

Hankyu REIT, Inc. (8977)

Presentation Material Concerning Transfers of Assets, etc.

October 27, 2009

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Rapidly changing external environment

- Capital market: There was rapid deterioration in the market; the impact of the U.S. originated financial crisis became widespread, and the first J-REIT collapse occurred. Since April 2009 switching of sponsor companies in several J-REITs and the establishment of real estate market stabilization funds have turned the market towards recovery. There hasn't been any actual cases of capital increase by public offering since August 2008, but Nippon Accommodations Fund Inc. made the decision to issue on October 16, 2009.
- Real estate market: The trend of falling rent income, rising vacancy rates and falling appraisal values is continuing. Market prices of excellent properties, however, are tending not to fall any lower.
- Tendencies in the retail business: Consumers are increasingly defensive in their purchases, and there is a trend towards purchasing daily necessities and low-price goods.

Strategies for sustained growth in medium- to long-term and current issues to be addressed

Growth strategies

"Steady, sure and sound"

- Secure stable revenues in the medium- to long-term and maximize unitholders' interests.
- By leveraging the cooperation with Hankyu Hanshin Holdings Group, acquire excellent properties and achieve internal growth from existing properties to expand the scale of assets and improve the portfolio quality.

Issues to be addressed

- The LTV (Loan to Value) has risen due to sharp drop in appraisal values.
- LTV at the end of 8th fiscal period (ended May 31, 2009): 57.9%
LTV may exceed 60% (prescribed upper limit) at the end of 9th fiscal period (ending November 30, 2009).

Execute measures to resolve current financial issues and achieve sustained growth in medium- to long-term

Measures

Execute measures to lower LTV by approx. 5 points

- (1) Transfer of Hankyu Corporation Head Office Building
- (2) Transfer of HEP Five (partial transfer) (10% of Hankyu REIT's interest)
- (3) Cash management (more efficient fund management, etc.)



9th fiscal period: Large part of the loss on transfer of (1) will be offset by the gain on transfer of (2). (However, distribution forecast has been downwardly revised.)

10th fiscal period onwards: By keeping the transfer ratio of (2) to a minimum, we aim to maintain distributions and portfolio quality and strive for future growth.

Property name	Hankyu Corporation Head Office Building	HEP Five (partial transfer)	Total
Type of specific asset to be transferred(equity ratio)	Real estate trust beneficiary interest	10% of real estate trust beneficiary interests (quasi co-ownership: equity ratio 50%) (Note 1)	
Acquisition date	May 16, 2008	February 1, 2005	
Proposed transfer price	10,200 millions of yen	2,870 millions of yen	13,070 millions of yen
Appraisal value	10,200 millions of yen (as of September 30, 2009)	2,800 millions of yen (as of September 30, 2009)	13,000 millions of yen
Appraisal organization	Daiwa Real Estate Appraisal Co., Ltd	Tanizawa Sogo Appraisal Co., Ltd.	
Book value (Note 2)	11,205 millions of yen	2,230 millions of yen	13,435 millions of yen
date of conclusion of agreement	October 27, 2009	October 27, 2009	
Proposed date of agreement	November 20, 2009	November 27, 2009	
Proposed transfer date	November 25, 2009	November 27, 2009	
Transferee	Kairos Funding GK (Note 3)	Hankyu Realty Co., Ltd. (Note 4)	

(Note 1) Hankyu REIT's interest in quasi co-ownership shall change from 50% to 45%.

(Note 2) The book value is the value at the end of 8th fiscal period and different to the actual value at the time of transaction.

(Note 3) Kairos Funding GK is a special purpose company in which ZEKUTO Holdings GIA has made investments and Hankyu Corporation and others have invested for the part of anonymous associations.

