

Hankyu REIT

Financial
Results Briefing
Materials for
5th
Fiscal Period
ended
November 2007



Hankyu REIT, Inc.
<http://www.hankyu-reit.jp>



Hankyu REIT Asset Management, Inc.
<http://www.hankyu-rt.jp>



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This material includes forward-looking statements based on present assumptions and future outlook. Actual results may differ from the includes forward-looking statements values due to various factors. This material is not intended for investment purposes. Investment decisions are on your responsibility.

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1. TOPICS

1-1. TOPICS

Steady, Sure and Sound

Sustainable growth

Overview of financial results

- Sales and income rose for the third consecutive term
- ★ Distribution per unit: 13,572 JPY (up 6.0% from the initial forecast)

External growth

- Acquisition of Sphere Tower Tennoz (JPY 9,405 mn, quasi co-ownership: 33%)
First transaction between J-REITs
- ★ Total acquisition price: JPY 81,548 mn

Business administration system

The Internal Audit Department was established in Hankyu REIT Asset Management, Inc.

Internal growth

- Leasing to a key tenant of Ueroku F Building first to third floors: A securities company, store
- ★ Occupancy rate for all properties: 99.3% (Occupancy by end-tenants)

Financial strategies

- Capital increase by public offering
No. of additional issued units: 16,000 units
Total issue value: about JPY 20,644 mn
- ★ LTV at end of fiscal period: 28.8% (LTV at end of previous fiscal period: 46.1%)

(For reference) Topics during 6th period as for the period (from December 1, 2007 to January 22, 2008)

- The issue of corporate bonds was registered (The issue registration was submitted on December 11, 2007.)
- The selling price of the Shiodome East Side Building was set at JPY 19,025 mn (To be acquired on February 29, 2008)

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2. Overview of Financial Results

2-1. Financial Highlights

(Unit: JPY mn)

Item	Forecast for 5th Fiscal Period (1) (as of Jul. 20, 2007)	Results for 5th Fiscal Period (2) (Jun. 1, 2007 to Nov. 30, 2007)	Change (2)-(1)	Results for 4th Fiscal Period (3) (Dec. 1, 2006 to May 31, 2007)	Change (2)-(3)
Operation period (days)	183	183	—	182	1
Operating revenues	3,478	3,583	104	3,211	371
Operating income	1,219	1,298	78	1,194	104
Ordinary income	1,094	1,160	65	1,039	121
Net income	1,093	1,159	65	1,037	121
Number of outstanding units at end of period (units)	85,400	85,400	—	69,400	16,000
Distribution per unit (JPY)	12,800 (Note)	13,572	772	14,955	-1,383
FFO per unit (JPY)	19,737	20,888	1,151	22,375	-1,487

Increase in lease operating revenues
(Main factor)
Acquisition of Sphere Tower Tennoz
(60 days of operation)
+ JPY 103 mn

Decrease in income due to an increase in lease
operating costs, etc.: - JPY 25 mn

(Main factors)
For Sphere Tower Tennoz: - JPY 55 mn
Decrease in lease operating costs in the existing
eight properties
Decrease in property management and
facility management fees: + JPY 16 mn
Decrease in advertising and promotion
expenses: + JPY 10 mn

Decrease in income due to an increase in
non-operating expenses, etc.: - JPY 12 mn
(Main factor)
Increase in interest due: - JPY 20 mn
(Due to a rise in borrowings to acquire
Sphere Tower Tennoz)

(Note) Since asset management results became almost clear, the distribution forecast per unit for 5th fiscal period was revised from 12,800 JPY to 13,550 JPY. The revision was announced on January 11, 2008.

2-2. Income Statement / Cash Distribution Statement

Income Statement

(Unit: JPY mn)

Item	4th Fiscal Period (Duration of investment:182days) Dec. 1, 2006 to May 31, 2007		5th Fiscal Period (Duration of investment:183days) Jun. 1, 2007 to Nov. 30, 2007		Change
	Amount	Percentage	Amount	Percentage	
	1. Operating revenues	3,211	100.0	3,583	
Lease operating revenues	3,211		3,583		
2. Operating expenses	2,017	62.8	2,284	63.8	267
Lease operating costs	1,801		2,015		
Asset management remuneration	156		199		
Officer remuneration	3		3		
Asset consignment remuneration	8		11		
Administrative agency remuneration	16		22		
Auditor remuneration	7		7		
Other expenses	24		23		
Operating income	1,194	37.2	1,298	36.2	104
3. Non-operating revenues	1	0.1	7	0.2	5
Interest earned	1		6		
Other non-operating revenues	0		1		
4. Non-operating expenses	156	4.9	145	4.0	-10
Interest due	108		105		
Units issuing expenses	36		30		
Loan related expense	11		9		
Ordinary income	1,039	32.4	1,160	32.4	121
Pretax net income for current period	1,039		1,160		
Corporate, local and enterprise tax	1		1		
Adjustment for corporate tax, etc.	-0		-0		
Net income for current period	1,037	32.3	1,159	32.3	121
Retained earnings carried forward from the previous period	0		0		
Unappropriated income for current period	1,037		1,159		

Lease operating revenues

Breakdown: Refer to page 14
Occupancy rate at end of fiscal period: 99.3%
(Occupancy by end-tenants)

Cash Distribution Statement

(Unit: JPY thousand)

Item	4th Fiscal Period	5th Fiscal Period	Change
	Amount	Amount	Amount
Unappropriated income for current period	1,037,907	1,159,109	121,201
Distributions	1,037,877	1,159,048	121,171
(Distribution per unit (JPY))	(14,955)	(13,572)	-1,383
Retained earnings carried forward	30	60	29

(Main factors)

Acquisition of Sphere Tower Tennoz (60 days of operation) + JPY 103 mn
Operation through the full fiscal period of NU chayamachi + JPY 462 mn
Utilities expense income from seven properties other than the two above (Seasonal factors) + JPY 47mn
Revenue related to the vacating of tenants from the Ueroku F Building in the first half - JPY 223 mn

(Main factors)

For Sphere Tower Tennoz + JPY 55 mn
Increase from the full-year operation of NU chayamachi + JPY 243 mn
Decrease in lease operating costs for seven properties other than the two above
 Property/Facility Management fees - JPY 22 mn
 Advertising and promotion expenses - JPY 18 mn
 Repair expense - JPY 119 mn
 Utilities expense (seasonal factors) + JPY 64 mn
 Asset management remuneration + JPY 43 mn

Lease operating costs

Breakdown of lease operating property: Refer to page 14

2-3. Balance Sheet

(Unit: JPY mn)

Item	4th Fiscal Period (as of May 31, 2007)		5th Fiscal Period (as of Nov. 30, 2007)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Assets					
I Current asset total	6,863	8.7	6,778	7.7	-85
Currency and demand deposit	1,893		2,018		
Currency and demand deposit in trust	4,177		4,241		
Operational income receivable	10		16		
Deposit paid	369		353		
Accrued income taxes refund, etc.	—		0		
Accrued consumption tax, etc.	336		102		
Prepaid expense	75		44		
Deferred income tax asset	0		0		
II Fixed asset total	72,379	91.3	81,392	92.3	9,013
1. Tangible fixed asset					
Buildings	2,924		2,853		
Structures	455		440		
Tools, furniture and fixtures	12		10		
Land	7,938		7,938		
Buildings in trust	22,443		25,820		
Structures in trust	488		486		
Machinery and equipment in trust	41		63		
Tools, furniture and fixtures in trust	22		36		
Land in trust	37,059		42,756		
Tangible fixed asset total	71,387	90.1	80,405	91.2	9,017
2. Intangible fixed asset					
Land leasehold	957		957		
Misc. intangible fixed asset	3		2		
Trust and other intangible fixed asset	3		3		
Intangible fixed asset total	963	1.2	963	1.1	-0
3. Investments, other assets					
Long-fiscal period prepaid expenses	17		14		
Guarantee money deposit	10		10		
Investment, other asset total	27	0.0	24	0.0	-3
Asset total	79,242	100.0	88,170	100.0	8,927

Total: + JPY 9,105 mn
Sphere Tower Tennoz
(Acquisition price: JPY 9,405 mn)

Item	4th fiscal period (as of May 31, 2007)		5th fiscal period (as of Nov. 30, 2007)		Change Amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Liabilities					
I Current liabilities total	23,845	30.1	8,179	9.3	-15,665
Operating no-trade accounts payable	341		337		
Short-fiscal period loans payable	23,000		5,700		
Long-fiscal period loans payable (return within 1 year)	-		1,500		
Accrued dividend	4		3		
Accrued expenses	70		53		
Income taxes payable	1		0		
Accrued consumption tax	11		-		
Advance received	172		256		
Current deposit received	4		29		
Security deposits (return within 1 year)	94		94		
Security deposits in trust (return within 1 year)	143		202		
II Funded liabilities total	19,659	24.8	23,487	26.6	3,827
Long-fiscal period loans payable	8,000		11,600		
Security deposits	2,025		1,977		
Security deposits in trust	9,634		9,909		
Liabilities total	43,504	54.9	31,666	35.9	-11,838
Net assets					
I Overall investment	34,700	43.8	55,344	62.8	
II Surplus fund total	1,037	1.3	1,159	1.3	
Unappropriated income for current period	1,037		1,159		
Net assets total	35,737	45.1	56,503	64.1	20,766
Liabilities and net assets total	79,242	100.0	88,170	100.0	8,927

Interest-bearing dept:
JPY 18,800 mn
Breakdown:
Refer to Page 33

Total of security deposits:
JPY 12,184 mn

JPY 9,372 mn was applied to property acquisition financing
Refer to Page P32

2-4. Financial Index

Item	4th Fiscal Period	5th Fiscal Period	Remarks
Operation period	182 days	183 days	4th fiscal period: Dec. 1, 2006 to May 31, 2007 5th fiscal period: Jun. 1, 2007 to Nov. 30, 2007
Return On Assets (ROA)	1.5%	1.4%	Ordinary income / {(Total asset at beginning of period + Total asset at end of period) / 2 }
(Per annum)	3.0%	2.8%	Calculated from duration of operation
Return On Equity (ROE)	2.9%	2.5%	Net income / {(Net asset at beginning of period + Net asset at end of period) / 2 }
(Per annum)	5.8%	5.0%	Calculated from duration of operation
Ratio of net asset at end of period	45.1%	64.1%	Net asset / Total asset
Loan To Value ratio at end of period (LTV)	46.1% (52.2%)	28.8% (33.0%)	(Debts payable + Security deposits - Matched money to security deposits) / (Total assets(*) - Matched money to security deposits) *Appraisal-value basis (Ratios in brackets are based on book value)
Ratio of interest-bearing debts to total asset at end of period	39.1%	21.3%	Interest-bearing debt / Total assets
Debt Service Coverage Ratio (DSCR)	15.3 times	18.0 times	Pre-interest and pre-depreciation net income for current fiscal period / Interest due
Net Operating Income (NOI)	JPY 1,925 mn	JPY 2,192 mn	Net lease operating income + Depreciation
Funds From Operation (FFO)	JPY 1,552 mn	JPY 1,783 mn	Net income for current fiscal period + Depreciation

2-5. Distribution Forecast for 6th Fiscal Period

(Unit: JPY mn)

Item	Results for 5th Fiscal Period (1) (Jun. 1, 2007 to Nov. 30, 2007)	Forecast for 6th Fiscal Period (2) (Dec. 1, 2007 to May 31, 2008)	Change (2)-(1)	Results for 4th Fiscal Period (3) (Dec. 1, 2006 to May. 31, 2007)	Change (2)-(3)
Operation period (days)	183	183	—	182	1
Operating revenues	3,583	4,049	466	3,211	837
Operating income	1,298	1,424	125	1,194	229
Ordinary income	1,160	1,205	45	1,039	166
Net income	1,159	1,204	45	1,037	166
Number of outstanding units at end of period (units)	85,400	85,400	—	69,400	16,000
Distribution per unit (JPY)	13,572	14,100	528	14,955	-855
FFO per unit (JPY)	20,888	23,198	2,310	22,375	823

[Main preconditions]

- The only transfer of portfolio properties is the acquisition of the Shiodome East Side Building for JPY 19,025 mn on February 29, 2008.
- A debt of JPY 20,000 mn will be made on February 28, 2008, and outstanding debt at end of the period should be JPY 38,800 mn.
- At present, 85,400 units have been issued and no additional units will be issued until end of the period.

