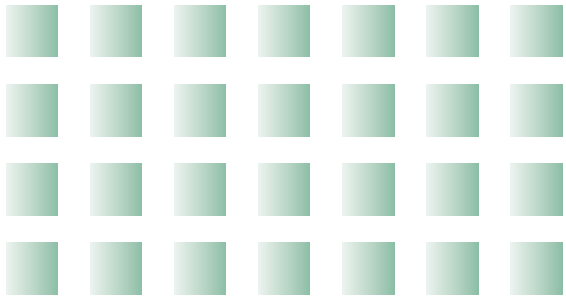


SEMIANNUAL REPORT
FISCAL PERIOD ENDED OCTOBER 31, 2007



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MESSAGE TO OUR UNITHOLDERS

Premier Investment Corporation (PIC) is a real estate investment trust (J-REIT) investing in office buildings and residential properties in the Tokyo Economic Bloc. Since its listing in September 2002, PIC has realized steady growth and secured stable distributions over nine fiscal periods. In its 10th fiscal period that ended in October 2007, period-on-period increases were achieved in both revenues and profits.

In the 10th fiscal period (May 1, 2007 - October 31, 2007), PIC achieved operating revenues of 4,427 million yen, ordinary income of 1,807 million yen and net income of 1,805 million yen. PIC's distribution per unit was 17,810 yen, an increase of 1,492 yen compared to the 9th fiscal period. Two office buildings with high occupancy, acquired in the 10th fiscal period through sponsor channels of PIC's asset manager, contributed significantly to the good performance. PIC also acquired a residential property in the same period.

Despite concerns regarding negative impacts from the subprime loan problems generated in the U.S., the Japanese economy continued to expand gradually but steadily during the period under review. The conditions surrounding the real estate market also progressively improved. Demand for office buildings grew stronger and vacancy rates were virtually at their lowest, while residential properties showed a continuous trend of gradually rising rent levels, especially at high-grade properties in good and convenient locations. Under these circumstances, PIC's existing properties also generated a steady increase in rental revenues.

With a medium- to long-term perspective, PIC aims to steadily expand its portfolio of high-grade properties, prudently manage its assets and secure stable revenues. PIC believes that its uppermost duty is to distribute sufficient revenues to unitholders. To achieve this goal, PIC will carefully select blue-chip properties for its portfolio while avoiding competition in property acquisitions beyond what is necessary, and conduct optimal management of the portfolio by taking advantage of its know-how and expertise backed by a superb track record.

Under this fundamental philosophy, PIC is endeavoring to build and expand its portfolio of properties with a focus on quality. After the start of the 11th fiscal period, PIC raised approximately 17.5 billion yen by issuing 30,000 new investment units through a public offering in November 2007. PIC used these funds to acquire new properties including Shibaura Island Air Tower, a new, ultra-skyscraper residence in operation, and to repay part of its

borrowings. The repayment has significantly reduced PIC's LTV (loan-to-value) ratio, and secured an ability to procure funds for further external growth. Additionally, in the 11th fiscal period, PIC sold one of its properties - the first such move for PIC - on favorable terms and obtained capital. This will help PIC pay distributions for the 11th fiscal period at a forecasted 27,280 yen per unit.

Having operated through ten fiscal periods, PIC has reached a new stage of growth both in its portfolio size and asset quality. We will work to steadily expand PIC's asset size to aim to reach 200 billion yen in total assets, while further reinforcing the quality of owned properties. By doing so, we will record stable management of the portfolio over the medium to long term to meet the expectations of our unitholders.

PIC aims to become the J-REIT of choice amid the increasingly harsh selection process in the market. We are deeply grateful for your continuing support.



H. Matsuzawa
Hiroshi Matsuzawa
 Executive Director
 Premier Investment Corporation



F. Yasutake
Fumihiko Yasutake
 President and CEO
 Premier REIT Advisors

DESCRIPTION OF PREMIER INVESTMENT CORPORATION

Premier Investment Corporation (hereafter, PIC) is a J-REIT that manages a portfolio comprised of office buildings and residential properties, investing exclusively in the Tokyo Economic Bloc. PIC was listed on the Tokyo Stock Exchange (securities code: 8956) in September 2002 as the sixth J-REIT. PIC has since steadily expanded its portfolio to 39 properties as of the end of October 2007, and

presently boasts total assets, including cash and deposits, of over 110 billion yen. PIC outsources management of its assets to Premier REIT Advisors, Co., Ltd. (hereafter, Premier REIT Advisors). Premier REIT Advisors is sponsored primarily by Ken Corporation Ltd. (hereafter, Ken Corporation), a leading specialist in real

estate, and the Chuo Mitsui Trust Group, a leading Japanese financial group. The two firms second staff to the asset manager, where the staff takes leading roles in applying the sponsors' real estate and financing know-how. This enables Premier REIT Advisors to manage PIC's portfolio with a high degree of specialization built on extensive industry experience.

10TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

PIC posted an increase in operating revenues during the 10th fiscal period. This is primarily due to the two office buildings acquired through the sponsor network during the period operating at high

occupancy. This, together with improved portfolio occupancy and successful raising of rents especially for new and renewed office tenants, enabled PIC to also post an increase in net income. As a result, the

distribution per unit for the 10th fiscal period increasing by 1,492 yen period-on-period to 17,810 yen.

Management and Distribution Results	9th Fiscal Period	10th Fiscal Period
	(Ended April 2007)	(Ended October 2007)
Operating Revenues (mm yen)	4,050	4,427
Operating Income (mm yen)	1,980	2,229
Ordinary Income (mm yen)	1,655	1,807
Net Income (mm yen)	1,654	1,805
Distribution per Unit (yen) (distribution in excess of profits not included)	16,318	17,810
Total Distributions (mm yen)	1,654	1,805
Distribution Payout Ratio ^(Note)	99.9%	99.9%
Distribution versus Net Assets ^(Note)	3.1%	3.4%

(Note) Both the distribution payout ratio and distribution versus net assets were rounded down to the tenth place.

Financial Status	9th Fiscal Period	10th Fiscal Period
	(Ended April 2007)	(Ended October 2007)
Total Assets (mm yen)	107,017	117,374
Net Assets (mm yen)	53,089	53,240
Net Assets to Total Assets	49.6%	45.4%
Net Assets per Unit (yen) ^(Note)	523,565	525,057

(Note) The number of outstanding investment units at the end of both the ninth and 10th fiscal periods was 101,400 units.

CORPORATE HISTORY OF PREMIER INVESTMENT CORPORATION

2007		June	Ninth fiscal period results announced
		November	Investment units issued reach 131,400 investment units outstanding
		December	Tenth fiscal period results announced
2006		June	Seventh fiscal period results announced
		December	Eighth fiscal period results announced
2005		January	Portfolio reached 80 billion yen
		May	Investment units issued
		June	Fifth fiscal period results announced
		July	Issuer credit rating obtained
		September	Corporate bonds floated
		December	Sixth fiscal period results announced
2004		June	Third fiscal period results announced
		December	Fourth fiscal period results announced
2003		June	First fiscal period results announced
		July	Portfolio reached 50 billion yen
		November	Investment units issued
		December	Second fiscal period results announced
2002		May	Premier Investment Corporation established
		September	Listed on the Tokyo Stock Exchange Acquired 11 properties (46.1 billion yen) and commenced operations
2001	July	Premier REIT Advisors (asset manager) established	

PROPERTIES ACQUIRED DURING THE 10TH FISCAL PERIOD



YS Kaigan Building



LOCATION
2-2-6 Kaigan, Minato Ward, Tokyo

LOT AREA
1,670.99m²

TOTAL FLOOR AREA
8,476.92m²

STRUCTURE
12-story steel-framed reinforced concrete structure

COMPLETED
January 1993

ACQUISITION DATE
June 29, 2007

ACQUISITION PRICE
5,100 mm yen

10TH FISCAL PERIOD PERFORMANCE

Investment period	125 days
Occupancy at period end	96.8%
Real estate rental revenues	124 mm yen
Real estate rental expenses	43 mm yen
Real estate rental income	81 mm yen



Premier Toyochō Building



LOCATION
3-23-21 Toyo, Koto Ward, Tokyo

LOT AREA
1,080.98m²

TOTAL FLOOR AREA
5,054.32m²

STRUCTURE
7-story steel-framed reinforced concrete structure (1 basement floor)

COMPLETED
October 2006

ACQUISITION DATE
May 18, 2007

ACQUISITION PRICE
4,310 mm yen

10TH FISCAL PERIOD PERFORMANCE

Investment period	167 days
Occupancy at period end	100.0%
Real estate rental revenues	141 mm yen
Real estate rental expenses	49 mm yen
Real estate rental income	92 mm yen



Premier Stage Otsuka



LOCATION
3-34-8 Minami-Otsuka, Toshima Ward, Tokyo

LOT AREA
254.76m²

TOTAL FLOOR AREA
1,894.61m²

STRUCTURE
14-story reinforced concrete structure

NUMBER OF UNITS
58 (with 1 retail outlet)

COMPLETED
August 2006

ACQUISITION DATE
June 18, 2007

ACQUISITION PRICE
1,310 mm yen

10TH FISCAL PERIOD PERFORMANCE

Investment period	136 days
Occupancy at period end	98.5%
Real estate rental revenues	32 mm yen
Real estate rental expenses	11 mm yen
Real estate rental income	20 mm yen

INVESTMENT AREA AND PORTFOLIO DIVERSIFICATION

Investment Area

PIC focuses its investment on the Tokyo Economic Bloc, where the population and economy are concentrated and the economic infrastructure is well established. This is because potential needs of tenants are greater in the Bloc, and because more efficient property management is possible by focusing on a specific concentrated investment area.

PIC classifies the Tokyo Economic Bloc into the three categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo and the Surrounding City Area. Although the 5 Central Wards of Tokyo are the primary investment targets, PIC is committed to achieving and maintaining a proper balance among the investment areas and diversifying the portfolio between office buildings and residential properties. The aim of this strategy is to assure stable revenues over the medium to long term.

■ Five Central Wards of Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards. The Chiyoda, Chuo and Minato Wards have long played a central role as business areas, while the Shinjuku and Shibuya Wards have recently established themselves as new business areas.

