



For Immediate Release

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Notice Concerning Partial Change to the Internal Rules (Management Guidelines)
of Asset Management Company

Hankyu Hanshin REIT, Inc. (hereafter “HHR”) hereby notifies that the Board of Directors of Hankyu Hanshin REIT Asset Management Inc., the asset management company that HHR has selected to manage its assets (hereafter the “Asset Management Company”) has decided to change part of its management guidelines (hereafter “Management Guidelines”), which are the internal rules governing the management of HHR’s assets. The details are described below.

1. Reasons for Change

As people’s lifestyles or patterns of living change due to the COVID-19 pandemic, there has also been a significant change in their purchasing behavior. The percentage of e-commerce, in which businesses receive orders from individuals through the Internet and deliver products to consumers through logistics facilities, is increasing in Japan.

HHR believes that the importance of community-based retail facilities remains high as they offer a diverse range of products that are essential to our daily lives and they play an important role as basic infrastructure where people tend to purchase fresh food and other commodities at physical stores. In addition, HHR expects that urban retail facilities in prime locations in the city center will regain business vibrancy as people expand their scope of activities in the post-coronavirus phase. Thus we consider that together with community-based retail facilities, urban retail facilities will remain as priority assets for HHR as before.

On the other hand, HHR believes that logistic facilities for delivery service to consumers, etc. will continue to develop, as e-commerce transactions are increasing due to the rise in on-line consumption from home, which is called “stay-at-home demand”. Therefore HHR sees such assets as one of the asset types attracting more attention since the outbreak of the infection, and has carefully considered further investment in them.

Moreover, the request to refrain from going out for the purpose of preventing the spread of COVID-19 infections has brought changes to people’s ideas about housing, which seem to be gaining a foothold. While the needs for housing has been diversified, such as a desire for comfort, convenience and flexibility to adapt to a working-from-home lifestyle, investment in rental housing in a good location is rising, in expectation of stable cash flow. Thus HHR is focusing on this type of asset, considering that it will contribute to improving

the quality of its portfolio.

Under such external circumstances, HHR has decided to allow investment in logistics facilities, which undertake the role of delivering products to shops and consumers, and rental housing, within a certain limit. To this end, the Management Guidelines are modified to allow individual investment in such targets under the category of “Other facilities”.

2. Overview of Change

(1) Expansion of Investment Target

In addition to “Retail-use facility”, “Office-use facility” and “Complex facility”, in which these two types coexist, “Other facility” is newly established as a category of the investment targets of HHR. “Other facility” refers to a facility at which more than 50% of its total rent income is derived from zones for uses that are not included either retail-use zones or office-use zones.

As for “Other facility”, the Asset Management Company may invest in those that conform to the basic policy of HHR, after carefully examining the content of each investment target. In principle, investment in “Zones for other use” is allowed when they are logistics facilities or residences; however, investment in such zones is also allowed only when they are attached to or part of the facilities listed above (note that “Other facility” here refers only to those that have logistics facilities or residences as their main zone).

In principle, investment in “Zones for other use” shall be 10% or less (based on the acquisition price) as of each fiscal period.

(2) Investment Criteria for Other Facility

The main investment criteria for other facility are as follows.

	Other facilities
Site Location	For logistics facilities, the situation of competing facilities and ease of securing workers shall be comprehensively taken into account. For residences, current and future population, number of households, living convenience such as educational facilities, government offices or hospitals, condition of sunshine, views and scenery, notability and reputation of the area, etc. shall be comprehensively taken into account.
Traffic Access	For logistics facilities, current and future accessibility including proximity to expressways, port areas, industrial parks and consumption areas shall be comprehensively taken into account. Accessibility for workers is also considered. For residences, the facility should be within walking distance of the nearest train station in principle.
Total Floor Area	Logistics facilities, in principle, shall be 3,300m ² (about 1,000 tsubo) or larger. Residences, in principle, shall be 500m ² or larger.
Amount of Investment	In principle, for logistics facilities, one billion yen or more; for residences, 500 million yen or more (purchase price only; does not include expenses and others ancillary to the purchase).
Building Age	In principle, 30 years or less. However, if a facility fulfills the functions necessary for its use, or is considered to be able to fulfill such functions by post-acquisition improvements, HHR shall be able to acquire a property that is more than 30 years old.
Occupancy Rate	In principle, the occupancy rate shall be 80% or more. However, HHR shall be able to invest in a property with less than 80% occupancy rate if it determines, on the basis of market research or other methods, that there is an adequate chance of an increase in the occupancy rate in the future. With respect to market research, HHR shall, as necessary, commission an independent third-party institution.
Tenants	Tenants shall have credit of a certain level or more, and the amount of deposits shall be also taken into consideration. Confirmation shall be made or contractual measures shall be taken to ensure prevention of transactions with anti-social forces.