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3. Portfolio Status

3-1. Portfolio List

Classification	Code (Note 1)	Name	Location	Completion date	Building age (Note 2)	Leasable area (m ²) (Note 3)	Occupancy rate (Note 3, 4)	Total number of tenants (Note 3, 4)	PML	Date of acquisition	Acquisition price (JPY mn)	Investment ratio	Appraisal value (JPY mn) (Note 4)	CAP rate (Note 4, 5)
Retail-use facilities	R1(K)	HEP Five (50% of the quasi co-ownership of the trust beneficiary interests)	Kita Ward, Osaka City	Nov. 1998	9.1	22,633.48 (10,573.77)	100.0% (100.0%)	1 (139)	4.5%	Feb. 1, 2005	23,100	28.3 %	31,600	4.1%
	R2(K)	Kitano Hankyu Bldg.	Kita Ward, Osaka City	Jun. 1985	22.5	28,194.15 (18,469.72)	100.0% (99.4%)	1 (24)	9.5%	Feb. 1, 2005	7,740	9.5 %	9,260	5.2%
	R3(K)	Dew Hankyu Yamada	Suita City, Osaka Prefecture	Oct. 2003	4.2	12,982.19	100.0%	26	4.3%	Feb. 1, 2005	6,930	8.5 %	7,780	5.3%
	R4(K)	Takatsuki-Josai Shopping Center	Takatsuki City, Osaka Prefecture	Apr. 2003	4.7	31,451.81	100.0%	1	6.0%	Nov. 15, 2005	8,600	10.5 %	8,362	5.2%
	R5(K)	Nitori Ibaraki-Kita Store (site)	Ibaraki City, Osaka Prefecture	-	-	6,541.31	100.0%	1	-	Mar. 29, 2006	1,318	1.6 %	1,408	7.4%
	R6	Kohnan Hiroshima Nakano-Higashi Store (site)	Aki Ward, Hiroshima City	-	-	25,469.59	100.0%	1	-	Oct. 2, 2006	2,170	2.7 %	2,230	6.3%
						60.14				Apr. 9, 2007	5			
R7(K)	NU chayamachi	Kita Ward, Osaka City	Sep. 2005	2.2	15,546.75 (11,626.65)	100.0% (96.5%)	1 (73)	4.5%	Mar. 15, 2007	19,300	23.7 %	20,500	4.2%	
Complex facilities	M1(K)	Ueroku F Bldg.	Chuo Ward, Osaka City	Sep. 1993	14.3	4,611.82	95.2%	11	2.9%	Nov. 1, 2005	2,980	3.7 %	3,010	5.5%
	M2	Sphere Tower Tennoz (33% of the quasi co-ownership of the trust beneficiary interests)	Shinagawa Ward, Tokyo	Apr. 1993 (Note 6)	14.7	8,657.30	97.7%	24	2.7%	Oct. 2, 2007	9,405	11.5 %	9,603	4.5%
Total					8.7	156,148.54 (130,444.30)	99.7% (99.3%)	67 (300)	3.7%	-	81,548	100.0 %	93,753	4.6%

(Note 1) These codes represent properties owned by Hankyu REIT classified into the following facilities and regions.

Left-side letters represent facilities: R is a retail-use facility, O is an office-use facility, and M is a complex facility.

The figures are attached to facilities in order of date of acquisition, and a K means the property is located in the Kansai region.

(Note 2) Portfolio total represents the weighted average building age by acquisition price.

(Note 3) Figures in parenthesis indicate the area leasable for end-tenants, the occupancy rate based on the said area, and the number of end-tenants, respectively.

In the case of HEP Five, 50% quasi co-ownership of the trust beneficiary interests is listed as the leasable area.

For Sphere Tower Tennoz, 33% quasi co-ownership of the trust beneficiary interests is listed as the leasable area.

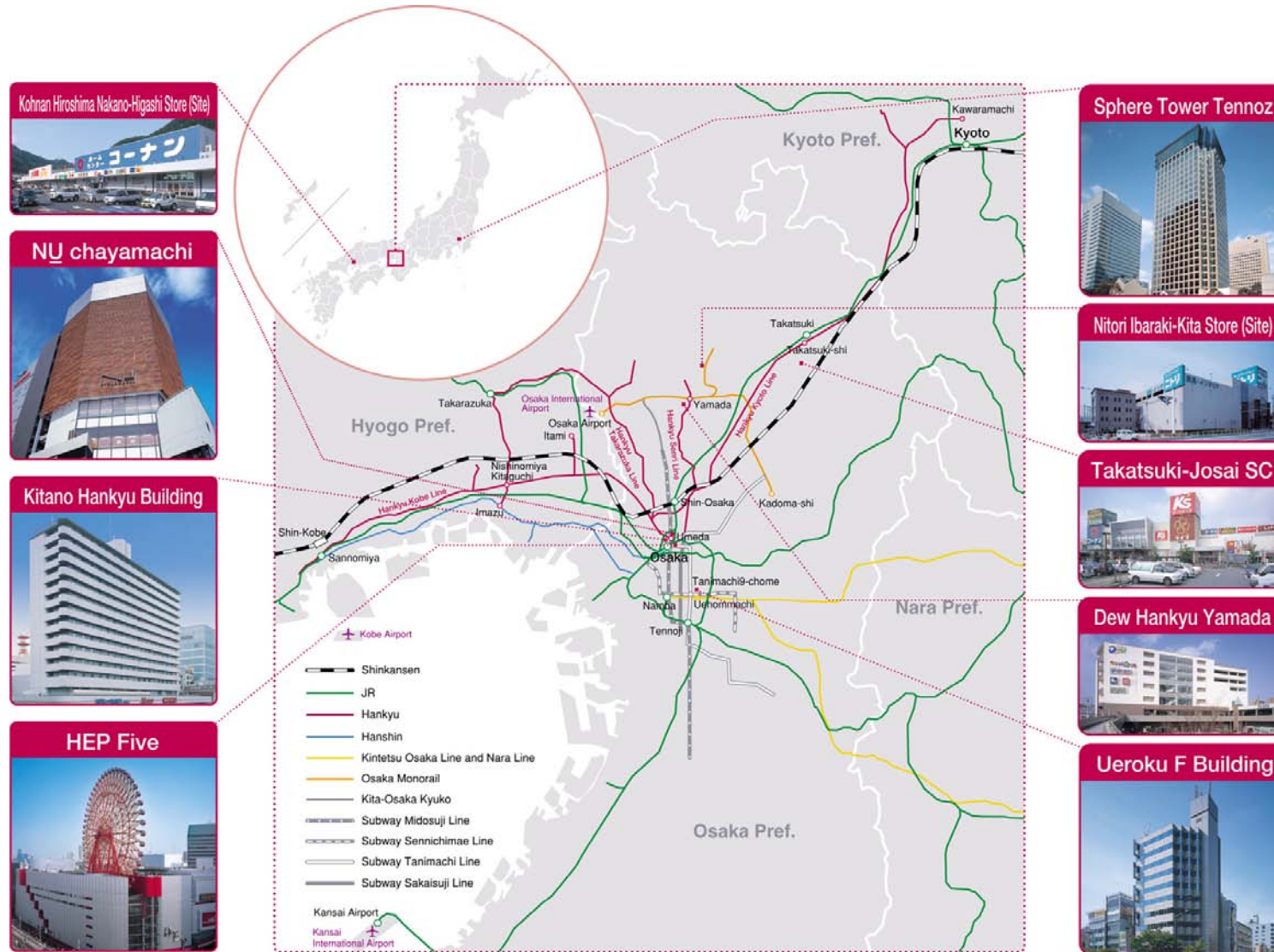
(Note 4) As of November 30, 2007

(Note 5) Cap rate by direct capitalization method using appraisal value calculation. (Nitori Ibaraki-Kita Store (site) and Kohnan Hiroshima Nakano-Higashi Store (site) are allocated a discount rate using the DCF method.)

Portfolio total is the weighted average CAP rate based on appraisal value.

(Note 6) The year of completion for the office and store portions.

3-2. Portfolio Map



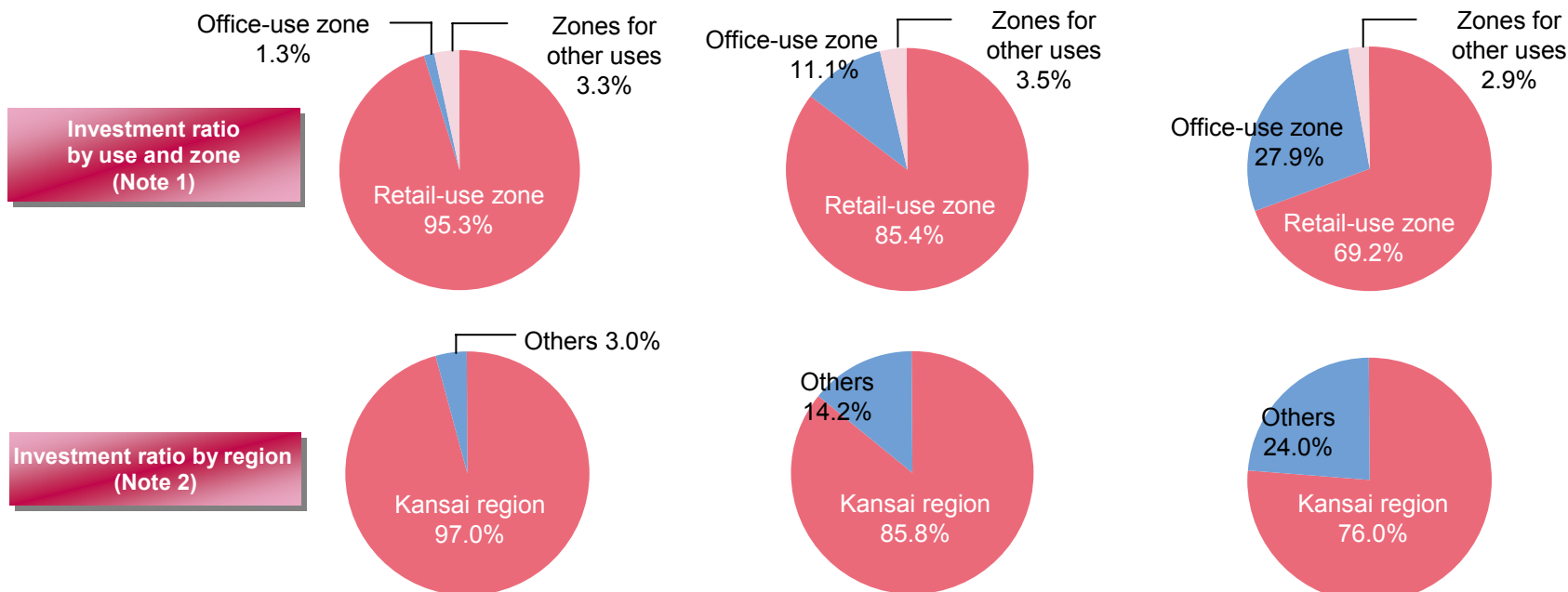
3-3. Property Summary

Total assets acquisition cost: JPY 81.54 billion

Occupancy rate (occupancy by end-tenants): 99.3%

Total number of properties: 9

PML (Probable Maximum Loss) : 3.7%



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

(Note2) The ratios are calculated based on the acquisition price.

(Note3) The price of the Shiodome East Side Building has been calculated on the assumption that it will only contain office-use zone.

3-4. Income and Expenditure by Property

(Unit: JPY mn)

Item	HEP Five	Kitano Hankyu Bldg.	Dew Hankyu Yamada	Takatsuki-Josai Shopping Center	Nitori Ibaraki-Kita Store (site) (Note)	Kohnan Hiroshima Nakano-Higashi Store (site)	NU_chayamachi	Ueroku F Bldg.	Sphere Tower Tennoz	Total (9 properties)
Number of operating days of 5th fiscal period	183	183	183	183	183	183	183	183	60	—
Lease operating revenues total	1,138	664	373	284		76	768	108	103	3,583
Income from lease	967	424	248	283		76	649	92	93	2,901
Utilities expense income	74	160	62	—		—	80	11	2	391
Other incomes	96	79	62	0		0	39	5	7	290
Lease operating costs total	643	411	236	151		8	412	90	55	2,015
Property/Facility management fees	161	109	73	9		0	112	24	10	503
Utilities expense	101	163	55	0		—	107	11	8	449
Rent paid	9	1	1	21		—	0	—	—	33
Advertising and promotion expenses	69	1	0	—		—	20	—	—	91
Repair expense	25	13	2	0		—	2	6	0	50
Nonlife insurance premium	4	3	1	1		—	3	0	0	14
Tax and public dues	58	49	26	29		8	—	13	—	189
Other expenses	33	14	3	0		—	1	4	0	57
Depreciation	180	55	71	88		—	164	29	34	624
Lease operating income	494	252	136	133		67	356	18	47	1,568
NOI (Lease operating income + Depreciation)	675	307	208	221	60	67	520	47	81	2,192
Capital expenditure	5	60	1	—	—	—	—	88	1	157