■ Other 18 Wards of Tokyo: The remaining 18 wards of the 23 wards of Tokyo

■ Surrounding City Area: Tokyo Prefecture excluding the 23 wards of Tokyo, Kanagawa Prefecture (including Yokohama City and Kawasaki City), Saitama Prefecture (including Saitama City) and Chiba Prefecture (including Chiba City).

Existing potential tenant needs

- Population presently returning to the center of Tokyo
- Ratio of owned housing declining while demand for rental housing is increasing
- Centralization of societal functions

Concentrating the investment area heightens property management efficiency

- Management via a small number of staff has realized lower management fees
- Standardization of property management practices and fees

Creation of Stable Cash Flows



Management Specialized in Tokyo Economic Bloc Properties



Portfolio Diversification (at the end of the 10th fiscal period)

■ Area



■ Usage



Residential 47.6%



Office 52.4%

PROPERTY PORTFOLIO

PIC owns the following 39 properties as of the end of the 10th fiscal period (October 31, 2007).

Area	Property Number	Property Name	Location	Acquisition Price (mm yen)	Share (%)	PML Value (%) (Note 1)
Office Buildings						
5 Central Wards of Tokyo	A1	Landic Shimbashi Building 1	3-8-3 Nishi-Shinbashi, Minato Ward, Tokyo	6,341	5.7	10.6
	A2	Landic Shimbashi 2 Building	3-7-1 Nishi-Shinbashi, Minato Ward, Tokyo	7,045	6.4	12.8
	A3	Fuji Building No.37	1-18-3 Dogenzaka, Shibuya Ward, Tokyo	1,727	1.6	5.5
	A4	KN Shibuya No.3	9-8 Sakuraoka-cho, Shibuya Ward, Tokyo	5,348	4.8	10.6
	A5	Takadanobaba Center Building	1-31-18 Takadanobaba, Shinjuku Ward, Tokyo	5,118	4.6	2.0
	A6	Rokubancho Building	6-28 Rokuban-cho, Chiyoda Ward, Tokyo	7,860	7.1	10.8
	A7	Ougaku Building	2-19 Kandasakuma-cho, Chiyoda Ward, Tokyo	1,796	1.6	14.2
	A8	YS Kaigan Building	2-2-6 Kaigan, Minato Ward, Tokyo	5,100	4.6	10.6
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	3-3-11 Hongo, Bunkyo Ward, Tokyo	1,456	1.3	8.7
	B2	Premier Toyochō Building	3-23-21 Toyo, Koto Ward, Tokyo	4,310	3.9	16.2
Surrounding City Area	C1	Nisso No.3 Building	2-5-15 Kita-Saiwai, Nishi Ward, Yokohama, Kanagawa	3,558	3.2	10.2
	C2	The Kanagawa Science Park R&D Building	3-2-1 Sakato, Takatsu Ward, Kawasaki, Kanagawa	6,556	5.9	10.4
	C3	NARA BUILDING II (Note 2)	2-2-8 Shin-Yokohama, Kohoku Ward, Yokohama, Kanagawa	1,580	1.4	10.1
SUBTOTAL				57,795	52.4	
Residential Properties						
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	4-15 Yotsuya, Shinjuku Ward, Tokyo	5,208	4.7	7.4
	D2	Park Axis Meiji-Jingumae	1-10-11 Jingumae, Shibuya Ward, Tokyo	2,604	2.4	9.9
	D3	Sun Palace Minami-Azabu	1-17-5 Minami-Azabu, Minato Ward, Tokyo	1,150	1.0	5.3
	D4	Cabin Arena Akasaka	2-12-23 Akasaka, Minato Ward, Tokyo	1,330	1.2	10.1
	D5	Cabin Arena Minami-Aoyama	7-10-17 Minami-Aoyama, Minato Ward, Tokyo	1,070	1.0	11.2
	D6	Bureau Kioicho	2-4-4 Hirakawa-cho, Chiyoda Ward, Tokyo	1,840	1.7	11.6
	D7	Homat Woodville	4-12-19 Nishi-Azabu, Minato Ward, Tokyo	5,090	4.6	7.4
	D8	Roppongi Green Terrace	3-3-23 Roppongi, Minato Ward, Tokyo	4,678	4.2	10.3
	D9	B-Site Shibakoen	1-10-8 Shiba, Minato Ward, Tokyo	2,181	2.0	11.5
	D10	Premier Stage Nihonbashi Kayabacho	3-4-1 Nihonbashi-Kayabacho, Chuo Ward, Tokyo	2,430	2.2	11.7
	D11	Langue Tower Kyobashi	2-6-5 Kyobashi, Chuo Ward, Tokyo	927	0.8	12.5
	D12	Premier Stage MitaKeidaimae	5-14-10 Shiba, Minato Ward, Tokyo	1,580	1.4	14.3
	D13	Premier Rosso	2-2-6 Tomigaya, Shibuya Ward, Tokyo	1,662	1.5	14.0
	D14	Premier Blanc Yoyogikouen	1-46-7 Tomigaya, Shibuya Ward, Tokyo	2,330	2.1	13.1
	D15	Premier Stage Uchikanda	2-10-7 Uchikanda, Chiyoda Ward, Tokyo	1,723	1.6	13.8
	D16	Premier Stage Ichigayakawadacho	9-4 Sumiyoshi-cho, Shinjuku Ward, Tokyo	1,460	1.3	13.1
	D17	Walk Akasaka	6-12-4 Akasaka, Minato Ward, Tokyo	2,043	1.9	13.9
	D18	Premier Stage Shibakoen	2-2-1 Shibakoen, Minato Ward, Tokyo	1,585	1.4	16.1
	D19	MEW	3-7-8 Kaigan, Minato Ward, Tokyo	1,556	1.4	13.9
Other 18 Wards of Tokyo	E1	B-Site Osaki	5-5-15 Osaki, Shinagawa Ward, Tokyo	1,072	1.0	12.1
	E2	Premier Garden Hongo	1-14-2 Mukougaoka, Bunkyo Ward, Tokyo	975	0.9	12.1
	E3	Premier Grande Magome	1-18-18 Nakamagome, Ota Ward, Tokyo	1,560	1.4	15.7
	E4	Premier Nozze Yutenji	1-6-6 Shimouma, Setagaya Ward, Tokyo	1,525	1.4	13.6
	E5	Across Yushima	3-16-11 Yushima, Bunkyo Ward, Tokyo	1,803	1.6	17.2
	E6	Premier Stage Komagome	1-3-11 Komagome, Toshima Ward, Tokyo	1,830	1.7	18.0
	E7	Premier Stage Otsuka	3-34-8 Minami-Otsuka, Toshima Ward, Tokyo	1,310	1.2	22.5
SUBTOTAL				52,523	47.6	
TOTAL				110,318	100.0	7.9

(Note 1) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures. In evaluating the portfolio PML values, the possibility of interrelated damage to multiple buildings is considered. The loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs, and the maximum figure of the values has been set as the PML value of the portfolio. Furthermore, as of the end of the 9th fiscal period, PIC has not purchased any earthquake insurance for its owned real estate in trust based on the results of these earthquake reports.

(Note 2) A property transfer contract for NARA BUILDING II was concluded on November 2, 2007 and the property was transferred to the purchaser on January 31, 2008.

PIC acquired the following two properties between the start of the 11th fiscal period (November 1, 2007) and December 31, 2007.

Area	Property Number	Property Name	Location	Acquisition Price (mm yen)	Acquisition Date
Residential Properties					
Other 18 Wards of Tokyo	E8	Premier Stage Honjo-Azumabashi	2-4-8 Azumabashi, Sumida Ward, Tokyo	2,640	November 30, 2007
5 Central Wards of Tokyo	D20	Shibaura Island Air Tower	4-22-1 and 4-22-2 Shibaura, Minato Ward, Tokyo	7,590	December 3, 2007
TOTAL				10,230	



ASSETS UNDER MANAGEMENT

OFFICE BUILDINGS

PIC utilizes its robust sponsor network as well as asset manager's network to acquire blue-chip office buildings and residential properties in the Tokyo Economic Bloc. The following pages provide an overview of PIC's portfolio as of the end of the fiscal period ended October 2007 (see P.4 for properties acquired during the 10th period.)

Many of PIC's office buildings in its portfolio are middle-sized buildings boasting excellent access by mass transit.



A1 Landic Shimbashi Building 1

- **Location** 3-8-3 Nishi-Shinbashi, Minato Ward, Tokyo
- **Lot area** 1,003.27m²
- **Total floor area** 6,914.84m²
- **Structure** 9-story steel-framed and steel-framed reinforced concrete structure
- **Completed** June 1982

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	241 mm yen
Real estate rental expenses	82 mm yen
Real estate rental income	158 mm yen



A2 Landic Shimbashi 2 Building

- **Location** 3-7-1 Nishi-Shinbashi, Minato Ward, Tokyo
- **Lot area** 1,400.74m²
- **Total floor area** 8,332.65m²
- **Structure** 11-story steel-framed reinforced concrete structure
- **Completed** December 1978

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	277 mm yen
Real estate rental expenses	87 mm yen
Real estate rental income	189 mm yen



A3 Fuji Building No. 37

- **Location** 1-18-3 Dogenzaka, Shibuya Ward, Tokyo
- **Lot area** 435.26m²
- **Total floor area** 2,721.71m²
- **Structure** 8-story steel-framed reinforced concrete structure (2 basement floors)
- **Completed** June 1991

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	88 mm yen
Real estate rental expenses	35 mm yen
Real estate rental income	52 mm yen



A4 KN Shibuya No. 3

- **Location** 9-8 Sakuraoka-cho, Shibuya Ward, Tokyo
- **Lot area** 2,327.60m²
- **Total floor area** 7,737.27m²
- **Structure** 4-story steel-framed reinforced concrete structure (1 basement floor)
- **Completed** February 1993

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	257 mm yen
Real estate rental expenses	98 mm yen
Real estate rental income	159 mm yen



A5 Takadanobaba Center Building

- **Location** 1-31-18 Takadanobaba, Shinjuku Ward, Tokyo
- **Lot area** 1,556.29m²
- **Total floor area** 9,906.83m²
- **Structure** 12-story steel-framed reinforced concrete structure (1 basement floor)
- **Completed** May 1992

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	257 mm yen
Real estate rental expenses	169 mm yen
Real estate rental income	87 mm yen



A6 Rokubancho Building

- **Location** 6-28 Rokuban-cho, Chiyoda Ward, Tokyo
- **Lot area** 2,036.66m²
- **Total floor area** 9,339.42m²
- **Structure** 7-story steel-framed and steel-framed reinforced concrete structure (1 basement floor)
- **Completed** April 1987

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	— (Note)
Real estate rental expenses	— (Note)
Real estate rental income	233 mm yen

(Note) The rental revenues from a leasing contract with a single major tenant occupies more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.

