment units issued and outstanding as of today. • Net income and distribution per unit are calculated based on the estimated total number of investment units issued and outstanding of 695,200 as of the end of the 30th and 31st fiscal periods.
Distribution per unit (not including distribution in excess of earnings)	• Distribution per unit is calculated based on the cash distribution policy set forth in the HHR's Articles of Incorporation. • It is assumed that by applying the "Special Provision for Taxation on Replacement of Specified Assets" (Article 65-7 of the Act on Special Measures concerning Taxation), 221 million yen out of the estimated gain on sale of investment property of 659 million yen to be recognized in the 30th fiscal period and 57 million yen out of the estimated gain on sale of investment property of 74 million yen to be recognized in the 31st fiscal period as a result of transfer of Hotel Gracery Tamachi will be reserved as reserves for tax purpose reduction entry. • Distribution per unit may change due to change in rental income resulting from a change in assets under management, a change in tenants, or other factors including unexpected repairs.
Distribution in excess of earnings per unit	• There is no plan to conduct distribution in excess of earnings per unit.
Other	• It is assumed that there will be no revisions to the laws and regulations, taxation system, accounting standards, exchange listing rules, or The Investment Trusts Association's regulations that will influence the above financial forecasts. • It is assumed that there will be no significant unforeseen changes in general economic trends or the real estate market, etc.