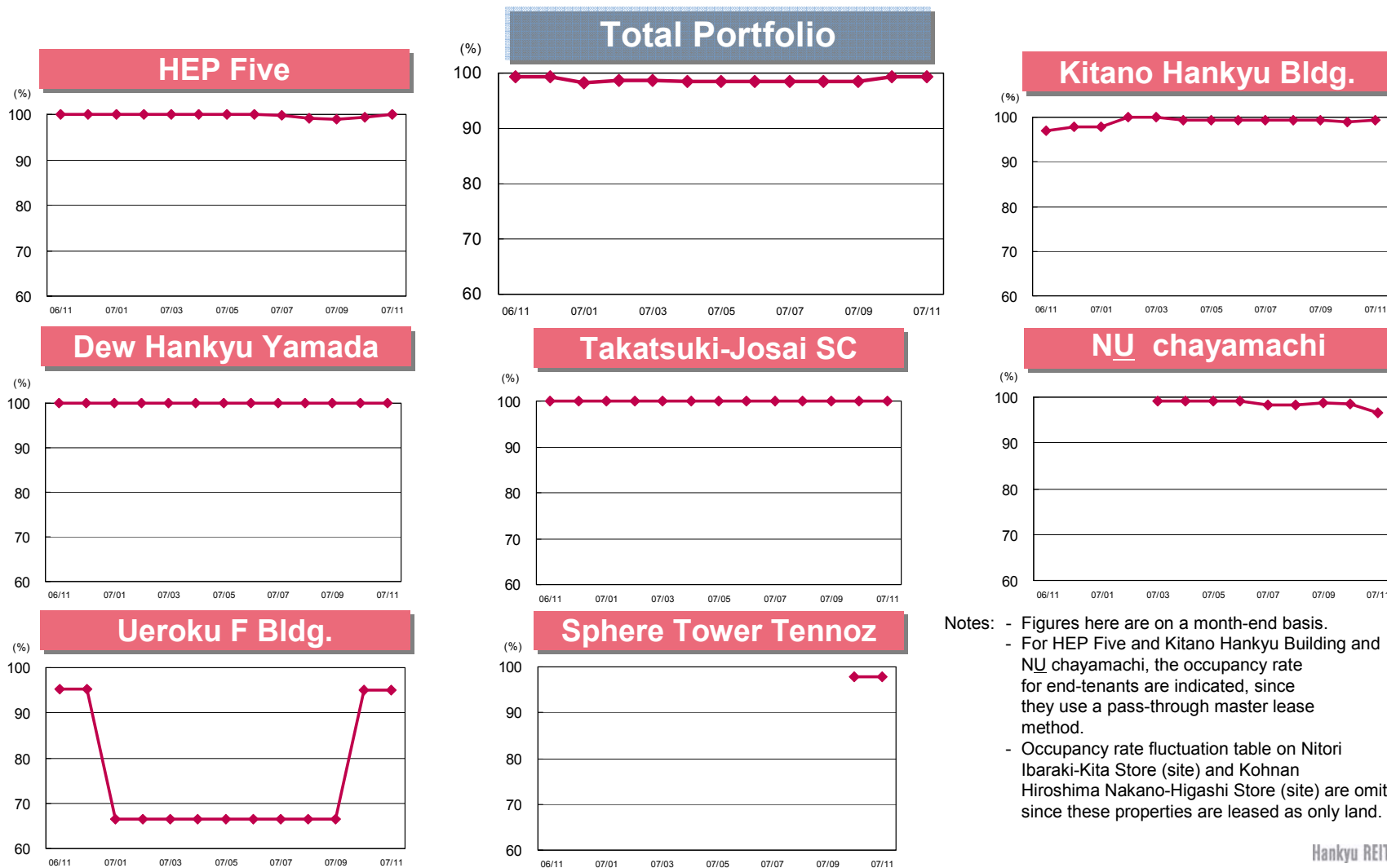
Construction to update the plumbing : JPY 32 mn
 Construction to update the air conditioning: JPY 17 mn
 Construction to update other facilities: JPY 11 mn

Renovations to accommodate newly tenants, etc.: JPY 86 mn

(Note) The entire site is leased to one tenant, but rent information are not permitted to be disclosed (tenant request).

3-5. Changes in Occupancy Rate for Individual Properties

Occupancy rate has been maintained at an impressive 99.3% for all nine properties as of the end of the 5th fiscal period. (End of Nov. 2007)



- Notes:
- Figures here are on a month-end basis.
 - For HEP Five and Kitano Hankyu Building and NU chayamachi, the occupancy rate for end-tenants are indicated, since they use a pass-through master lease method.
 - Occupancy rate fluctuation table on Nitori Ibaraki-Kita Store (site) and Kohnan Hiroshima Nakano-Higashi Store (site) are omitted since these properties are leased as only land.

3-6. Changes in Appraisal Value

The total appraisal value at end of 5th fiscal year exceeds the total value recorded on the balance sheet by about 15.2%.

(Unit: JPY mn)

	At end of 1st fiscal period	CAP rate	At end of 2nd fiscal period	CAP rate	At end of 3rd fiscal period	CAP rate	At end of 4th fiscal period	CAP rate	At end of 5th fiscal period	CAP rate	Value recorded on the balance sheet at the end of the 5th fiscal period	Acquisition price
HEP Five	26,600	4.7%	28,400	4.5%	29,900	4.2%	31,200	4.1%	31,600	4.1%	22,716	23,100
Kitano Hankyu Building	8,130	6.1%	8,360	5.9%	8,570	5.6%	8,990	5.4%	9,260	5.2%	8,010	7,740
Dew Hankyu Yamada	6,560	6.1%	6,810	5.9%	7,090	5.7%	7,330	5.5%	7,780	5.3%	6,645	6,930
Takatsuki-Josai Shopping Center	8,231	5.4%	8,306	5.3%	8,306	5.3%	8,445	5.2%	8,362	5.2%	8,578	8,600
Ueroku F Building	2,980	6.2%	3,000	6.0%	3,000	5.8%	2,980	5.7%	3,010	5.5%	3,066	2,980
Nitori Ibaraki-Kita Store (Site)	—	—	1,324	7.0%	1,331	7.0%	1,346	7.0%	1,408	7.4%	1,340	1,318
Kohnan Hiroshima Nakano- Higashi Store (Site)	—	—	—	—	2,210	6.0%	2,230	6.0%	2,230	6.3%	2,280	2,175
NU chayamachi	—	—	—	—	—	—	19,800	4.2%	20,500	4.2%	19,261	19,300
Sphere Tower Tennoz	—	—	—	—	—	—	—	—	9,603	4.5%	9,465	9,405
Total	52,501	5.3%	56,200	5.1%	60,407	4.9%	82,321	4.7%	93,753	4.6%	81,365	81,548

(Note) Cap rate by direct capitalization method process using appraisal value calculation. (Nitori Ibaraki-Kita Store (site) and Kohnan Hiroshima Nakano-Higashi Store (site) are allocated a discount rate using the DCF method.)
Portfolio total is the weighted average CAP rate based on appraisal amount.

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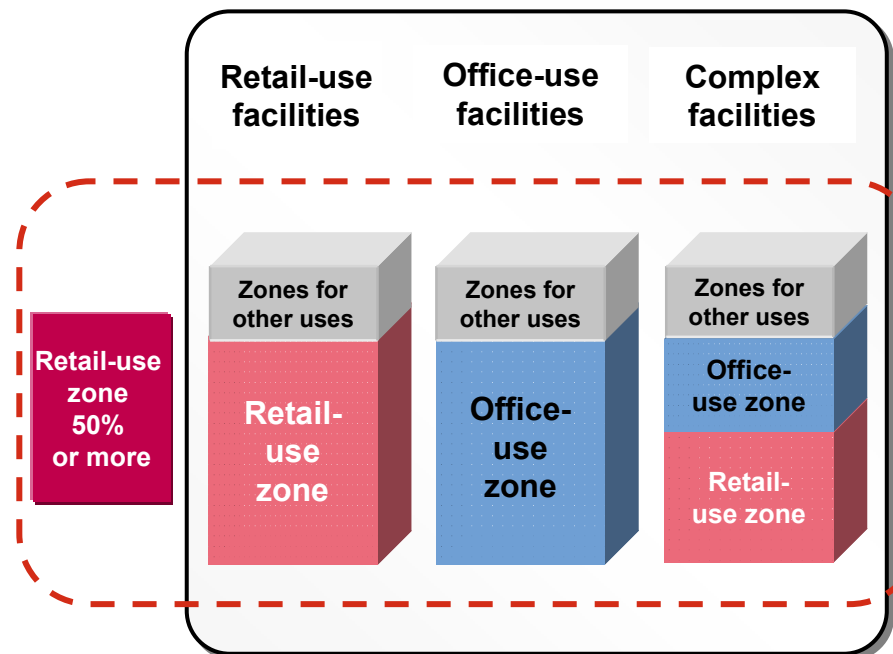


4. External Growth Strategies

4-1. Investment Target and Investment Target Area

《Investment Target》

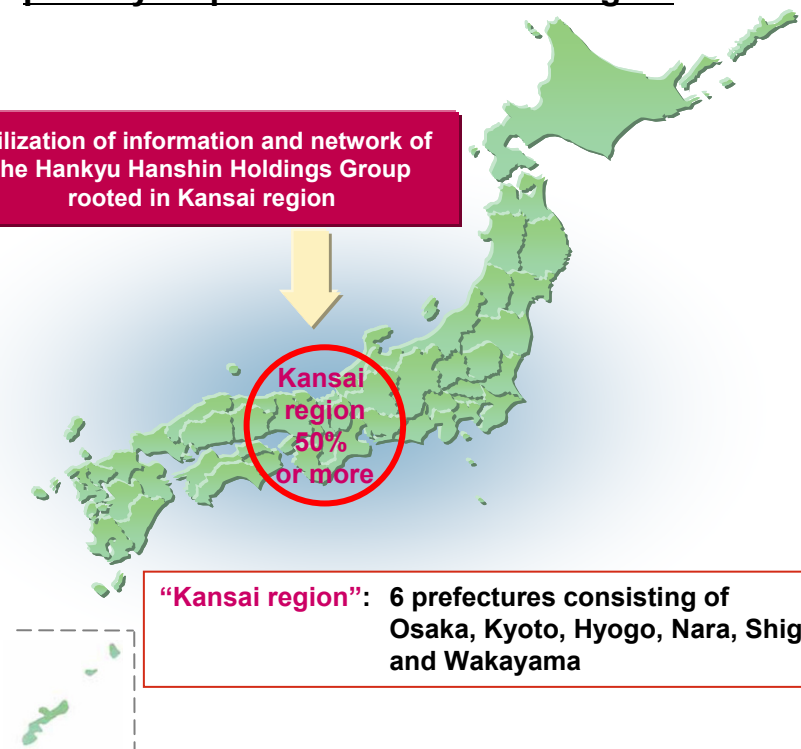
Preference for retail-use zones and office-use zones, with a primary emphasis on retail-use zone



《Investment Target Area》

Geographic coverage includes all markets throughout Japan
Tokyo metropolitan area, government-designated cities, and other major cities with a primary emphasis on the Kansai region

Utilization of information and network of the Hankyu Hanshin Holdings Group rooted in Kansai region



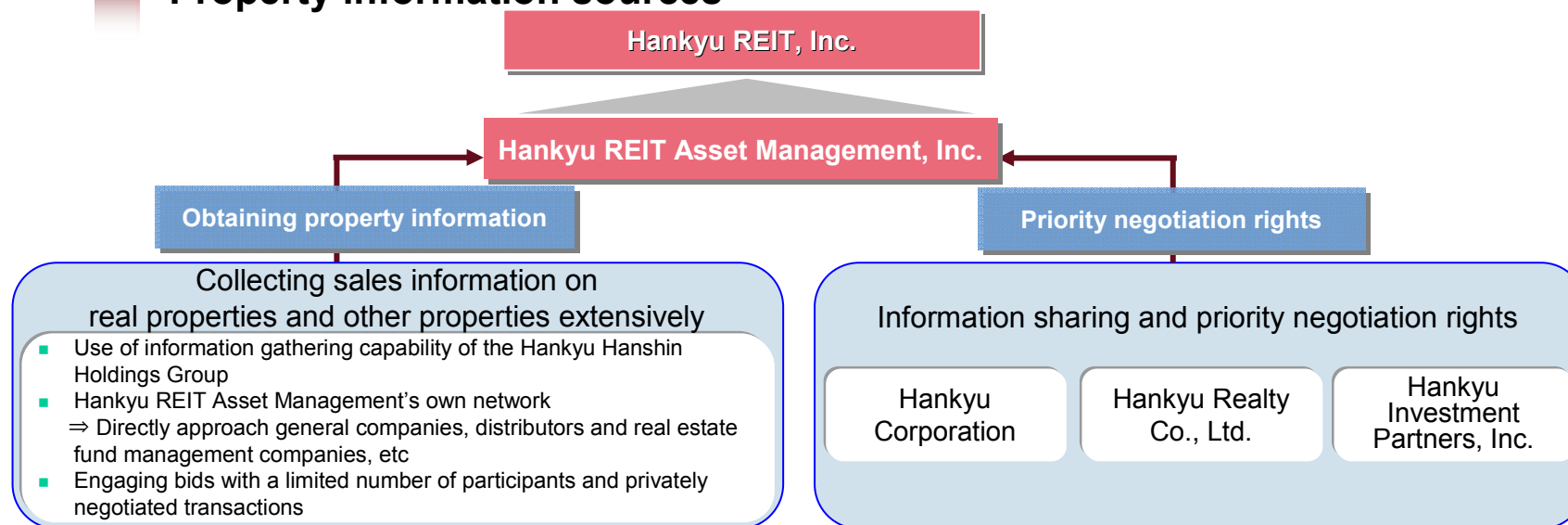
“Kansai region”: 6 prefectures consisting of Osaka, Kyoto, Hyogo, Nara, Shiga, and Wakayama

4-2. Acquisition Strategies

Acquisition Strategies

- Secure opportunities to acquire properties and asset acquisition at appropriate prices.
- Investment decisions that also consider everything up to operational management post-acquisition.
- Construction of a balanced portfolio.