Office A2

Office A3

Office A4

Office A5

Office A6



A7 Ougaku Building

- **Location** 2-19 Kandasakuma-cho, Chiyoda Ward, Tokyo
- **Lot area** 421.21m²
- **Total floor area** 2,776.30m²
- **Structure** 8-story steel-framed reinforced concrete structure (1 basement floor)
- **Completed** March 1988

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	72 mm yen
Real estate rental expenses	28 mm yen
Real estate rental income	44 mm yen



B1 IPB Ochanomizu Building

- **Location** 3-3-11 Hongo, Bunkyo Ward, Tokyo
- **Lot area** 460.41m²
- **Total floor area** 2,314.89m²
- **Structure** 9-story steel-framed and reinforced concrete structure (1 basement floor)
- **Completed** March 1992

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	80.1%
Real estate rental revenues	61 mm yen
Real estate rental expenses	32 mm yen
Real estate rental income	28 mm yen

*The property is comprised of the building shown in the center of the photo as well as its lot.



C1 Nisso No. 3 Building

- **Location** 2-5-15 Kita-Saiwai, Nishi Ward, Yokohama, Kanagawa
- **Lot area** 1,440.14m²
- **Total floor area** 7,562.90m²
- **Structure** 8-story steel-framed reinforced concrete structure (1 basement floor)
- **Completed** April 1986

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	201 mm yen
Real estate rental expenses	91 mm yen
Real estate rental income	109 mm yen



C2 The Kanagawa Science Park R&D Building

- **Location** 3-2-1 Sakato, Takatsu Ward, Kawasaki, Kanagawa
- **Lot area** 55,362.76m² (ownership interest: 18.4591%) (Note 1)
- **Total floor area** 83,500.67m² (ownership interest: 27%) (Note 2)
- **Structure** 12-story steel-framed reinforced concrete structure (1 basement floor)
- **Completed** July 1989

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	95.7%
Real estate rental revenues	534 mm yen
Real estate rental expenses	270 mm yen
Real estate rental income	264 mm yen

(Note 1) The figure in parentheses is the ratio (27%) of the site for the owned property within the total project area (683,672/1,000,000).
(Note 2) The figure in parentheses is the allocated ownership interest of PIC.



C3 NARA BUILDING II

- **Location** 2-2-8 Shin-Yokohama, Kohoku Ward, Yokohama, Kanagawa
- **Lot area** 700.59m²
- **Total floor area** 5,356.99m²
- **Structure** 11-story steel-framed and steel-framed reinforced concrete structure (1 basement floor)
- **Completed** March 1992

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	101 mm yen
Real estate rental expenses	54 mm yen
Real estate rental income	46 mm yen

ASSETS UNDER MANAGEMENT

RESIDENTIAL PROPERTIES

PIC acquires four types of residential properties: Wide, Family, DINKS and Singles. PIC works to achieve an optimum balance in accordance with market demand.

Wide - This type is primarily intended for foreigners (i.e., executives dispatched or assigned by Western and multinational companies from overseas to offices located in the Tokyo Economic Bloc). Recently, demand for these properties is increasing among wealthy Japanese families as well.

Family - This type is intended for average-income Japanese families (especially families with three or more members, including children) and designed in a manner that meets their lifestyles. These properties are expected to yield relatively high profitability levels.

DINKS (Double Income, No Kids) - This type is intended for young households (without children) where both partners work, and designed to meet their lifestyles. Demand among these tenants tends to focus on areas with convenient commuter access to the center of Tokyo.

Singles - This type is intended for persons living alone, and designed to meet their lifestyles. Together with diversifying lifestyles, the market for more spacious and higher quality residential properties targeting singles is growing steadily.



D1 Park Axis Yotsuya Stage

- **Location** 4-15 Yotsuya, Shinjuku Ward, Tokyo
- **Lot area** 1,255.28m²
- **Total floor area** 8,158.30m²
- **Structure** 16-story steel-framed reinforced concrete structure (1 basement floor)
- **Number of units** 127
- **Completed** November 2001

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	97.9%
Real estate rental revenues	173 mm yen
Real estate rental expenses	78 mm yen
Real estate rental income	95 mm yen



D2 Park Axis Meiji-Jingumae

- **Location** 1-10-11 Jingumae, Shibuya Ward, Tokyo
- **Lot area** 771.73m²
- **Total floor area** 1,913.18m²
- **Structure** 7-story reinforced concrete structure (1 basement floor)
- **Number of units** 26 (with 3 retail outlets)
- **Completed** March 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	96.7%
Real estate rental revenues	68 mm yen
Real estate rental expenses	19 mm yen
Real estate rental income	49 mm yen



D3 Sun Palace Minami-Azabu

- **Location** 1-17-5 Minami-Azabu, Minato Ward, Tokyo
- **Lot area** 677.02m²
- **Total floor area** 2,227.37m²
- **Structure** 6-story reinforced concrete structure (1 basement floor)
- **Number of units** 13
- **Completed** November 1989

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	92.7%
Real estate rental revenues	37 mm yen
Real estate rental expenses	25 mm yen
Real estate rental income	12 mm yen



D4 Cabin Arena Akasaka

- **Location** 2-12-23 Akasaka, Minato Ward, Tokyo
- **Lot area** 353.37m²
- **Total floor area** 1,793.32m²
- **Structure** 10-story reinforced concrete structure
- **Number of units** 32
- **Completed** November 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	84.4%
Real estate rental revenues	48 mm yen
Real estate rental expenses	17 mm yen
Real estate rental income	31 mm yen



D5 Cabin Arena Minami-Aoyama

- **Location** 7-10-17 Minami-Aoyama, Minato Ward, Tokyo
- **Lot area** 210.52m²
- **Total floor area** 1,399.33m²
- **Structure** 14-story steel-framed reinforced concrete structure
- **Number of units** 37
- **Completed** February 2003

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	87.0%
Real estate rental revenues	40 mm yen
Real estate rental expenses	18 mm yen
Real estate rental income	22 mm yen



D6 Bureau Kioicho

- **Location** 2-4-4 Hirakawa-cho, Chiyoda Ward, Tokyo
- **Lot area** 306.73m²
- **Total floor area** 2,008.55m²
- **Structure** 11-story steel-framed reinforced concrete structure
- **Number of units** 50
- **Completed** November 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	62 mm yen
Real estate rental expenses	14 mm yen
Real estate rental income	48 mm yen



D7 Homat Woodville

- **Location** 4-12-19 Nishi-Azabu, Minato Ward, Tokyo
- **Lot area** 2,983.96m²
- **Total floor area** 8,269.98m²
- **Structure** 7-story reinforced concrete structure (1 basement floor)
- **Number of units** 28
- **Completed** August 1988

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	96.5%
Real estate rental revenues	168 mm yen
Real estate rental expenses	63 mm yen
Real estate rental income	104 mm yen



D8 Roppongi Green Terrace

- **Location** 3-3-23 Roppongi, Minato Ward, Tokyo
- **Lot area** 2,276.48m²
- **Total floor area** 8,332.22m²
- **Structure** 7-story reinforced concrete structure (1 basement floor)
- **Number of units** 33
- **Completed** October 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	90.4%
Real estate rental revenues	157 mm yen
Real estate rental expenses	66 mm yen
Real estate rental income	90 mm yen



D9 B-Site Shibakoen

- **Location** 1-10-8 Shiba, Minato Ward, Tokyo
- **Lot area** 344.59m²
- **Total floor area** 2,548.44m²
- **Structure** 12-story steel-framed reinforced concrete structure
- **Number of units** 88
- **Completed** February 2003

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	74 mm yen
Real estate rental expenses	19 mm yen
Real estate rental income	54 mm yen



D10 Premier Stage Nihonbashi Kayabacho

- **Location** 3-4-1 Nihonbashi-Kayabacho, Chuo Ward, Tokyo
- **Lot area** 479.93m²
- **Total floor area** 4,540.70m²
- **Structure** 14-story steel-framed reinforced concrete structure
- **Number of units** 135
- **Completed** February 2004

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	98.7%
Real estate rental revenues	97 mm yen
Real estate rental expenses	43 mm yen
Real estate rental income	53 mm yen



D11 Langue Tower Kyobashi

- **Location** 2-6-5 Kyobashi, Chuo Ward, Tokyo
- **Lot area** 257.46m²
- **Total floor area** 1,714.42m²
- **Structure** 11-story steel-framed reinforced concrete structure (1 basement floor)
- **Number of units** 52 (with 2 retail outlets)
- **Completed** February 2003

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	83.0%
Real estate rental revenues	36 mm yen
Real estate rental expenses	16 mm yen
Real estate rental income	20 mm yen



D12 Premier Stage MitaKeidaimae

- **Location** 5-14-10 Shiba, Minato Ward, Tokyo
- **Lot area** 286.67m²
- **Total floor area** 1,748.20m²
- **Structure** 10-story steel-framed reinforced concrete and reinforced concrete structure (1 basement floor)
- **Number of units** 48 (with 2 retail outlets)
- **Completed** November 2004

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	98.4%
Real estate rental revenues	56 mm yen
Real estate rental expenses	19 mm yen
Real estate rental income	37 mm yen



D13 Premier Rosso

- **Location** 2-2-6 Tomigaya, Shibuya Ward, Tokyo
- **Lot area** 495.80m²
- **Total floor area** 2,487.72m²
- **Structure** 13-story steel-framed reinforced concrete structure
- **Number of units** 44
- **Completed** November 2004

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	97.8%
Real estate rental revenues	56 mm yen
Real estate rental expenses	20 mm yen
Real estate rental income	35 mm yen