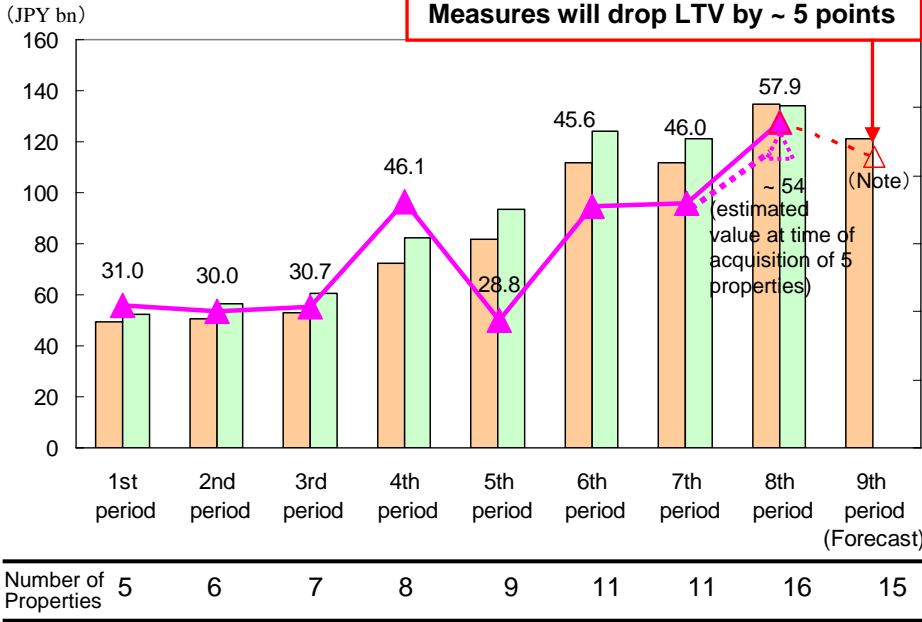
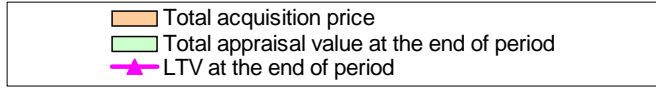
Should it sell the property, Kairos Funding GK has granted Hankyu REIT priority negotiation rights for purchase.

(Note 4) Hankyu Realty Co., Ltd. and Hankyu REIT each have 50% share in quasi co-ownership trust beneficiary interests.

* No intermediary service fees shall be paid.

3. Loan to Value Control

Changes in Asset Scale and LTV



(Note) The LTV at the end of 9th fiscal period will depend on the appraisal value and other factors at that point in time.

Loan to Value Ratio (LTV):

(amount of outstanding debts + security deposits - matched money to security deposits) ÷ (total amount of assets (*) - matched money to security deposits)

* appraisal value basis

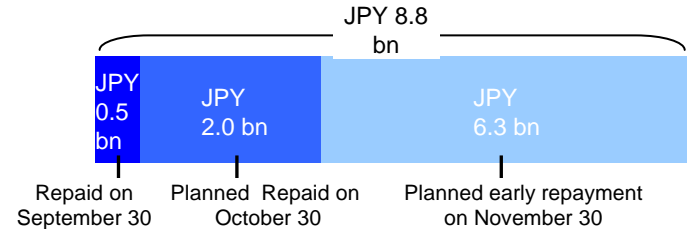
Financial conditions after execution of transfers

	As of end of 8th period	As of end of 9th period (scheduled)	change
Interest-bearing debt ratio	JPY 71.2 bn	JPY 62.4 bn	Δ JPY 8.8 bn
Utilized amount of security deposits	JPY 9.2 bn	JPY 5.2 bn	Δ JPY 4.0 bn
Total	JPY 80.4 bn	JPY 67.6 bn	Δ JPY 12.8 bn
Long-term & fixed debt ratio	80.8%	92.1%	11.3 pt

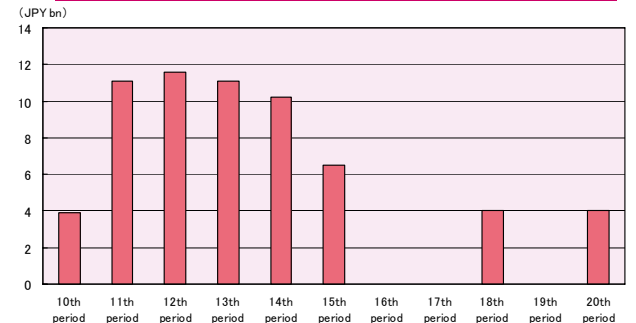
As a result of the property transfers:

- Repayment of JPY 8.8 bn in short-term borrowings
Reduce interest-bearing debt and raise the long-term and fixed debt ratio
- Reimbursement of JPY 4.0 bn in security deposits that are used as a method of fund procurement to raise fluidity of cash on hand.