Property information sources

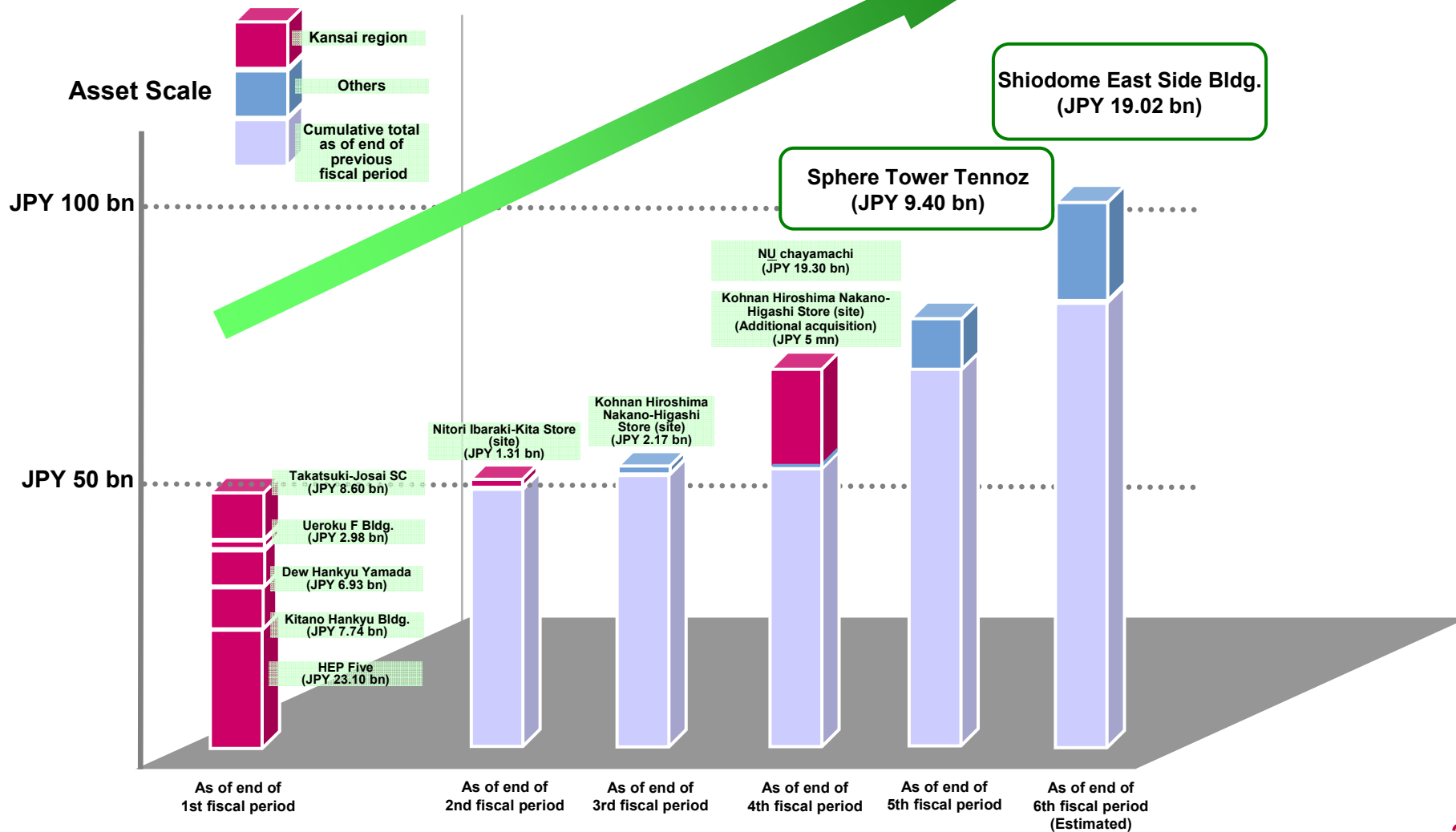


Number of property information (5th fiscal period)

	Number of properties checked	Number of properties considered	Number of properties acquired	Number of properties acquired (Estimated)
Total	525	112	1	1
Information acquired from the group	253	43	0	1
Information obtained by our network	272	69	1	0
Kansai region	90	45	0	0
Tokyo metropolitan area	327	54	1	1
Other areas	108	13	0	0

4-3. Changes in Asset Scale

JPY 100.57 bn



4-4. Acquisition Strategy (1)

Sphere Tower Tennoz

Acquisition price: JPY 9,405 mn
Date of acquisition: October 2, 2007

- First transaction between J-REITs
- Alliance with Global One Real Estate Investment Corp.

Location: 2-2-8, Higasi-shinagawa, Shinagawa-ku, Tokyo

Ground-floor area: 6,106.11 m² (Note)
Total floor area: (1) Office and store wing: 43,477.68 m² (Note)
 (2) Local air conditioning/heating facility: 3,674.04 m² (Note)
Leasable area: 8,657.30 m²
Number of floors: (1) 27 floors, 2 underground levels
 (2) 4 underground levels
Completion date: (1) April 1993 (2) June 1991

(Note) Entire areas of the property
 (Hankyu REIT, Inc. owns 33% of (1) and about 11% of (2))

Features:

- A high-rise building located in a new office area of Sinagawa-Tennoz zone in the Shinagawa waterfront
- Good access to central Tokyo and other parts of the metropolitan area



4-4. Acquisition Strategy (2)

Shiodome East Side Building

Estimated acquisition price: JPY 19,025 mn
Estimated acquisition date: February 29, 2008

- Information on the property was provided by the Hankyu Hanshin Holdings Group
- Privately negotiated transaction

Location: 5-4-18, Tsukiji, Chuo-ku, Tokyo

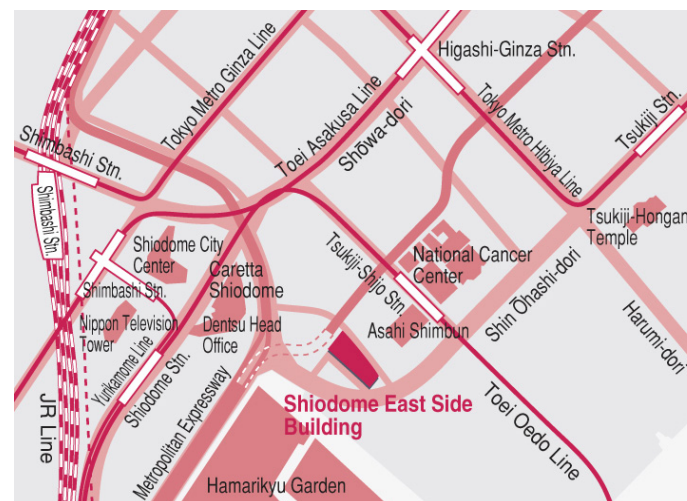
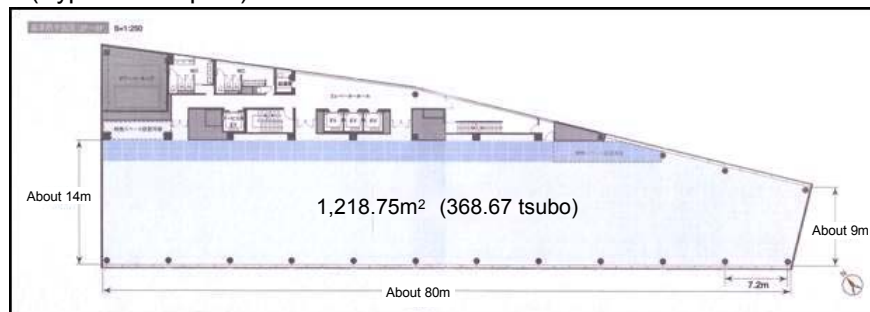
Ground-floor area: 1,932.54 m²
Total floor area: 11,950.30 m²
Leasable area: 9,311.32 m²
Number of floors: 8 floors
Completion date: August 2007

Features:

- Located in Tsukiji area close to Ginza/Shiodome, one of the core business/market districts in Tokyo
- High-performance office building with state-of-the-art technology



(Typical floor plan)



Hankyu REIT



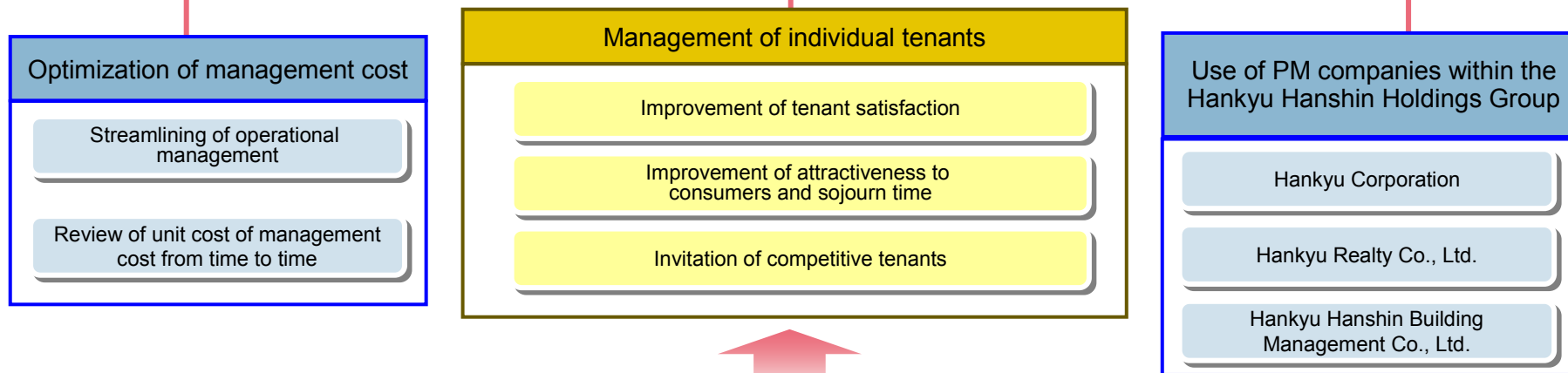
5. Internal Growth Strategies

5-1. Operational Management

Sustenance and improvement of lease operation profits

Operational management
(customized operation depending on the characteristics in the use of the zones)

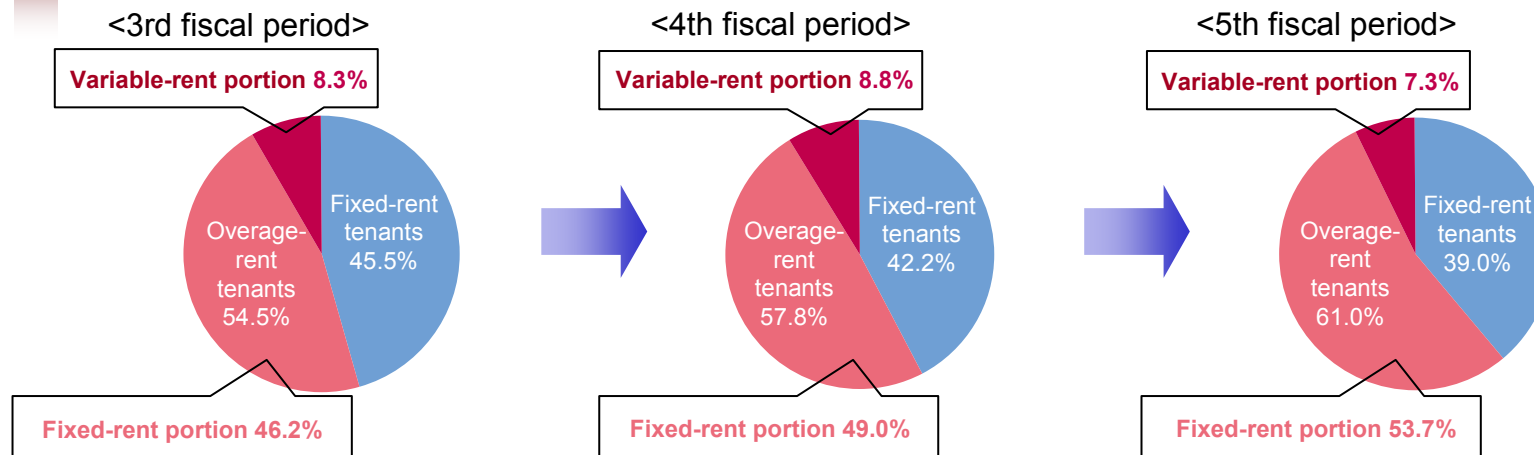
Planning and operating expertise that were inherited from the Hankyu Hanshin Holdings Group



- Implementing sales promotions in cooperation with the Hankyu Hanshin Holdings Group
- Strengthen mid/long-term relationship with good tenants, attract competitive new tenants
- Undertake sales promotion activities that target different customer segments and improve asset value

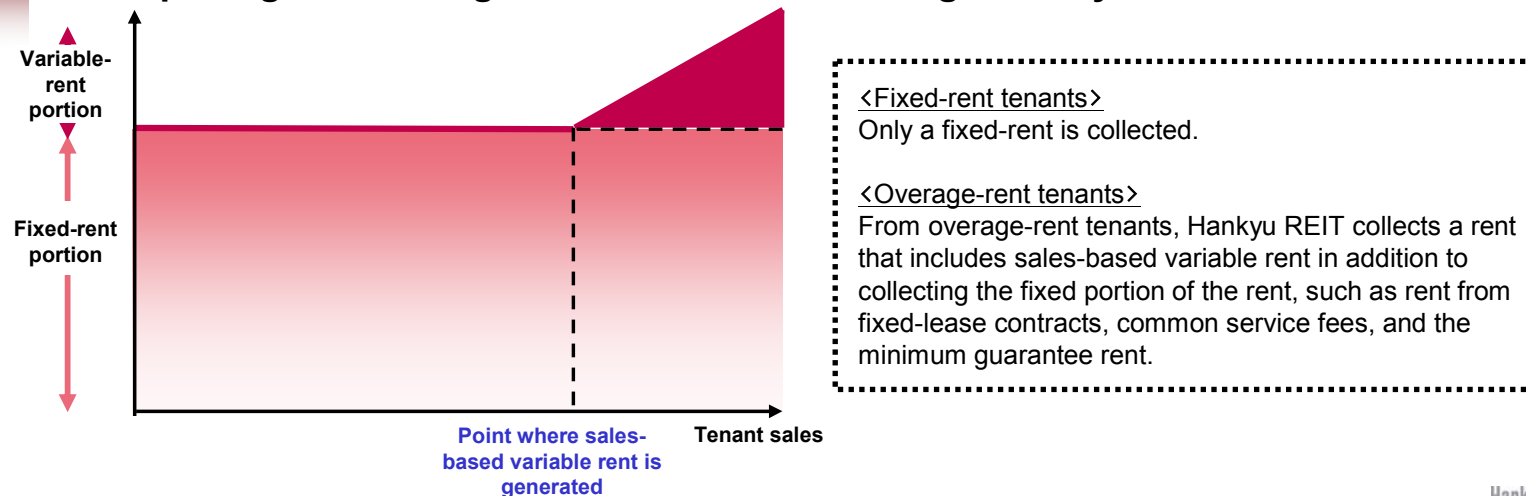
5-2. Changes in Rent Types and Mechanism of Sales-Based Overage Rent System

Income ratio by rent category



(Note) The ratios are calculated based on rent during the fiscal period.