D14 Premier Blanc Yoyogikouen

- **Location** 1-46-7 Tomigaya, Shibuya Ward, Tokyo
- **Lot area** 598.32m²
- **Total floor area** 3,086.04m²
- **Structure** 11-story reinforced concrete structure (1 basement floor)
- **Number of units** 60
- **Completed** June 2005

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	74.5%
Real estate rental revenues	57 mm yen
Real estate rental expenses	31 mm yen
Real estate rental income	25 mm yen



D15 Premier Stage Uchikanda

- **Location** 2-10-7 Uchikanda, Chiyoda Ward, Tokyo
- **Lot area** 524.33m²
- **Total floor area** 2,458.84m²
- **Structure** 10-story steel-framed reinforced concrete structure
- **Number of units** 43 (with 2 retail outlets)
- **Completed** August 2005

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	65 mm yen
Real estate rental expenses	25 mm yen
Real estate rental income	40 mm yen



D16 Premier Stage Ichigayakawadacho

- **Location** 9-4 Sumiyoshi-cho, Shinjuku Ward, Tokyo
- **Lot area** 627.13m²
- **Total floor area** 1,779.32m²
- **Structure** 8-story reinforced concrete structure
- **Number of units** 36 (with 1 retail outlet)
- **Completed** July 2005

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	96.8%
Real estate rental revenues	49 mm yen
Real estate rental expenses	17 mm yen
Real estate rental income	31 mm yen



D17 Walk Akasaka

- **Location** 6-12-4 Akasaka, Minato Ward, Tokyo
- **Lot area** 595.52m²
- **Total floor area** 2,357.60m²
- **Structure** 9-story reinforced concrete structure (1 basement floor)
- **Number of units** 19
- **Completed** November 2004

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	65 mm yen
Real estate rental expenses	24 mm yen
Real estate rental income	40 mm yen



D18 Premier Stage Shibakoen

- **Location** 2-2-1 Shibakoen, Minato Ward, Tokyo
- **Lot area** 317.61m²
- **Total floor area** 2,129.78m²
- **Structure** 12-story steel-framed structure
- **Number of units** 44
- **Completed** September 2006

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	93.2%
Real estate rental revenues	43 mm yen
Real estate rental expenses	17 mm yen
Real estate rental income	25 mm yen



D19 MEW

- **Location** 3-7-8 Kaigan, Minato Ward, Tokyo
- **Lot area** 388.42m²
- **Total floor area** 1,826.50m²
- **Structure** 12-story reinforced concrete structure
- **Number of units** 21
- **Completed** August 2005

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	45 mm yen
Real estate rental expenses	22 mm yen
Real estate rental income	23 mm yen



E1 B-Site Osaki

- **Location** 5-5-15 Osaki, Shinagawa Ward, Tokyo
- **Lot area** 474.67m²
- **Total floor area** 1,462.62m²
- **Structure** 9-story reinforced concrete structure
- **Number of units** 64
- **Completed** December 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	39 mm yen
Real estate rental expenses	10 mm yen
Real estate rental income	28 mm yen



E2 Premier Garden Hongo

- **Location** 1-14-2 Mukougaoka, Bunkyo Ward, Tokyo
- **Lot area** 1,928.44m²
- **Total floor area** 1,583.61m²
- **Structure** 3-story reinforced concrete structure
- **Number of units** 14
- **Completed** March 2002

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	34 mm yen
Real estate rental expenses	10 mm yen
Real estate rental income	24 mm yen



E3 Premier Grande Magome

- **Location** 1-18-18 Nakamagome, Ota Ward, Tokyo
- **Lot area** 1,232.19m²
- **Total floor area** 2,446.34m²
- **Structure** 6-story reinforced concrete structure
- **Number of units** 33
- **Completed** February 2005

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	94.0%
Real estate rental revenues	43 mm yen
Real estate rental expenses	21 mm yen
Real estate rental income	21 mm yen



E4 Premier Nozze Yutenji

- **Location** 1-6-6 Shimouma, Setagaya Ward, Tokyo
- **Lot area** 895.62m²
- **Total floor area** 1,904.50m²
- **Structure** 5-story reinforced concrete structure
- **Number of units** 32
- **Completed** March 2006

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	100.0%
Real estate rental revenues	44 mm yen
Real estate rental expenses	17 mm yen
Real estate rental income	26 mm yen



E5 Across Yushima

- **Location** 3-16-11 Yushima, Bunkyo Ward, Tokyo
- **Lot area** 363.92m²
- **Total floor area** 2,527.46m²
- **Structure** 14-story reinforced concrete structure
- **Number of units** 70
- **Completed** March 2006

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	98.9%
Real estate rental revenues	57 mm yen
Real estate rental expenses	24 mm yen
Real estate rental income	33 mm yen



E6 Premier Stage Komagome

- **Location** 1-3-11 Komagome, Toshima Ward, Tokyo
- **Lot area** 393.62m²
- **Total floor area** 2,400.76m²
- **Structure** 14-story reinforced concrete structure
- **Number of units** 75
- **Completed** January 2007

10TH FISCAL PERIOD PERFORMANCE

Investment period	184 days
Occupancy at period end	98.7%
Real estate rental revenues	53 mm yen
Real estate rental expenses	24 mm yen
Real estate rental income	28 mm yen

NEW MOVES AFTER THE 10TH FISCAL PERIOD

After ten fiscal periods since its inception, PIC has reached a new stage of growth both in portfolio size and asset quality. PIC will work to steadily expand its asset size, while further reinforcing the quality of owned properties. As part of this endeavor, PIC has made some major moves in the 11th fiscal period (November 1, 2007 - April 30, 2008), centering on the issuance of new investment units, as described below.

Issuance of New Investment Units

Based on the resolutions made by its Board of Directors, PIC successfully issued 30,000 new investment units in November 2007. The total issue price was 17,510,460,000 yen and the payment was completed on November 26. This has raised its unitholders' capital to 68,945,312,000 yen, with the outstanding number of investment units issued at 131,400 units, as of November 26, 2007.

The latest public offering was conducted with an aim to acquire new properties and repay part of the borrowings. Notably, PIC acquired a trophy deal in an effort to construct a portfolio emphasizing quality: Shibaura Island Air Tower, a new, ultra-skyscraper residence in operation.

The public offering represents a fund-raising in anticipation of PIC's development into the future, and signifies the following two important points.

PIC taking on a new challenge of targeting total assets of 200 billion yen

- PIC will continue to keep its investment policy of harvesting the merits of the combination-type portfolio: pursuing stability from the residence portfolio and profitability from the office building portfolio.
- Based on this policy, PIC will steadily expand its portfolio while emphasizing quality. A target of the endeavor is to achieve total assets of 200 billion yen.

PIC's LTV (loan-to-value) has been significantly reduced

- PIC used the funds gained from the public offering to repay part of its borrowings, and lowered its LTV level by approximately 10% (LTV before the public offering was 53.2%, and the LTV after the public offering and repayment was approximately 43%).
- PIC's guidelines indicate an LTV ceiling of 60%. Thus, the drop in LTV indicates that PIC has secured an ability to raise additional funds for future external growth.

* LTV is defined as interest-bearing debt/(interest-bearing debt + total unitholders' equity).

Shibaura Island Air Tower

PIC used funds gained from the public offering to acquire Shibaura Island Air Tower (23% co-ownership of buildings and 23% quasi co-ownership interest in an ordinary fixed-term leasehold of land) through a sponsor of its asset manager on December 3, 2007. This is PIC's first ultra-skyscraper residential property.

The Shibaura Island district is a redevelopment district in Minato Ward, Tokyo, and is approximately an 8-minute walk from Tamachi station on the JR Yamanote and Keihin Tohoku Lines. Facing Tokyo Bay and surrounded by canals, the district is an area with exemplary potential as a great living environment that offers very good panoramic nighttime views. Good access to central business districts, together with Minato Ward's nighttime population increasing in line with the trend of people returning to live in the center of Tokyo, will generate strong demand for for-rent residences in the area.

Shibaura Island Air Tower consists of a 48-storied rental housing tower (the main building), an entrance building (equipped with lounge and café) and a retail building that houses a food supermarket, daycare center, clinic and other convenient facilities. Each building is directly connected by a corridor.



SHIBAURA ISLAND AIR TOWER

Location:	4-22-1 and 4-22-2 Shibaura, Minato Ward, Tokyo
Land area:	11,280.97m ² (23% quasi co-ownership)
Total floor area:	81,760.00m ² (23% co-ownership)
Structure:	48-story steel-framed, reinforced concrete structure (main building)
Number of units:	Residential: 871 units
Store:	7 lots
Completion:	March 2007
Acquisition date:	December 3, 2007
Acquisition price:	7,590 million yen



PREMIER STAGE HONJO-AZUMABASHI

Location:	2-4-8 Azumabashi, Sumida Ward, Tokyo
Land area:	860.95m ²
Total floor area:	3,852.86m ²
Structure:	12-story reinforced concrete structure (1 basement floor)
Number of units:	126 units
Completion:	November 2007
Acquisition date:	November 30, 2007
Acquisition price:	2,640 million

Premier Stage Honjo-Azumabashi

PIC also used funds from the public offering to acquire Premier Stage Honjo-Azumabashi on November 30, 2007. The new for-rent condominium is about a 2-minute walk from Honjo-azumabashi Station on the Toei Subway Asakusa Line and about a 6-minute walk from Asakusa Station on the Tokyo Metro Ginza Line. The location provides good access to areas that feature a concentration of business or commerce, such as Nihonbashi and Ginza.

Recording of Capital Gains through PIC's First Sale of Property

On January 31, 2008, PIC sold one of its properties - for the first time since listing - on favorable terms. The transferred property was NARA BUILDING II, an office building located in Yokohama, Kanagawa Prefecture. The transfer price was 3,315 million yen, far higher than the property's book value of 1,379 million yen at the end of the 10th fiscal period.

PIC will use the capital gains obtained from the transfer to avoid dilution of its distribution per unit due to the public offering mentioned above, and expects to achieve a major increase in distribution for the 11th fiscal period.

PIC took measures to raise the value of the property, and its occupancy rose from approximately 80% at acquisition to 100%. The property fully achieved its potential and produced high investment returns. PIC decided to sell it, however, after considering the real estate market in the Shin-Yokohama district where it is located and other factors.