Rights and Other Matters	<p>With respect to matters concerning rights to investment-target facilities, HHR shall consider the following:</p> <ul style="list-style-type: none"> • With respect to co-ownership and quasi co-ownership, the property shall have few restrictions on disposal of ownership, the creditworthiness of other co-owners and quasi co-owners shall be sound, and the methods of operation of investment-target facilities between co-owners, or between quasi co-owners shall be established. • With respect to stratified ownership, the property shall have few restrictions on management, and there shall be no material problems in the creditworthiness of other stratified owners. • With respect to a property built on leased land, there shall be few restriction on the disposal of the building, and no special problem with the creditworthiness of the land owner. • With respect to properties with leased-land ownership, there shall be no material problems related to the details of the leased-land contract (term periods, type of leased-land rights, existence or absence of restrictions concerning disposition, etc.) and the creditworthiness of the leased-land tenant. • In principle, security interests and yoeki-ken (i.e., the right to use and derive profit or benefit from property that belongs to another person) shall not exist for the benefit of third parties except for those created for unavoidable reasons, such as those created for construction assistance fund or security deposit stipulated in the lease agreement with tenants.
Equipment Conditions	<p>With respect to equipment of investment-target facilities, such equipment is required to be equivalent to or above the standard that meets tenant needs in the use of the facility, as well as versatile and easily convertible. In addition, HHR shall conduct detailed examinations (due diligence) on the management of such equipment and to use the results as a basis for HHR's evaluation, and examine risk factors.</p>
Acquisition Price	<p>HHR shall determine the acquisition price on a case-by-case basis based on real estate appraiser's appraisal value, and by taking into account the investment criteria. However, in the case of a transaction with interested parties, HHR shall comply with criteria and procedures set forth in our Conflict of Interest Transactions Rules.</p>
Earthquake Resistance Capacity	<p>In principle, PML of individual property shall be 20% or less. However, investment shall be possible if it is expected that the property is able to fulfill requirements through post-acquisition work to strengthen earthquake resistance and others.</p>
Environmental Analysis	<p>With respect to toxic substance investigation for investment-target facilities, HHR shall conduct a careful investigation and shall review individual cases by taking into account the condition of use and other factors. With regard to residences, HHR shall only invest in a property that has been determined to have no or little possibility of soil contamination as a result of the land history investigation, or a property in which measures necessary for soil improvement etc. have been taken. With regard to logistics facilities, HHR shall invest in a property only if appropriate measures of covering have been made in addition to the measures mentioned above.</p>
Property use	<p>When logistics facilities include zones for other use such as factory use for product processing (except for cargo handling or storage use), HHR shall invest in the property only if it is possible to conclude a lease agreement concerning those zones which states that HHR would be able to avoid the management and operation risks of the entire facility. As for residences, dormitories and company housing facilities (student dormitories, dormitories for singles, dormitories for company employees, etc.) shall be considered as investment targets.</p>

3. Date of Change

December 24, 2021

4. Other

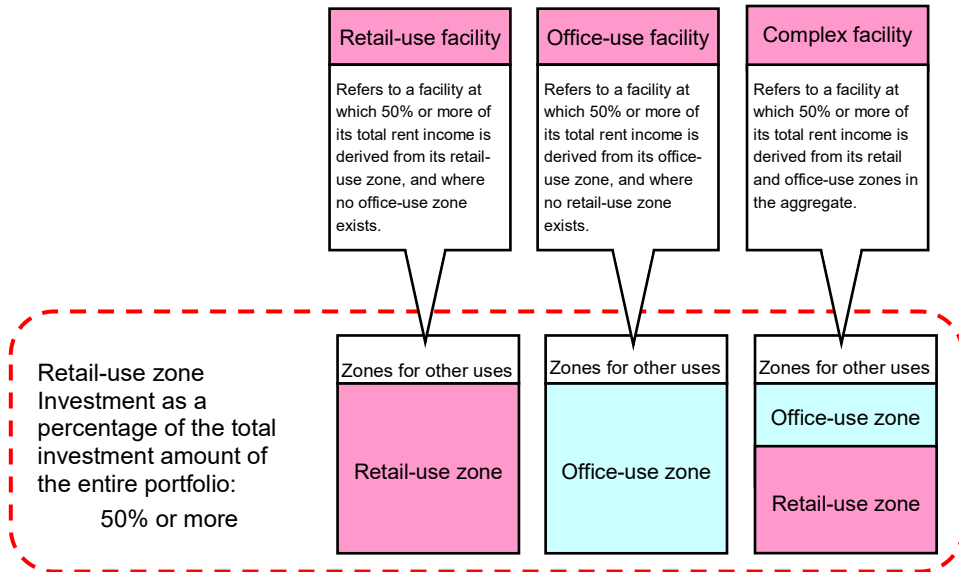
An extraordinary report was submitted today to the Director-General of the Kanto Local Finance Bureau.

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

Reference Material

<Diagram of zone categorization by property use, before and after change>

[Before Change]



[After Change]