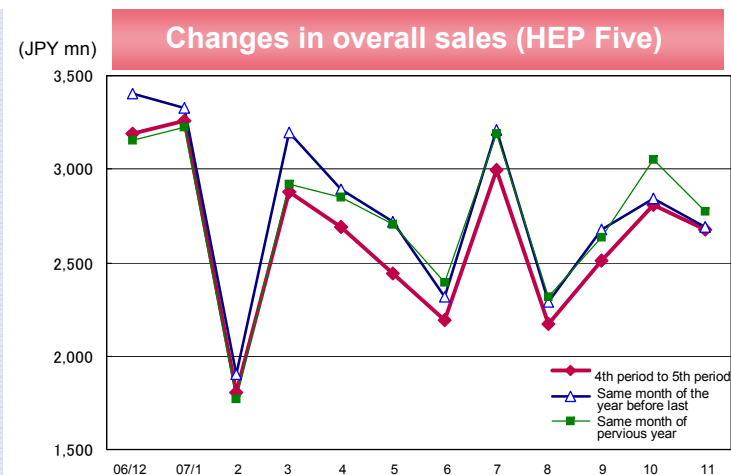
Concept diagram of the general sales-based overage rent system



5-3. Changes in overall sales <Sales-based overage rent system for two properties>

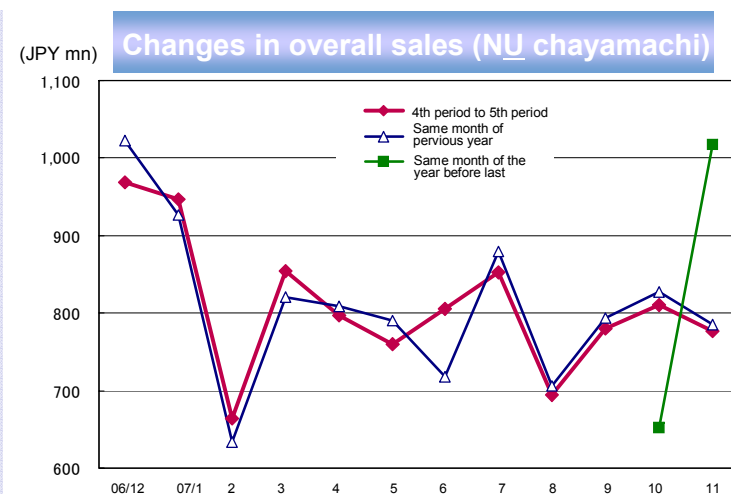
<HEP Five>

- Overall sales for 5th fiscal period: About JPY 15.3 bn (- 4.2% over the same period previous year)
- Causes
 - Effects of unusual weather (extraordinarily hot summer)
 - Weak sales of certain large tenants
- Future initiatives
 - Improve attractiveness to customers in collaboration with the sponsor group
 - Attract new competitive tenants
 - Promote measures to improve customer and tenant satisfaction of and to increase earnings



<NU chayamachi>

- Overall sales for 5th period: About JPY 4.7 bn (+ 0.2% over the same period previous year)
- Causes
 - Improved visibility and an increase in regular customers
 - Effects of unusual weather (extraordinarily hot summer)
 - Moving out of certain weak sales tenants
- Future initiatives
 - Improve attractiveness to customers in collaboration with the sponsor group
 - Attract new competitive tenants



5-4. Operational Management Efforts (1)

- Strengthening the mid/long-term relationship with good tenants
- Implementing the measures to improve customer and tenant satisfaction and to increase earnings
- Sales promotion activities suitable for different customer segments

<HEP Five>

(1) Handling tenants whose fixed-term building lease contracts were expiring

Number of target tenants: 20 companies (21 stores)
 Expiration date: November 30, 2007
 Tenants renewing agreements: 19 companies (one company did not renew)
 Tenants agreeing to rent increases: Two companies (17 renewed the agreements with the same conditions)
 Contract term: In principle, a short-term contract of about two years

(2) Collaboration between tenant restaurants and cafés, and the Ferris wheel

Period: From September 21, 2007 to October 21, 2007
 Collaboration: Giving a ticket for the Ferris wheel to a customer using a restaurant or a café after 9p.m. (paying at least ¥500)
 → Sales of tenants restaurants and cafés were up 8.2% year on year
 Customer satisfaction and tenant satisfaction increased.

(3) Advertising revenues from the Ferris wheel

Period: From July 1, 2007 to July 14, 2007
 Advertising: Putting tie-up campaign seals on 52 gondolas of the Ferris wheel

Major sales promotion events

Jun. [Sound Release]
 Jul. [FIVE HEP UP BARGAIN]
 Aug. [Ferris Wheel Fair in Summer Vacation]
 Sep. [Give Away Five Original T-shirts]
 Oct. [OFC Festival] [SHOO POWER REAL CAMP]
 Nov. [HEP Five×AI CHRISTMAS STORY]

Original fashion contest (OFC)



A talk show of a private model of a popular women's magazine



A fair around the Ferris wheel Fair in summer vacation



A paper fan event



5-4. Operational Management Efforts (2)

- Attracting new competitive tenants
- Sales promotion activities suitable for different customer segments

<NU chayamachi>

- Attracting new tenants

Agronatura



Natural Plenty



Major sales promotion events

- Jun. [Candle night for 1 million people]
[NU BARGAIN]
- Aug. [NU Ukulele Summer CONCERT]
- Sep. [NU x Miss Potter Special Campaign]
- Oct. [NU Autumn Art Event]

NU BARGAIN



NU Christmas tree



<Ueroku F Bldg.>

- Leasing to a key tenant

Floors leased: 1st to 3rd floors (part of the 1st underground level); a total floor area of 1,216.02m²

Tenant: Nomura Facilities, Inc.
(Uehonmachi branch of Nomura Securities)

Contract start date: October 1, 2007

Business start date: November 26, 2007

Occupancy rate: 66.5% → 95.2%



5-4. Operational Management Efforts (3)

- Collaboration with the Hankyu Hanshin Holdings Group
- Participation in efforts to improve the status and customer-attracting capability of the Umeda area

<Collaboration with the sponsor group>

- (1) Participated as complimentary facilities of the new group card **STACIA** [HEP Five, NU chayamachi]
- Features: PiTaPa function (postpaid IC settlement service), credit function, point awards for HANKYU x HANSHIN facilities
 - Point accumulation campaign: October 1, 2007 to September 30, 2008



Design of the ticket

- (2) **Hankyu Hanshin Walker** (created by Hankyu Hanshin Toho Group) [HEP Five, NU chayamachi, D.D. HOUSE (Kitano Hankyu Building)]
- Descriptions of BEST 7 facilities transmitting trends in the Kita region
HEP Five, NU chayamachi, Hankyu-sanbangai, HEP Navio, HERBIS PLAZA, HERBIS PLAZA ENT, DIAMOR Osaka



<Participation in events in the Umeda area etc.>

- (1) **Candle night for 1 million people**
[NU chayamachi: participated as a facility participating in a turning-off-lights campaign]
- Concept: Transmitting an "awareness culture" from Osaka to the whole nation and the world
- Dates: June 7, 2007 and December 3, 2007



- (2) **SDD (STOP! DRUNK DRIVING) Campaign**
[HEP Five, NU chayamachi, Kitano Hankyu Building: participated as a facility agreeing to the campaign]
- Concept: Improving the public awareness of the need to eradicate drunken driving
- Period: From October 15, 2007 to March 31, 2008
- Activities: Posters, live events, distribution leaflets/stickers, etc.



Hankyu REIT



6. Financial Strategies

6-1. Implementation of Financial Strategies

- Improve financial health through public offering for capital increase
 - Reduce funding costs through effective use of security deposits
 - Reduce the risk of interest rate increases through long-term fixed debts
 - Diversify method of funding
- ➡ LTV at end of period: 28.8%
 - ➡ Average funding cost at end of period: 0.93% (Debts only: 1.40%)
 - ➡ Ratio of long-term and fixed debts: 69.7%
 - ➡ Registration of the issue corporate bonds (6th period)

Outline of Public Offering for Capital Increase

No. of Additional issued Units:	16,000 units
Date of Resolution:	May 30, 2007
Payment Date:	Jun. 21, 2007
Issue Price:	1,338,600 yen (discount rate of 3%)
Issue Value:	1,290,300 yen
Total Issue Value:	20,644,800,000 yen

Registration of issue of corporate bonds

Proposed value of issuance (Upper limit): JPY 100,000 mn
 Proposed issuance period: Dec 19, 2007 to Dec. 18, 2009

Ratings of issuers

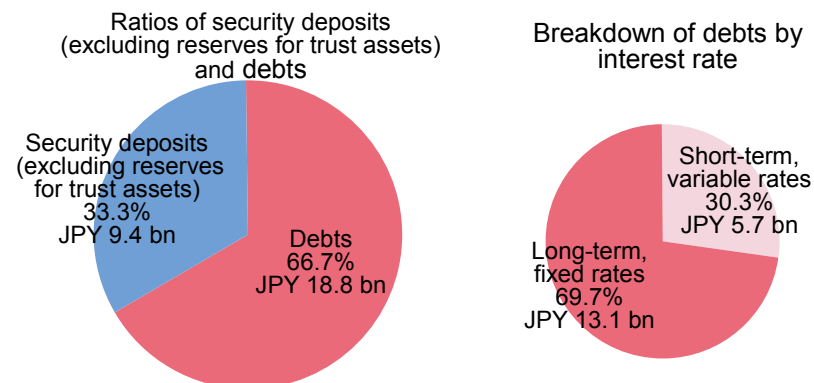


Moody's Japan K.K.
A2
 (Stable)

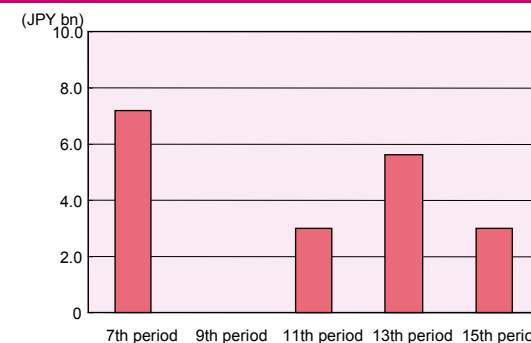


A+
 (Stable)

Funding at end of 5th fiscal period



Diversifying repayment dates of debts



6-2. LTV (Loan to Value) Control

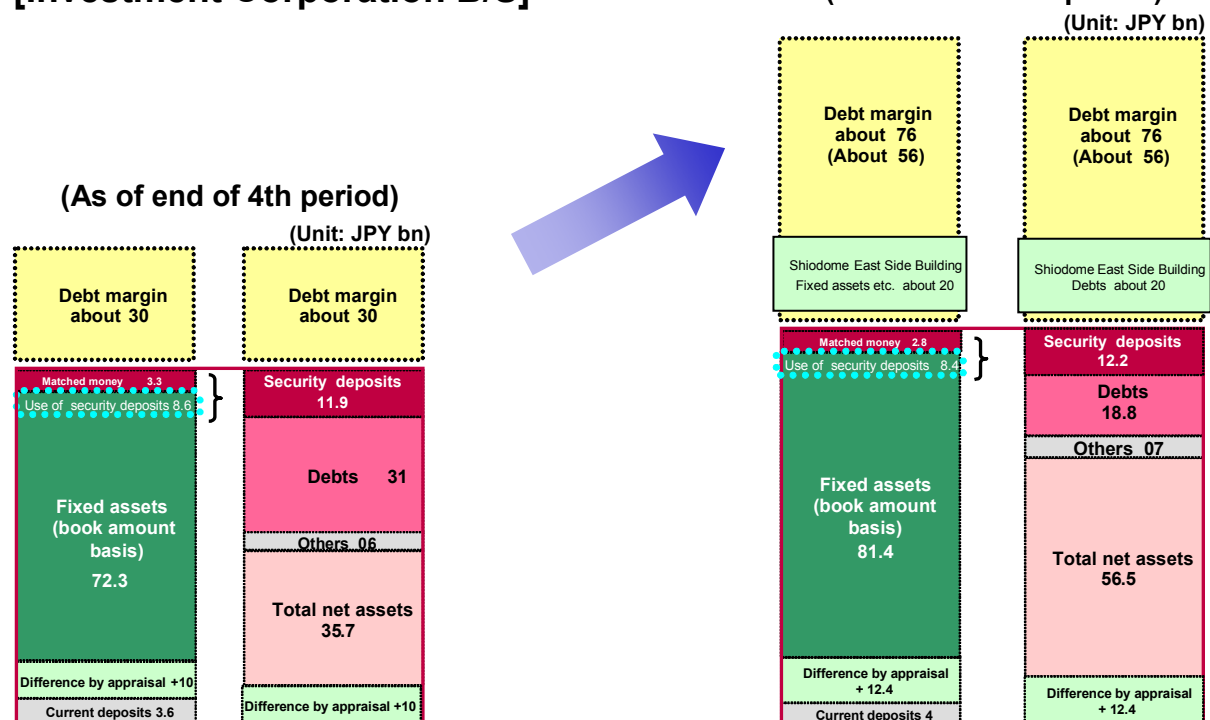
Capital increase by public offering

	As of end of 3rd period	As of end of 4th period	As of end of 5th period
LTV	30.7%	46.1%	28.8%
Interest-bearing debt ratio	18.9%	39.1%	21.3%
Debt margin (Up to LTV 50%)	About JPY 24 bn	About JPY 7 bn	About JPY 41 bn
Debt margin (Up to LTV 60%)	About JPY 46 bn	About JPY 30 bn	About JPY 76 bn