OVERVIEW OF ASSET MANAGEMENT

		Unit	6th Fiscal Period (May 1, 2005 – October 31, 2005)	7th Fiscal Period (November 1, 2005 – April 30, 2006)	8th Fiscal Period (May 1, 2006 – October 31, 2006)	9th Fiscal Period (November 1, 2006 – April 30, 2007)	10th Fiscal Period (May 1, 2007 – October 31, 2007)
Business Results							
Operating Revenues		Thousands of yen	3,737,059	3,742,388	3,827,928	4,050,380	4,427,815
(Real estate rental revenues)		Thousands of yen	(3,618,643)	(3,742,388)	(3,827,928)	(4,050,380)	(4,427,815)
Operating Expenses		Thousands of yen	1,954,947	2,015,687	2,005,222	2,070,236	2,198,239
(Real estate rental expenses)		Thousands of yen	(1,653,189)	(1,705,924)	(1,695,761)	(1,749,871)	(1,851,646)
Operating Income		Thousands of yen	1,782,112	1,726,701	1,822,706	1,980,144	2,229,575
Ordinary Income		Thousands of yen	1,483,155	1,452,063	1,531,132	1,655,707	1,807,433
Net Income	(a)	Thousands of yen	1,481,934	1,451,079	1,529,704	1,654,668	1,805,946
Assets, etc. (as of end of period)							
Total Assets	(b)	Thousands of yen	98,215,497	99,783,886	104,878,555	107,017,911	117,374,309
(Period-on-period variation)		%	(+13.4)	(+1.6)	(+5.1)	(+2.0)	(+9.7)
Interest-bearing Debt		Thousands of yen	40,400,000	41,900,000	46,900,000	48,700,000	58,400,000
Net Assets	(c)	Thousands of yen	52,916,800	52,886,020	52,964,589	53,089,538	53,240,839
(Period-on-period variation)		%	(+38.2)	(-0.1)	(+0.1)	(+0.2)	(+0.3)
Unitholders' Capital		Thousands of yen	51,434,852	51,434,852	51,434,852	51,434,852	51,434,852
Distribution							
Total Distributions	(d)	Thousands of yen	1,481,859	1,451,135	1,529,720	1,654,645	1,805,934
Distribution Payout Ratio (Note 1)	(d)/(a)	%	99.9	100.0	100.0	99.9	99.9
Per Unit Information							
Number of Units Outstanding	(e)	Units	101,400	101,400	101,400	101,400	101,400
Net Assets per Unit	(c)/(e)	Yen	521,861	521,558	522,333	523,565	525,057
Distribution per Unit	(d)/(e)	Yen	14,614	14,311	15,086	16,318	17,810
(Earnings Distribution per Unit)		Yen	(14,614)	(14,311)	(15,086)	(16,318)	(17,810)
(Distribution in Excess of Earnings per Unit)		Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices							
Ordinary Income on Total Assets (Note 2)		%	1.6 (3.2)	1.5 (3.0)	1.5 (3.0)	1.6 (3.2)	1.6 (3.2)
Return on Total Unitholders' Equity (Note 3)		%	3.3 (6.4)	2.7 (5.5)	2.9 (5.7)	3.1 (6.3)	3.4 (6.7)
Net Assets Ratio	(c)/(b)	%	53.9	53.0	50.5	49.6	45.4
(Period-on-period variation)			(+9.7)	(-0.9)	(-2.5)	(-0.9)	(-4.2)
Rental NOI (Net Operating Income) (Note 4)		Thousands of yen	2,605,374	2,695,861	2,820,177	2,958,049	3,294,650

Note 1. Distribution payout ratios have been rounded down to the tenth place.
2. Ordinary income on total assets: Ordinary income/average total assets
Average total assets = (total assets at beginning of period + total assets at end of period)/2
3. Return on net assets: Net income/average net assets
Average net assets = (net assets at beginning of period + net assets at end of period)/2
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 184 days for the 6th fiscal period, 181 days for the 7th fiscal period, 184 days for the 8th fiscal period, 181 days for the 9th fiscal period and 184 days for the 10th fiscal period. This is true concerning both Note 2 and Note 3.
4. Rental NOI: (real estate rental revenues – real estate rental expenses) + depreciation (limited to depreciation covering leased properties)

GROWTH STRATEGY

The core strategy of PIC is to invest in and manage office and residential properties. This enables PIC to neutralize the impact of economic fluctuations on rental income and assure stable revenues.

Office properties are prone to economic fluctuations affecting demand from tenants and rent levels. This is an advantage for PIC when the economy is recovering. On the other hand, residential properties are resistant to economic fluctuations in terms of tenant demand and rent levels. This characteristic works favorably for PIC when the economy is struggling.

In other words, the combination of office buildings with their high growth potential and residential properties with their high stability creates a portfolio that decreases the impact of economic fluctuations during economic recovery and recessions, ensuring a stable income. PIC sets the ideal target for this balance at a portfolio that is 60% office and 40% residential (the actual balance of these asset types as of the end of the 10th fiscal period was 52.4% for office buildings

and 47.6% for residential properties on an acquisition price basis.)

PIC focuses its investment geographically on the Tokyo Economic Bloc. This is because the zone has a conspicuous inflow of population and increase in households. This combines with a concentration of industry and established economic infrastructure to enable PIC to anticipate stable income and avoid risks inherent in other areas such as an outflow of population and a drop in land prices.

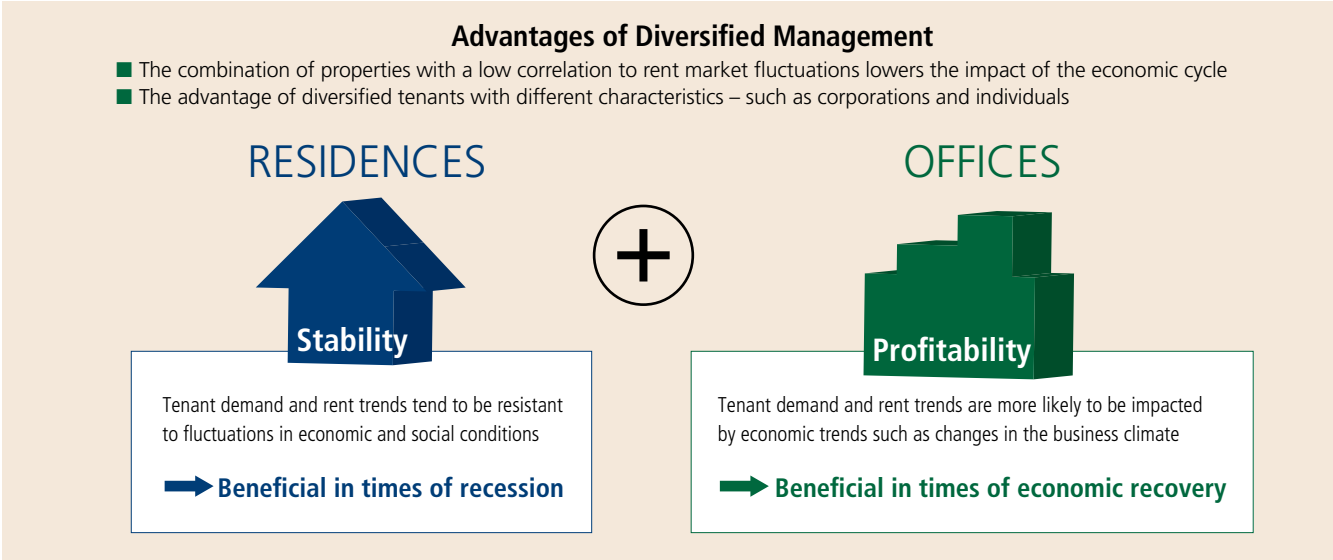
PIC also, in principle, plans to own its portfolio for the medium to long term, and since its inception has not acquired properties to secure capital gains by selling them after a short period of ownership. However, PIC may sell certain existing properties it owns if selling them further reinforces the entire portfolio, considering such factors as the real estate market conditions, revenue forecasts for the future and expected capital expenditures to recover deteriorations of the properties.

Advantages in investing in office buildings

- Office buildings are relatively consistent as a product and offer an abundant stock. As such, they are relatively superior in market size and liquidity compared to other property types.
- Generally, office buildings can expect relatively higher rent levels than other asset classes of real estate.

Advantages in investing in residential properties

- For-rent apartments have tended to have specifications inferior to those generally found in for-sale condominiums. Consequently, for-rent apartments with specs equivalent to for-sale condominiums are often perceived to have higher value and higher competitiveness because of their small supply.
- Residential properties tend to be resistant to economic and social fluctuations, and thus can be expected to produce relatively stable revenues.



EXTERNAL GROWTH

External Growth

PIC refuses to establish specific portfolio growth targets, but rather focuses on achieving prudent growth that fully considers the external environment. PIC works to steadily expand its portfolio size by endeavoring to acquire properties that have competitive advantages in location, environment and specifications, while also replacing portfolio assets as deemed appropriate within its investment strategy. By doing so, PIC aims to realize stable revenues over the medium to long term.