Repayment breakdown of JPY 8.8 bn in short-term borrowings

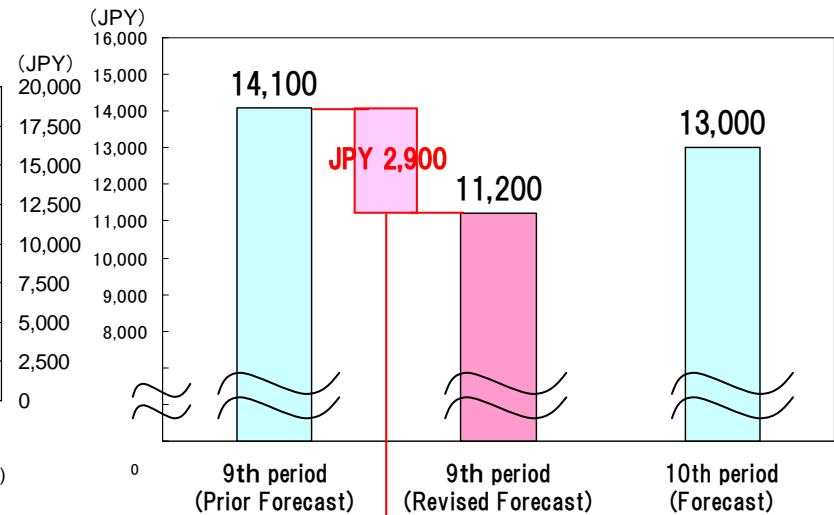
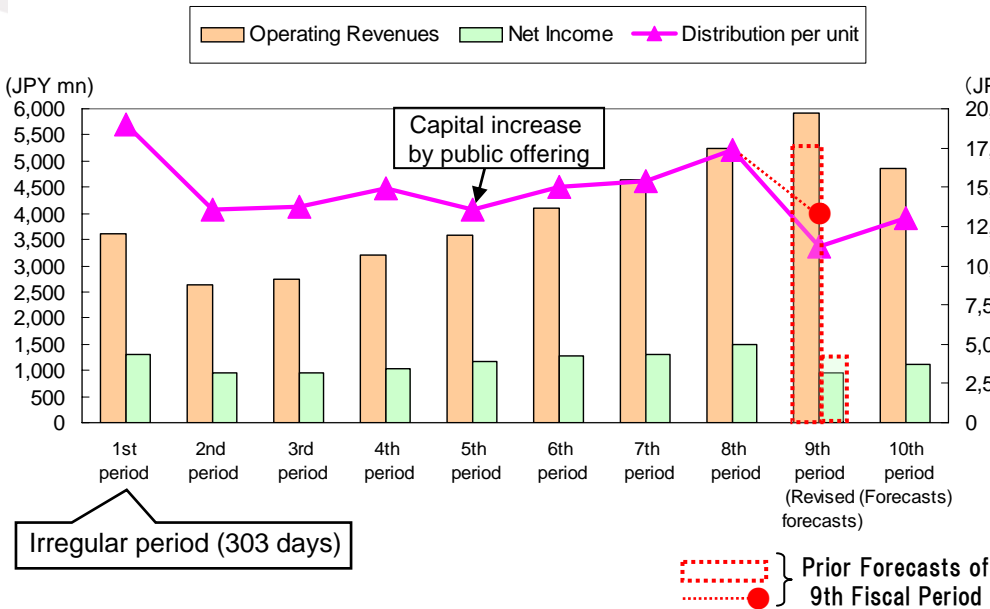


Diversification of repayment dates (end of 9th fiscal period (scheduled))



4. Forecasts of Operations

- Trends of operating revenues, net income and distribution per unit
- Factors causing change to distribution per unit forecast



- (main factors for revision)
- Forecasted loss on transfer of Hankyu Corporation Head Office Building
 - Forecasted gain on transfer of HEP Five (partial transfer)