LTV = Amount of outstanding debts + security deposits – Matched money / Total amount of assets – Matched money

* Appraisal-value basis

[Investment Corporation B/S]



6-3. 5th Fiscal Period Debt Accounts

As of Nov. 30, 2007

Term	Lenders	Outstanding debt (JPY mn)	Interest rate	Draw down date	Repayment date	Loan period (Year)	Remaining period (Year)	Fixed/Variable	Notes
Short	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	1.16000%	2007/10/1	2008/9/30	1.0	0.8	Variable	Unsecured/ non-guaranteed
	The Sumitomo Trust and Banking Co., Ltd.	1,200	1.15833%	2007/10/1	2008/9/30	1.0	0.8		
	Mizuho Corporate Bank, Ltd.	1,500	1.16167%	2007/10/31	2008/10/31	1.0	0.9		
	Sumitomo Mitsui Banking Corporation	1,000	1.16167%	2007/10/31	2008/10/31	1.0	0.9		
	The Chuo Mitsui Trust and Banking Company, Limited	500	1.16167%	2007/10/31	2008/10/31	1.0	0.9		
	Sub-total	5,700							
Long	Development Bank of Japan	3,000	1.64800%	2005/2/1	2012/9/30	7.7	4.8	Fixed	Unsecured/ non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	1,000	1.30952%	2005/10/31	2010/10/29	5.0	2.9		
	The Bank of Ikeda, Ltd.	1,000	1.30952%	2005/10/31	2010/10/29	5.0	2.9		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	1.03375%	2005/11/14	2008/10/31	3.0	0.9		
	The Sumitomo Trust and Banking Co., Ltd.	1,000	1.38125%	2005/11/14	2010/10/29	5.0	2.9		
	The Chuo Mitsui Trust and Banking Company, Limited	500	1.60250%	2006/9/29	2011/9/30	5.0	3.8		
	Mizuho Corporate Bank, Ltd.	1,500	1.64852%	2007/10/1	2011/9/30	4.0	3.8		
	Sumitomo Mitsui Banking Corporation	1,200	1.64852%	2007/10/1	2011/9/30	4.0	3.8		
	Mitsubishi UFJ Trust and Banking Corporation	1,200	1.64852%	2007/10/1	2011/9/30	4.0	3.8		
	The Bank of Ikeda, Ltd.	1,200	1.64852%	2007/10/1	2011/9/30	4.0	3.8		
		Sub-total	13,100						
Total		18,800							

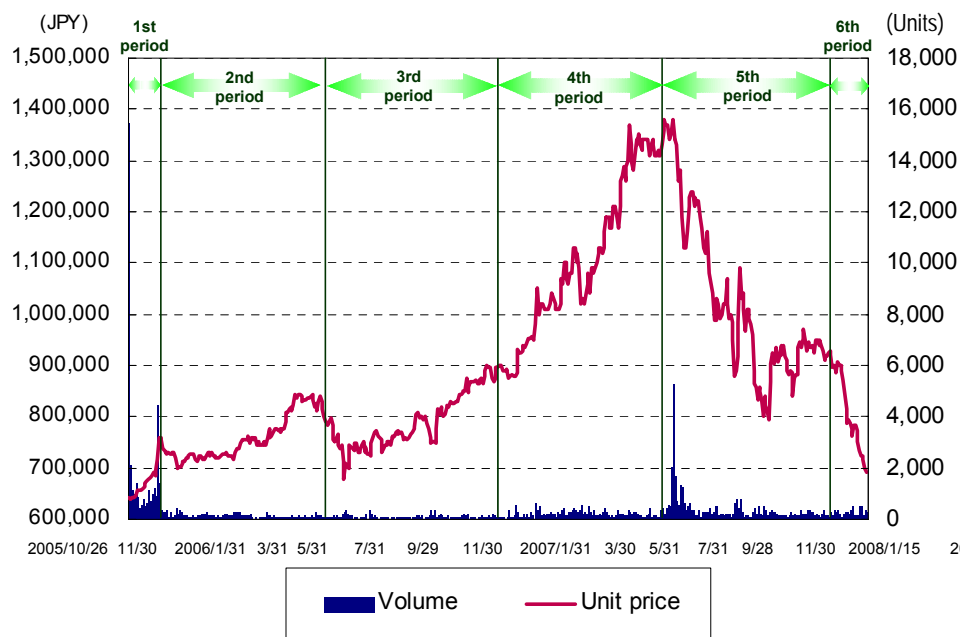
Hankyu REIT



7. APPENDIX

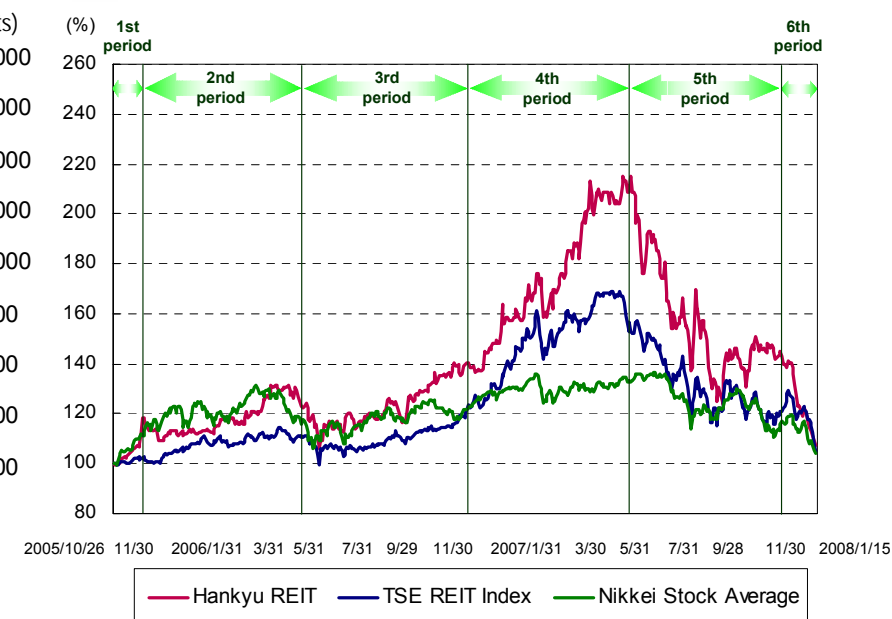
7-1. Changes in Investment Unit Price

Unit Price (closing price basis)



Source: QUICK

Relative Price (closing price basis)



Source: QUICK, Tokyo Stock Exchange

[Per unit trading trends for Oct. 26, 2005 - Jan. 15, 2008]

Highest price (traded value)	1,410,000 JPY (Apr. 25, 2007)
Lowest price (traded value)	630,000 JPY (Oct. 26, 2005)
Price at end of 5th fiscal period	920,000 JPY

7-2. Analysis of unitholder attributes at end of 5th fiscal period

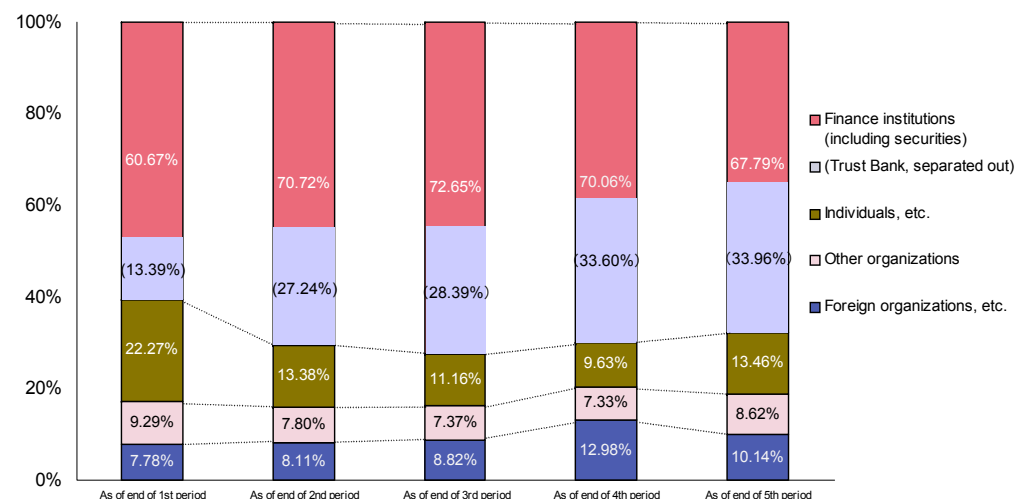
Unitholder Composition

Ownership by category	Number of unitholders (persons)	Ratio to ownership	Number of units invested (units)	Ratio to number of units
Finance institutions (including securities)	137	2.42%	57,892	67.79%
(Trust Bank, separated out)	(13)	(0.23%)	(29,005)	(33.96%)
Individuals, etc.	5,279	93.29%	11,492	13.46%
Other organizations	164	2.90%	7,360	8.62%
Foreign organizations, etc.	79	1.40%	8,656	10.14%
Total	5,659	100.00%	85,400	100.00%

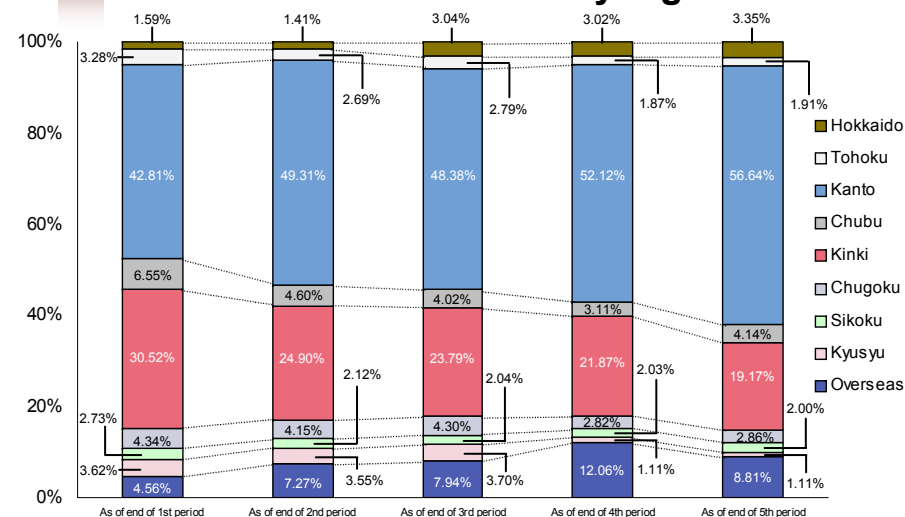
Top 10 unitholders

Unitholder name	Number of units held (units)	Ownership
Japan Trustee Services Bank, Ltd. (Trust account)	6,558	7.68%
NikkoCiti Trust and Banking Corporation (Investment trust account)	6,236	7.30%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	6,101	7.14%
The Master Trust Bank of Japan, Ltd. (Trust account)	4,782	5.60%
Hankyu Corporation	3,500	4.10%
The Bank of Ikeda, Ltd.	3,473	4.07%
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2,724	3.19%
North Pacific Bank, LTD.	2,648	3.10%
Fuji Fire And Marine Insurance Co., Ltd.	2,286	2.68%
Nomura Securities Co., Ltd.	1,919	2.25%
Total	40,227	47.10%
Number of outstanding units	85,400	100.00%