Excessive price competition must be avoided for PIC to realize stable distributions to unitholders. PIC optimally applies the powerful information networks of the Mitsui Trust Financial Group and Ken Corporation Group, the two major sponsors of PIC's asset manager. The asset manager is also working to further reinforce

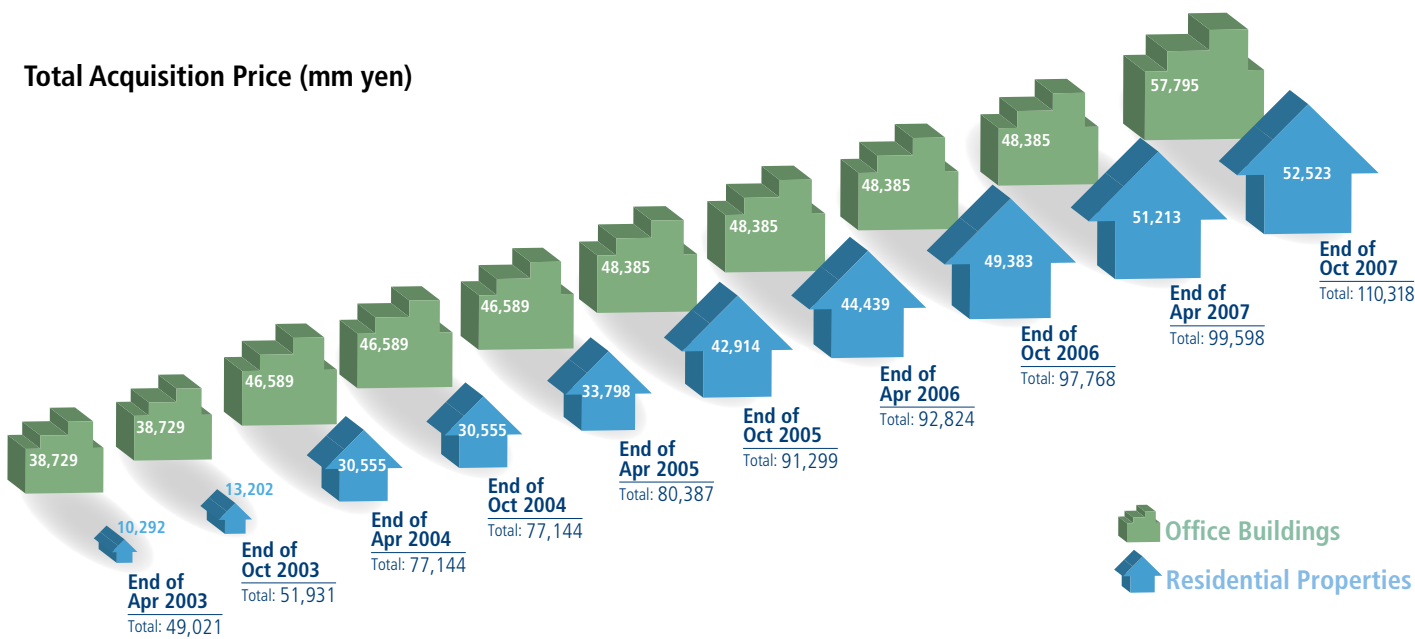
its multi-faceted information sources and know-how in acquiring properties to obtain information that could lead to acquisition of blue-chip properties as early as possible.

Amid increasingly intense competition to acquire properties, PIC is focused on building a portfolio that is competitive over the long term. From this perspective, PIC's also actively looking to acquire development-type properties that are under construction by third parties when it judges that tenants can be sufficiently secured after completion and that risks associated with completion and delivery of the properties are minimized. Any decision to acquire such properties considers various aspects such as the ability to "reserve" blue-chip properties early and the ability to secure a lower price by assuming certain risks, and also carefully verifies that the advantages outweigh the disadvantage of not generating rental revenues for a certain period.

There has also been an almost irrational rush to acquire properties among industry players in the past few years and this has driven down cap rates. This phenomenon, however, is not necessarily the result of a true pursuit of "growth." Rather, PIC believes it is just a result of a relentless pursuit of portfolio expansion, and often lacks any contribution to an increase in profitability – the real measure of true growth.

PIC has expanded its portfolio size at a pace of 10 to 15 billion yen annually. Therefore, PIC may not expand its portfolio as fast as some J-REITs, but it is steadfastly committed to investment standards that have guided it since its inception. PIC continues to be committed to strong portfolio growth, but remains dedicated to securing "steady growth without damaging profitability."

Total Acquisition Price (mm yen)



INTERNAL GROWTH

Internal Growth

PIC is focused on grasping tenant needs, providing enhanced building management services and attracting tenants that meet the unique characteristics of each property. This helps prevent termination of agreements by existing tenants, leads to the capture of new tenants, and enables stable management of owned properties and heightened occupancy. PIC is also taking steps to establish aggressive rent levels and better leasing terms as a means to maximize the potential of each portfolio property.

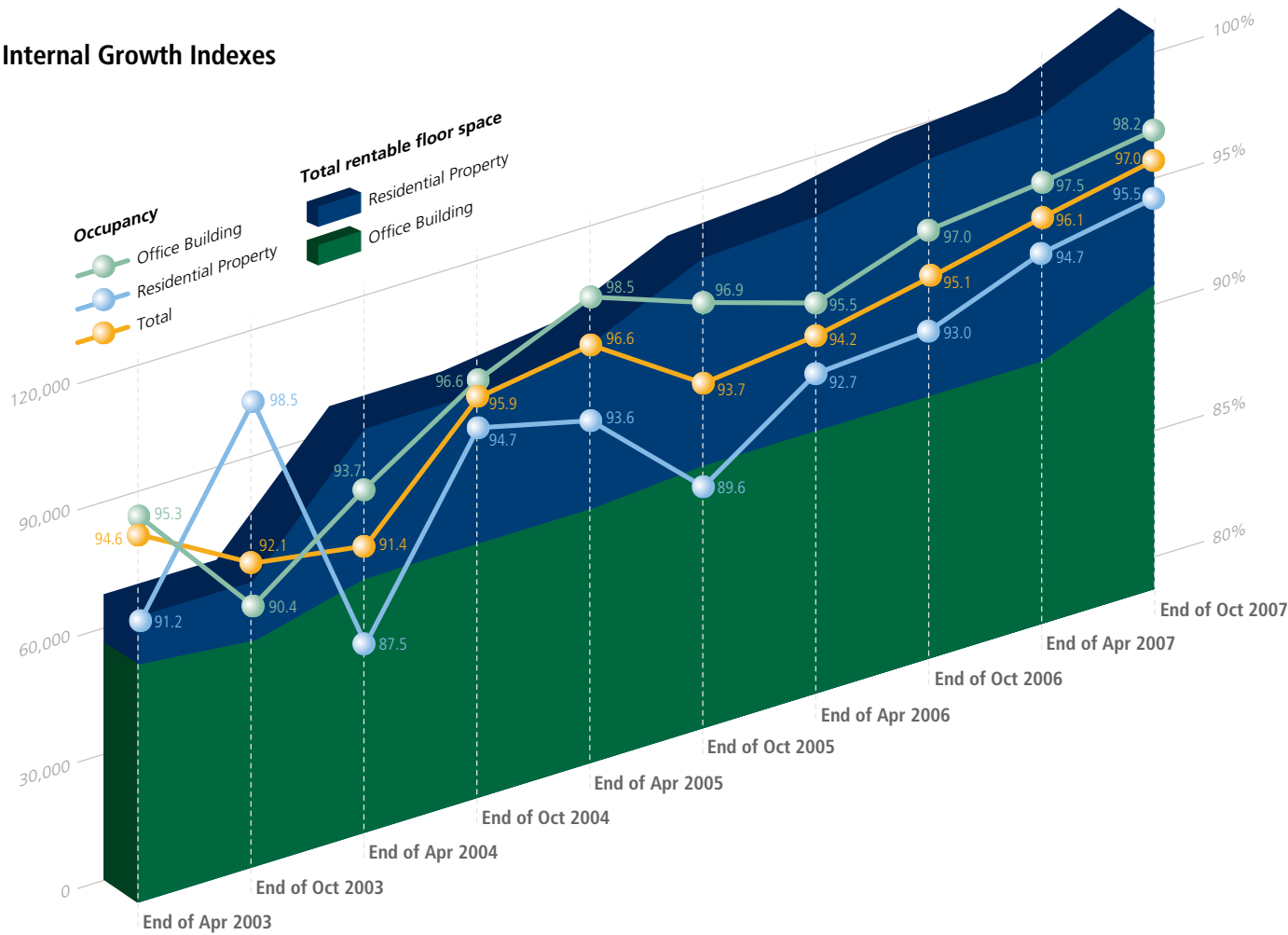
Property management is also a key part of PIC's portfolio strategy. PIC works to develop and implement maintenance and repair plans that have been optimized to maintain and improve the functions of

individual buildings, while also working to decrease management costs without risk to the properties, so that it can sustain and enhance the quality of its portfolio.

Measures for Internal Growth

Income growth	<ul style="list-style-type: none">• Increase occupancy• Make facilities not meeting their potential contribute to increasing revenues
Reduction of expenses	<ul style="list-style-type: none">• Reduce building management expenses• Reduce auxiliary expenses• Reduce insurance premiums (regularly review insurance policies)• Smooth out maintenance and repair costs over the respective fiscal years

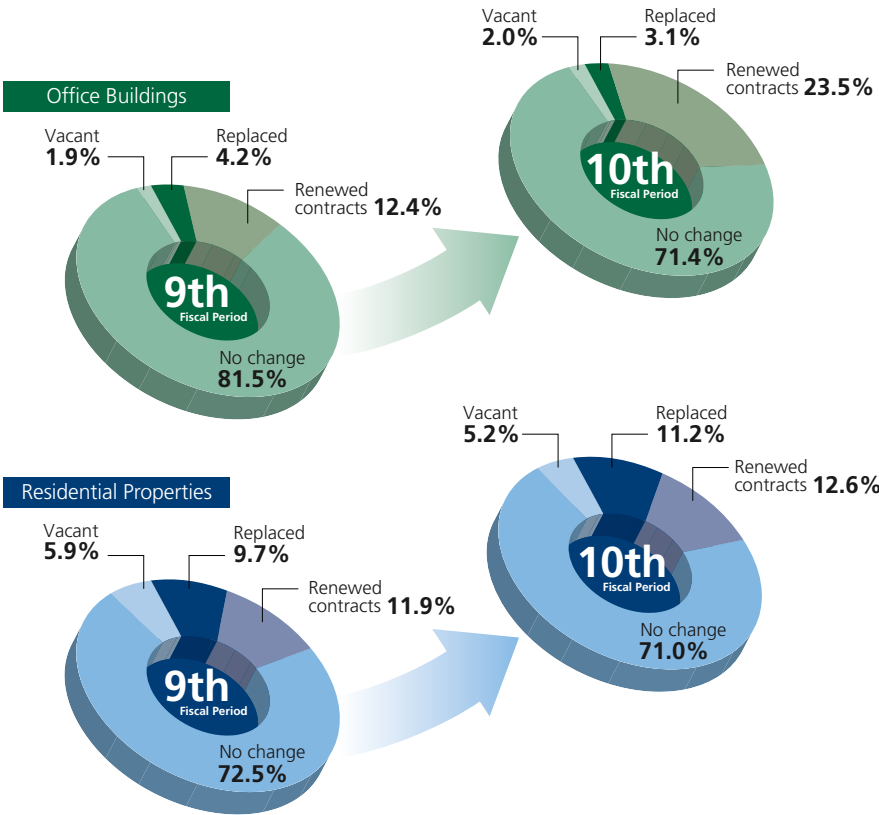
Internal Growth Indexes



Performances in Internal Growth

Changes in Tenant Status

Tenants of PIC's properties exhibited the changes at right between the 9th and 10th fiscal periods, indicated as percentages of the total rentable area in the graphs.