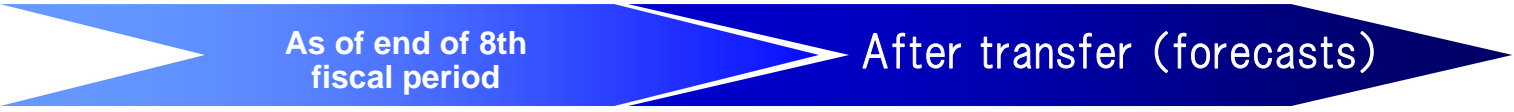
Although the distribution forecast for the 9th fiscal period has been downwardly revised, in the 10th fiscal period onwards, we will place considerable importance on maintaining distribution amounts and the portfolio quality and continue to strive for sustained growth in the medium-to long-term.

(Reference)

Difference between proposed transfer price and book value as of May 31, 2009

Hankyu Corporation Head Office Building	ΔJPY 1,005 mn
HEP Five (partial transfer)	+JPY 640 mn
Total	ΔJPY 365 mn

※The above forecasts assume the proposed amendment to the Articles of Incorporation concerning the abolishment of management remuneration 4 (remuneration upon transfer) is approved at the 5th General Unitholders' Meeting to be held on November 6, 2009 and management remuneration 4 (remuneration upon transfer) is abolished.



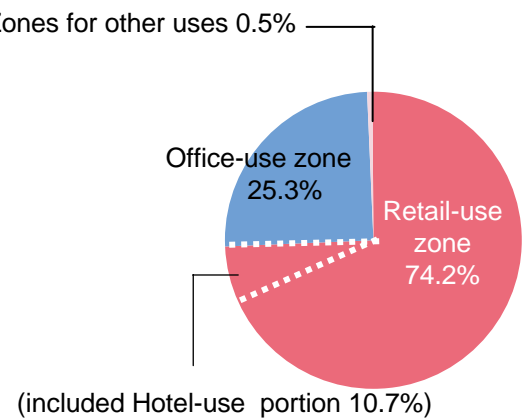
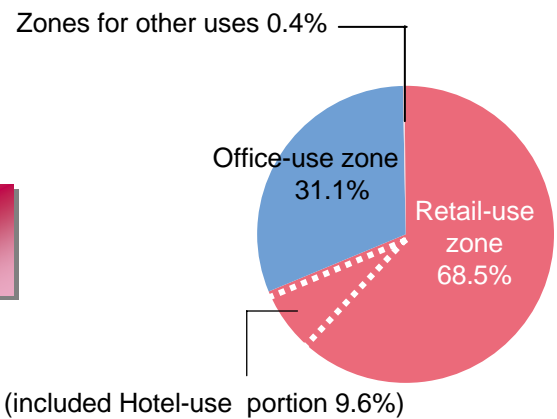
As of end of 8th fiscal period

Total assets acquisition cost : JPY 134.81 bn
 Total number of properties : 16
 PML (Probable Maximum Loss) : 2.9%

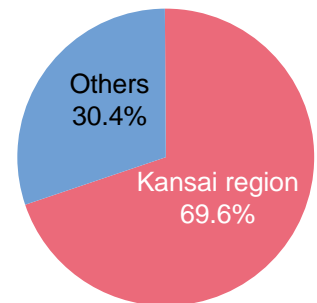
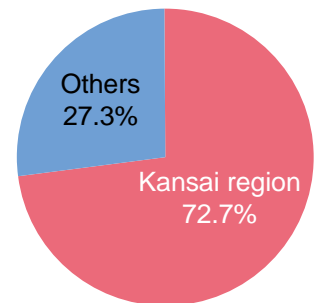
After transfer (forecasts)

Total assets acquisition cost : JPY 121.30 bn
 Total number of properties : 15
 PML (Probable Maximum Loss) : 3.1%

Investment ratio by use and zone (Note 1)



Investment ratio by region (Note 2)



(Note1) The ratios are calculated based on the acquisition price. . (For multiple-use zone properties, the amount is proportionate to the rent income and common service fees for each zone during the 8th fiscal period.)
 (Note2) The ratios are calculated based on the acquisition price.