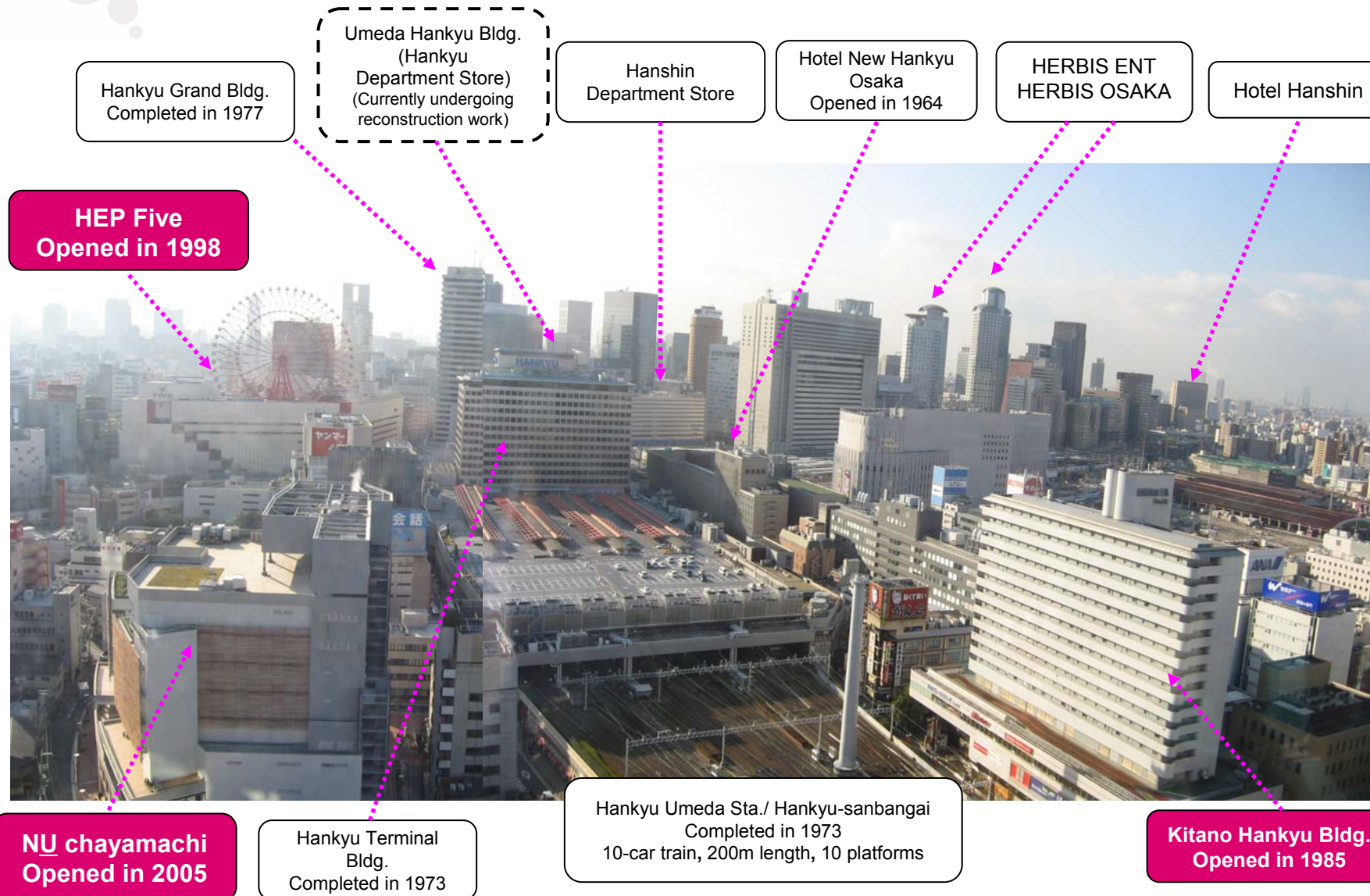
Ratio to number of units by unitholders



Ratio to number of units by region



7-3. "Umeda," Hankyu REIT's main area (1)

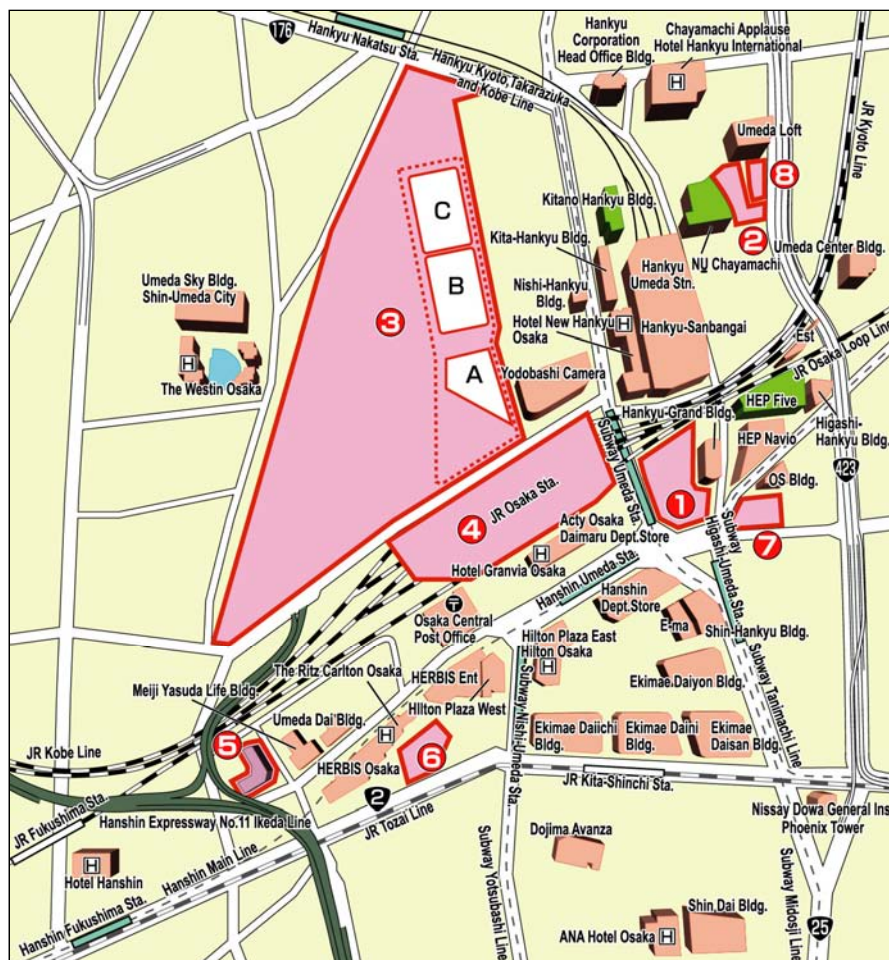


7-3. "Umeda", Hankyu REIT's main area (2)

Hankyu REIT, Inc.'s properties, and the Hankyu Hanshin Holdings Group's main developments and properties



7-4. Main Development Projects in “Umeda Area”

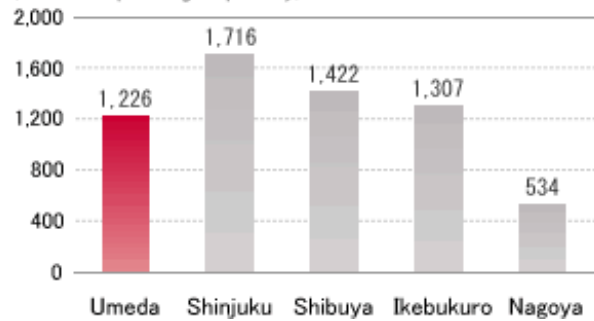


- (1) **Rebuilding of Umeda Hankyu Building**
Hankyu Corporation (Department, offices, etc.)
- (2) **Urban Area Redevelopment Project at Chayamachi East-block**
Hankyu Corporation (Retail stores, residences, schools, etc.)
- (3) Osaka Kitaumeda project
Urban Renaissance Agency, and Japan Railway Construction, Transport and Technology Agency (JRTT)
Advanced development area (Inside dotted frame)
A block: “Fureai (Communion)” zone (About 1.1ha)
B block: Knowledge/Capital zone (About 1.5ha)
C block: “Yosooi (Dressing)” zone (About 1.2ha)
Corporate Group : Mitsubishi Estate Co., Ltd., ORIX Real Estate Corporation, Sekisui House, Ltd., **Hankyu Corporation**, etc.
(B blocks was decided in May, 2006.
A and C blocks were decided in November, 2006.)
- (4) Modification of Osaka Station, and Development of New North Bldg.
West Japan Railway Company (Department, Retail stores, offices, etc.)
- (5) Mainichi Shimbun Osaka Office, Second phase
Mainichi Newspaper Co., Ltd.
- (6) Nishi-Umeda project
The Sankei Building Co., Ltd.
- (7) Rebuilding of Osaka Fukoku-Seimei Building
Fukoku Mutual Life Insurance Company
- (8) Development of OSAKA TOKYU HOTEL site
Urban Corporation

7-5. "Umeda area," Heaviest market area in western Japan

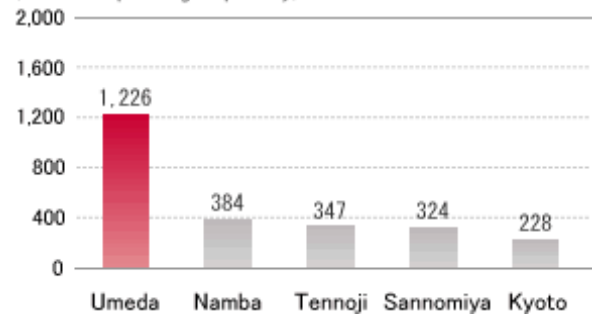
Umeda area ⇒ Heaviest market area and terminal (Hankyu, Hanshin, Subway, JR)

Comparison of major station areas nationwide
Number of passengers per day in each area (FY2004)
(Thousand passengers per day)

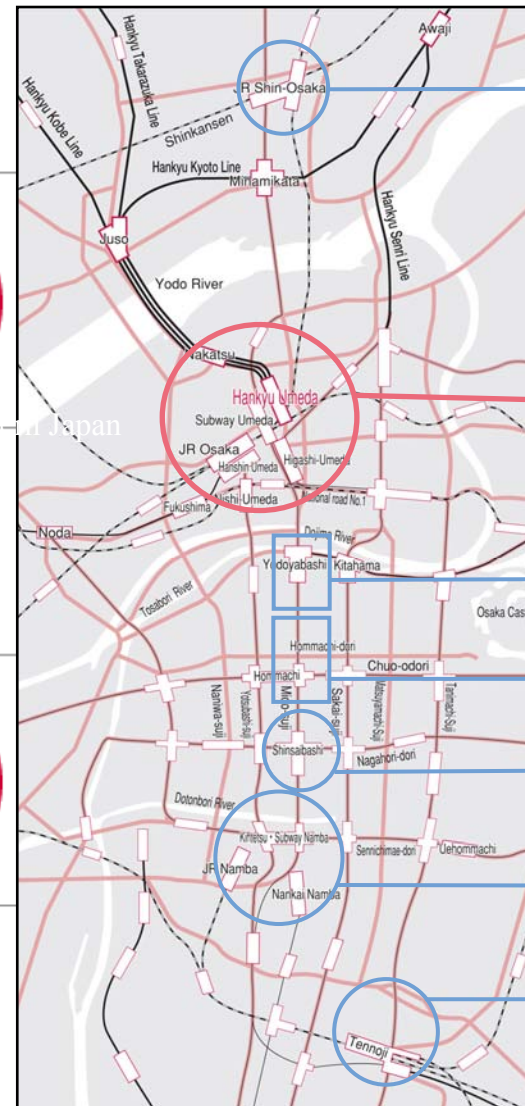


Umeda area:
Approx.
1.23 million
people per day

Comparison of major station areas in the Kansai region
Number of passengers per day in each area (FY2004)
(Thousand passengers per day)



Number one
in the
Kansai region



Shin-Osaka

Umeda
(Market and
Business area)

Yodoyabashi
(Business area)

Honmachi
(Business area)

Shinsaibashi
(Market area)

Namba
(Market area)

Tennoji
(Market area)

Source: Institution for Transport Policy Studies
Urban Transportation Yearly Report for 2006 year

7-6. Property Summary (1)

HEP Five



Location: 5-15, Kakuda-cho, Kita-ku, Osaka

Ground-floor area: 5,596.11 m² (Note 1)
Total floor area: 45,266.96 m² (Note 1)
Leasable area: 22,633.48 m²
 (10,573.77 m²) (Note 2)
Number of floors: 10 floors,
 3 underground levels
Completion date: November 1998

(Note 1) Entire areas of the property are listed.

(Note 2) Figures in parenthesis of the leasable area indicate the area leasable for end-tenants.
 (50% of the quasi co-ownership of the trust beneficiary interests)

NU chayamachi



Location: 10-12, Chayamachi, Kita-ku, Osaka

Ground-floor area: 4,109.74 m² (Note 1)
Total floor area: 25,194.25 m² (Note 1)
Leasable area: 15,546.75 m²
 (11,626.65 m²) (Note 2)
Number of floors: 9 floors,
 2 underground levels
Completion date: September 2005

(Note 1) Entire areas of the property are listed.
 (one building and the site noted in the registry).

(Note 2) Figures in parenthesis of the leasable area indicate the area leasable for end-tenants.

Sphere Tower Tennoz



Location: 2-2-8, Higashi-shinagawa, Shinagawa-ku, Tokyo

Ground-floor area: 6,106.11 m² (Note 1)
Total floor area: (1) Office and store wing:
 43,477.68 m² (Note 1)
 (2) Local air conditioning/heating facility
 3,674.04 m² (Note 1)
Leasable area: 8,657.30 m² (Note 2)
Number of floors: (1) 27 floors,
 2 underground levels
 (2) 4 underground levels
Completion date: (1) April 1993
 (2) June 1991

(Note 1) Entire areas of the property are listed.

(Note 2) 33% of the quasi co-ownership of the trust beneficiary interests.