Trends in Contract Rent (area basis)

Office Buildings

- When tenants were replaced, rents for new tenants were successfully raised at an extremely high ratio, thanks to the strong demand for office space.
- When contracts were renewed, rents were raised at a fairly high ratio, despite the fact that it is generally difficult to raise rents at the time of contract renewals in the Japanese market due to the importance placed on stability.

Residential Properties

- Generally, it is not easy to raise rents at residential properties, as tenants are individuals. However, rents were successfully raised at many of PIC's residences for foreigners and high-grade for-rent properties.

Upon tenant replacement (Office Buildings)

	9th Fiscal Period	10th Fiscal Period
Rise	70.3%	96.2%
No change	0.0%	0.0%
Drop	29.7%	3.8%

Upon contract renewal (Office Buildings)

	9th Fiscal Period	10th Fiscal Period
Rise	43.7%	72.2%
No change	56.3%	27.8%
Drop	0.0%	0.0%

Upon tenant replacement (Residential Properties)

	9th Fiscal Period	10th Fiscal Period
Rise	60.2%	47.9%
No change	31.2%	43.1%
Drop	8.6%	9.0%

Upon contract renewal (Residential Properties)

	9th Fiscal Period	10th Fiscal Period
Rise	22.2%	12.8%
No change	77.2%	85.1%
Drop	0.6%	2.1%

FINANCIAL STRATEGY

PIC follows an established policy of steady and prudent fund management and procures capital with careful consideration paid to the balance between flexible short-term capital and stable long-term capital.

In regards to long-term capital, PIC employs measures to realize flexible fund procurement, including (1) diversifying procurement methods (such as bank loans and corporate bonds), (2) diversifying repayment and redemption schedules, and (3) selecting either variable or fixed interest rate funds, based on the then available financial and economic conditions. PIC may also issue additional units of equity to raise capital while taking into consideration any possible impact of dilution.

PIC has arranged a series of equity financing. After listing on the Tokyo Stock Exchange in September 2002 and raising capital of 27,187 million yen, PIC made a follow-on offering of 18,000 units in November 2003. This was followed by an additional issue of 2,000 units through a third-party allotment in December 2003. Further, PIC made a follow-on offering of an additional 22,000 units in May 2005. In the 11th fiscal period, PIC issued 30,000 investment units through a public offering in November 2007. As a result, PIC's total equity is 68,945 million yen with 131,400 units as of November 26, 2007.

In regards to debt finance, PIC has set the basic rule of an LTV, defined as (interest-bearing debt/(interest-bearing debt + total equity) x 100), of 60% as the ceiling for its

LTV ratio. This ratio may be temporarily exceeded when acquiring new assets, but PIC normally aims to keep the LTV ratio between 40% and 50%. PIC controls the ratio through such measures as follow-on offerings to avoid a situation in which the ratio exceeds 50% for a lengthy period. PIC's LTV ratio at the end of the 10th fiscal period was 53.2%, but this ratio was lowered to approximately 43% as of November 26, 2007 due to the issuance of investment units in the 11th fiscal period.

PIC foresees that interest rates will continue to rise slowly under the current economic climate of Japan. Therefore, PIC will work to increase the ratio of fixed interest long-term loans against total loans as a precaution.

Loans/corporate bonds

The status of PIC loans and corporate bonds for the fiscal period ended April 2007 and October 2007 were as follows.

	Balance at End of Fiscal Period Ended April 2007 (mm yen)	Balance at End of Fiscal Period Ended October 2007 (mm yen)
Short-term loans	1,800	-
Long-term loans payable due within one year	-	6,000
Long-term loans	21,900	27,400
Total	23,700	33,400

	Issue Date	Balance at End of Fiscal Period Ended April 2007 (mm yen)	Balance at End of Fiscal Period Ended October 2007 (mm yen)	Coupon (%)	Maturity Date
Unsecured Bonds No. 1	September 8, 2005	15,000	15,000	0.94	September 8, 2010
Unsecured Bonds No. 2	September 8, 2005	10,000	10,000	1.41	September 7, 2012
Total		25,000	25,000		

Ratings

PIC has obtained the following issuer ratings and bond ratings.

Rating Agency	Rating	
	Issuer Credit Rating (rating outlook)	Bond Rating (Unsecured Bonds No. 1 and No. 2)
Rating and Investment Information, Inc. (R&I)	A+ (stable)	A+
Moody's Investor Services	A3 (stable)	A3