7-6. Property Summary (2)

Kitano Hankyu Building



Location: 1-8-1, Shibata,
Kita-ku, Osaka

Ground-floor area: 4,450.05 m²
Total floor area: 28,194.15 m²
Leasable area: 28,194.15 m²
 (18,469.72 m²) (Note)
Number of floors: 20 floors,
 2 underground levels
Completion date: June 1985

Dew Hankyu Yamada



Location: 4-1-2, Yamada-Nishi, Suita-shi,
Osaka

Ground-floor area: 7,914.22 m²
Total floor area: 33,484.76 m²
Leasable area: 12,982.19 m²
Number of floors: 7 floors
Completion date: October 2003

Ueroku F Building



Location: 5-3-5, Uehonmachi-Nishi,
Chuo-ku, Osaka

Ground-floor area: 915.22 m²
Total floor area: 7,017.62 m²
Leasable area: 4,611.82 m²
Number of floors: 11 floors,
 1 underground level
Completion date: September 1993

(Note) Figures in parenthesis of the leasable area indicate the area leasable for end-tenants.

7-6. Property Summary (3)



Takatsuki-Josai Shopping Center

Location: 6-28, Josai-cho, Takatsuki-shi, Osaka

Ground-floor area: 31,007.58 m²

(of which 8,409.40m² is rented)

Total floor area: (1) Stores and parking 21,975.32 m²
(2) Parking 9,476.49 m²

Leasable area: 31,451.81 m²

Number of floors: (1) 3 floors (2) 4 floors

Completion date: April 2003



Nitori Ibaraki-Kita Store (site)

Location: 1-31, Nishitoyokawa-cho, Ibaraki-shi, Osaka

Ground-floor area: 6,541.31 m²

(For reference) Store Summary (Completed in October 2004)
Steel-frame building, with 4 floors above the ground, total floor area of 12,047.27 m², store area of 6,840 m², and parking (Capacity: 176 cars).



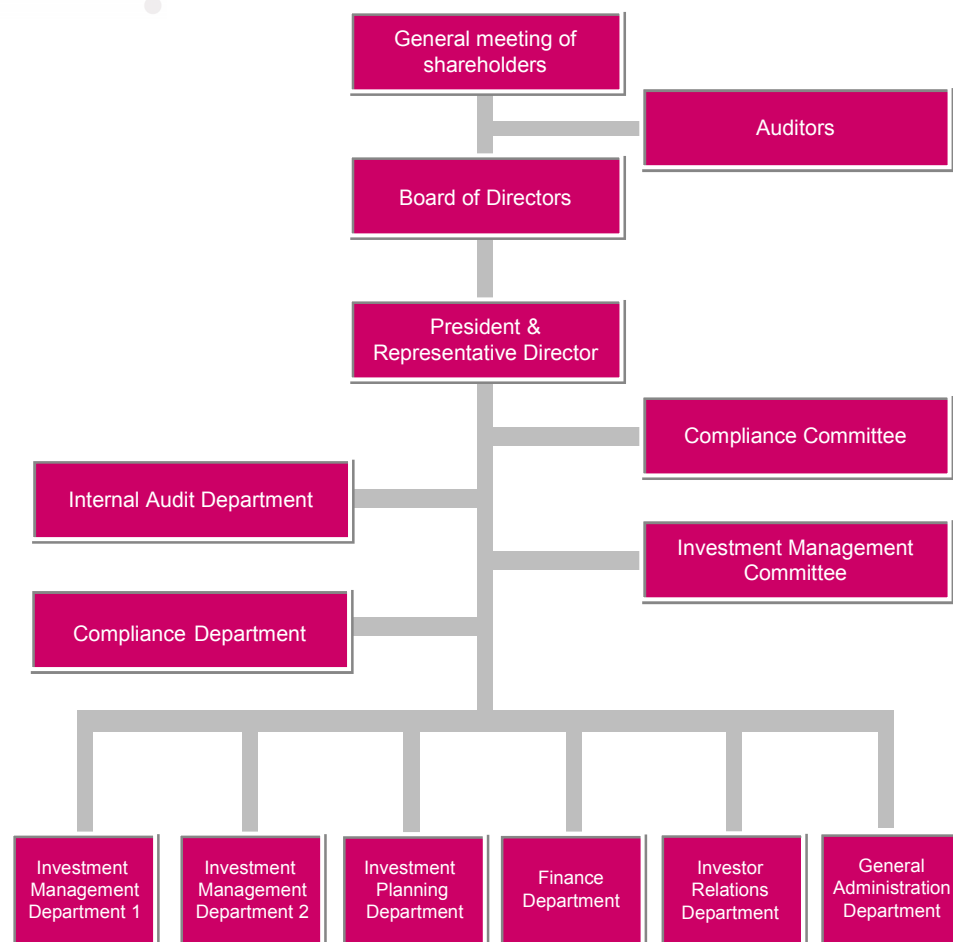
Kohnan Hiroshima Nakano-Higashi Store (site)

Location: 7-28-1, Nakano-Higashi, Aki-ku, Hiroshima

Ground-floor area: 25,529.73 m²

(For reference) Store Summary (Completed in August 2006)
Steel-frame, flat-roofed with 2 floors, total floor area of 10,854.22 m², and parking (Capacity: 521 cars).

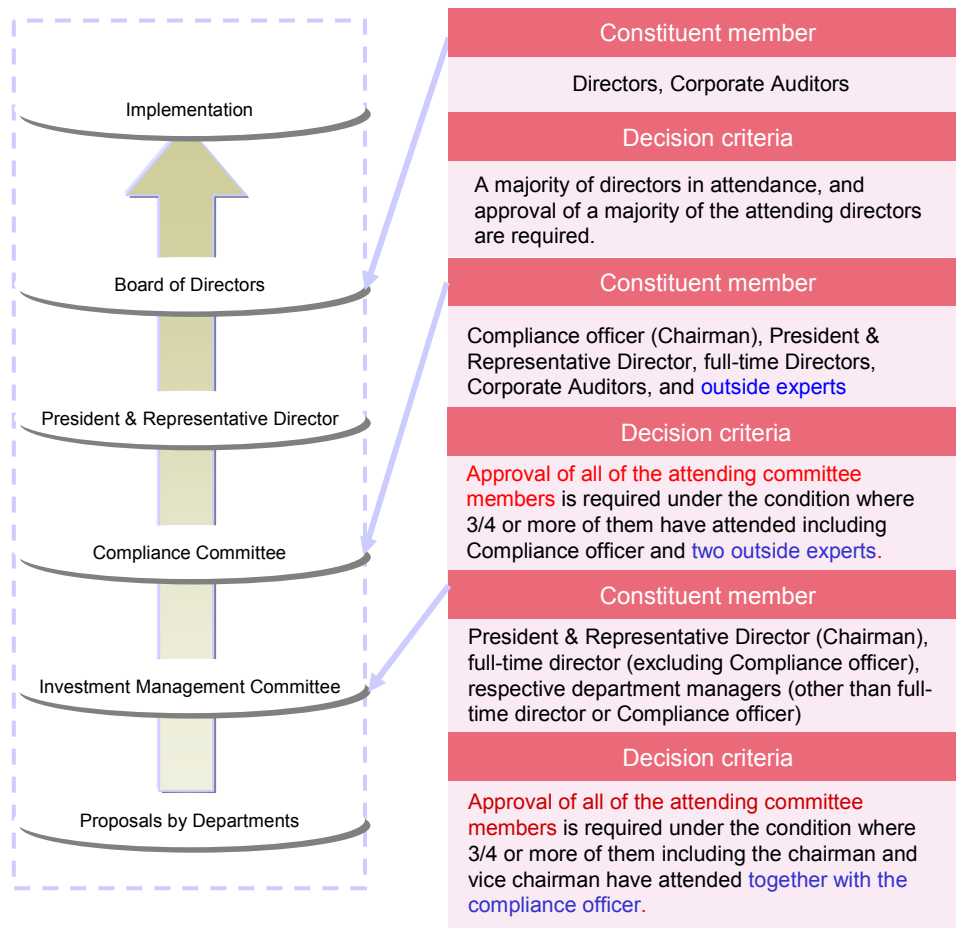
7-7. Organization of Hankyu REIT Asset Management, Inc.



Corporate Data	
Trade name	Hankyu REIT Asset Management, Inc.
Headquarters	19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan
Foundation	March 15, 2004
Capital	JPY 0.3 bn (As of January 23, 2008)
Shareholder	Hankyu Corporation (100%)
Number of employees	19 (As of January 23, 2008)
Executive officers	President & Representative Director: Mineo Yamakawa
	Director: Chujirou Yatani
	Director: Yoshiaki Shiraki
	Director: Koji Yoshida
	Corporate Auditor (part-time): Susumu Tahara
	Corporate Auditor (part-time): Shigeto Nishimatsu
Principal businesses	Financial instruments trading (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 ● Approval of discretionary dealing trustee etc.: No.23 by Minister of land, infrastructure and transportation ● Real Estate Transaction License: The Governor of Osaka Prefecture (1) No. 50641

7-8. Compliance and Internal Audit Systems of Hankyu REIT Asset Management, Inc.

Systematically ensure multiple check functions.
Focus on promoting a compliance-conscious corporate culture.



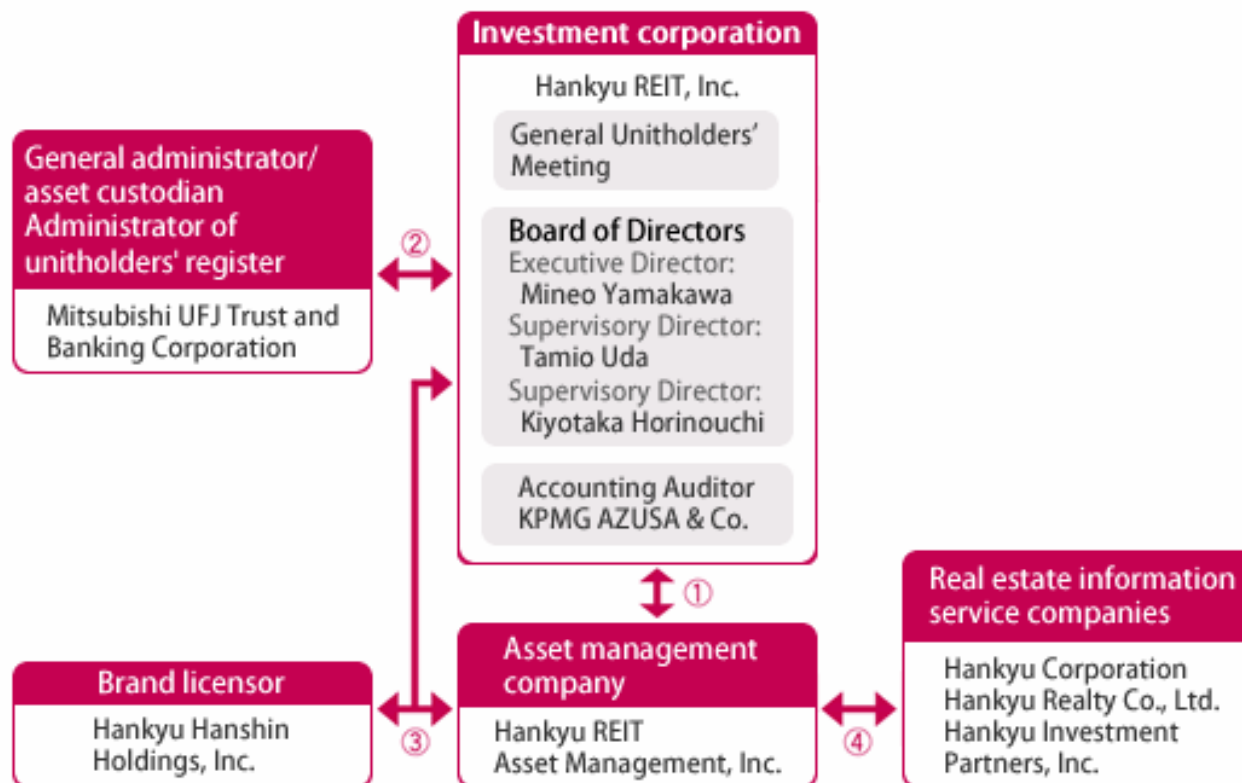
Compliance System

- Achieve comprehensive compliance by establishing a Compliance Department and a Compliance Officer.
- The Compliance Committee, including outside experts, deliberates on Conflicts of Interests Transaction with interested parties.
- The Compliance Officer attends the Investment committee and checks for compliance issues.

Internal Audit System

- Established the Internal Audit Department, responsible for internal auditing, previously the responsibility of the Compliance Department, to bolster the independence of internal auditing (October 1, 2007)
- The results of internal auditing are put together as an internal audit report and reported to the Board of Directors and Corporate Auditors.

7-9. Company Structure of Hankyu REIT



- ① Asset management services agreement ② Administrative agency agreement/asset custody agreement/agreement on administration of unitholders' register
 ③ Trademark license agreement ④ Information sharing-related agreement

(Note) In preparation for the event that the number of executive directors is less than that stipulated in laws and regulations, Yoshiaki Shiraki was elected as alternate executive director at the general unitholders' meeting held on October 19, 2006. Yoshiaki Shiraki is a director of Hankyu REIT Asset Management, Inc., an asset management firm, and obtained the approval of the Commissioner of the Financial Services Agency on November 1, 2006 to hold concurrent posts as provided under Article 31-4 of the Financial Instruments and Exchange Law.



Hankyu REIT, Inc.
<http://www.hankyu-reit.jp>