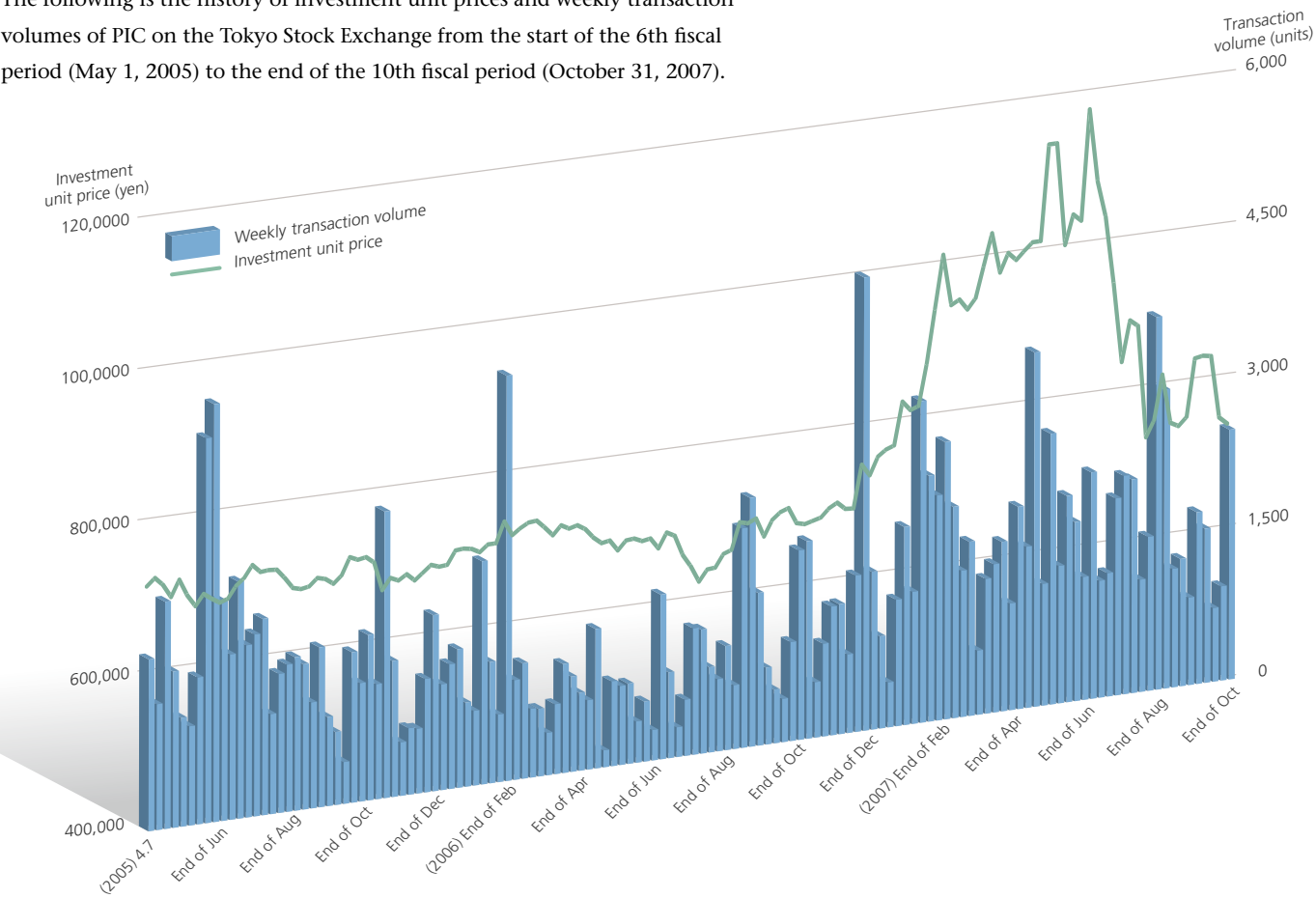
INVESTMENT UNIT STATUS

Investment Unit Status

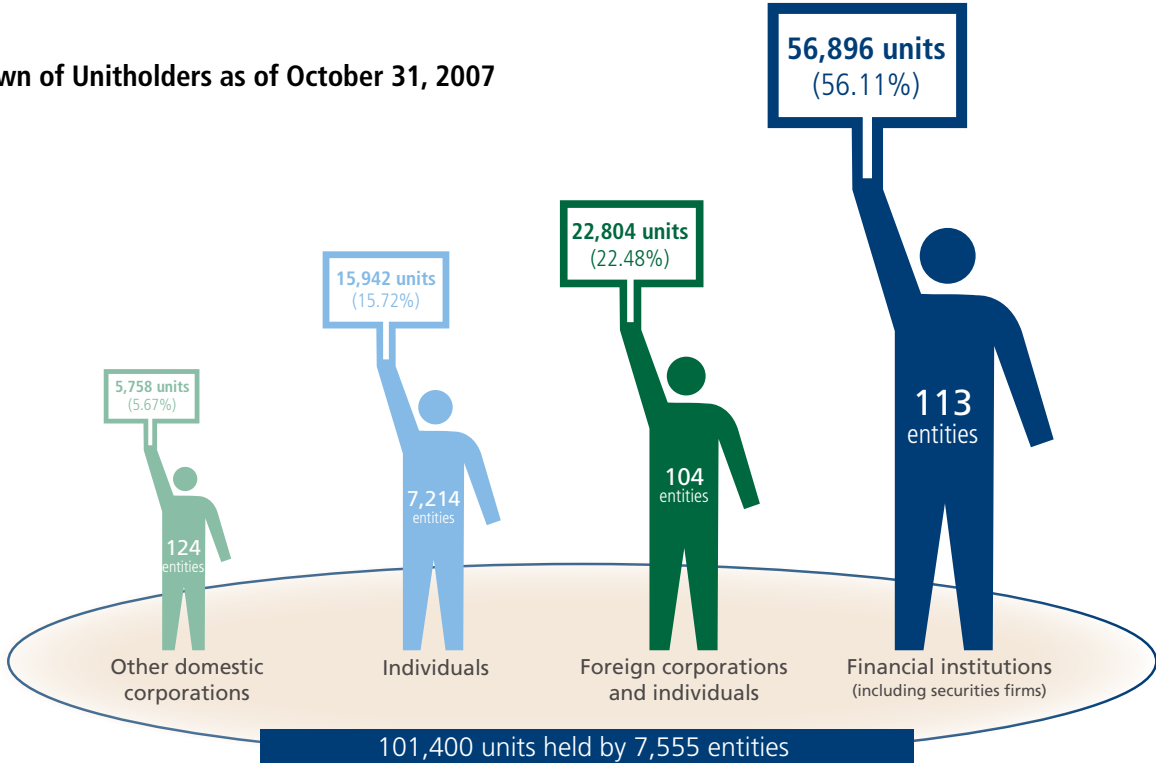
Item \ Period	6th Fiscal Period (as of October 31, 2005)	7th Fiscal Period (as of April 30, 2006)	8th Fiscal Period (as of October 31, 2006)	9th Fiscal Period (as of April 30, 2007)	10th Fiscal Period (as of October 31, 2007)
Total number of authorized units	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding	101,400	101,400	101,400	101,400	101,400
Unitholders' capital	51,434 mm yen	51,434 mm yen	51,434 mm yen	51,434 mm yen	51,434 mm yen
Total number of unitholders	12,346	10,457	9,944	8,031	7,555

Historical Unit Price

The following is the history of investment unit prices and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 6th fiscal period (May 1, 2005) to the end of the 10th fiscal period (October 31, 2007).



Breakdown of Unitholders as of October 31, 2007



Top 10 Unitholders as of October 31, 2007

	Name of unitholder	Number of investment units held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd.	7,648	7.54
2	NikkoCiti Trust and Banking Corporation	7,250	7.14
3	The Master Trust Bank of Japan, Ltd.	7,091	6.99
4	Trust & Custody Service Bank, Ltd.	5,628	5.55
5	North Pacific Bank, Ltd.	3,603	3.55
6	CGML-IPB CUSTOMER COLLATERAL ACCOUNT	3,550	3.50
7	The Nomura Trust and Banking Co., Ltd.	3,122	3.07
8	The Chuo Mitsui Guarantee Co., Ltd.	2,243	2.21
9	Sumitomo Mitsui Banking Corporation	1,893	1.86
10	The Yamanashi Chuo Bank, Ltd.	1,829	1.80
Total		43,857	43.25

Note: No investor holds 10% or more of the total number of investment units in PIC.

ASSET MANAGER

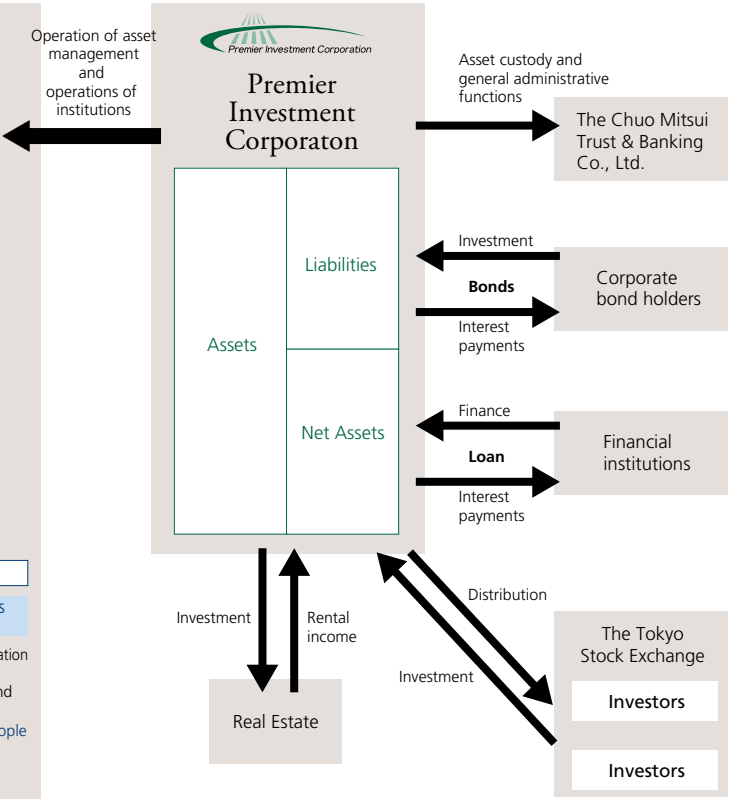
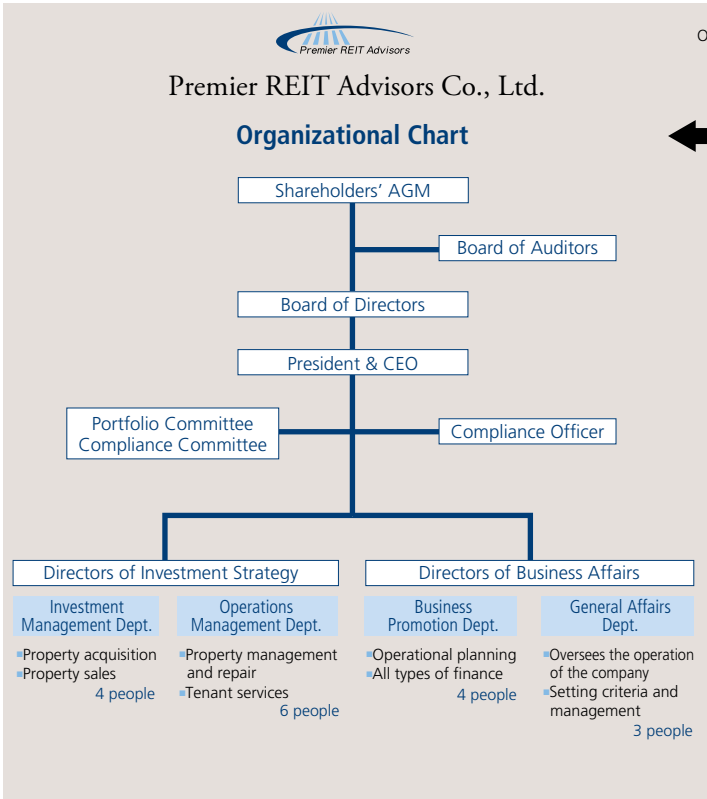
Overview

PIC outsources management of its assets to Premier REIT Advisors. Established in July 2001, Premier REIT Advisors is sponsored mainly by Ken Corporation, a leading real estate operator, and The Chuo Mitsui Trust

and Banking Company, Limited (Chuo Mitsui Trust Group), a leading financial institution in Japan. The sponsors second to the asset manager staff with expertise and experience in real estate and financing who become the nucleus of the asset manager team. Premier REIT Advisors also

has many other personnel who have gained professional asset management know-how and capabilities in previous positions. The exemplary asset management of PIC is conducted by these experts who are skilled at property sourcing, real estate management, reporting, etc.

Trade Name	Premier REIT Advisors Co., Ltd.
Line of Business	Asset management for investment corporation
President & CEO	Fumihiko Yasutake
Establishment	July 17, 2001
Address	1-2-7 Nishi-Azabu, Minato Ward, Tokyo
Paid-in Capital	300 million yen (as of March 31, 2007)
Major Shareholders	Ken Corporation Ltd. (27.1%) Chuo Mitsui Trust Group (14.9%) Others (58.0%)



STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

PIC shall invest in real estate; office buildings and residential properties in the Tokyo Economic Bloc, their lots, securities and trust beneficial interests and other assets that are backed by said real estate (hereafter, "investment properties"). PIC shall also make investments to ensure solid growth and stable earnings over the medium to long term. Premier REIT Advisors (the "asset manager") has established Asset Management Guidelines based on the Articles of Incorporation of PIC. The asset manager believes that such Asset Management Guidelines provide the most appropriate basic policy for managing the investment properties in light of the existing market environment and economic conditions. The following is a summary of the Guidelines:

2. Portfolio Management Standards Based on Basic Policy

■ Holding Period

In principle, all investment properties are held for the medium to long term. No assets will be obtained solely for the purpose of divestiture after a short period of time.

■ Acquisition Standards

A) Acquisition standards

In acquiring real estate, rights to lease real estate, surface rights, and real properties as trust property (hereafter, "investment properties"), the asset manager shall fully consider numerous factors. These factors include the anticipated medium- to long-term real estate market conditions, estimated investment yield based on acquisition prices and projected income for investment properties, fluctuations in asset values and their forecast fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, capability to withstand earthquakes, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, and status of insurance. The asset manager shall select investments after considering such factors and the importance of these investment properties in the portfolio structure, and take steps to construct a portfolio that clearly classifies the strategic value of these investment properties.

B) Use

a. PIC shall invest in investment properties primarily for office and residential uses. However, such real estate may in some cases be used partially for retail purposes. Consequently, the office buildings and residential properties acquired by PIC may include properties that are partially used for retail or other purposes.

- b. In consideration of the characteristics of each real estate use indicated in the table on the following page, PIC aims to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings in order to minimize the adverse effects of changes in social or economic conditions on PIC's income and ensure stable cash flow over the medium to long term.
- c. PIC aims to maintain a portfolio ratio of office buildings to residential properties of 6:4 (based on acquisition price) over the medium to long term. PIC plans to acquire these investment properties (and trust beneficial interests backed by said investment properties) based on this policy in the future. However, there is no guarantee that PIC will be able to acquire investment properties as planned.
- d. It may be more difficult to acquire high-quality residential properties than to acquire office buildings. For this reason, PIC shall team with major developers, major general trading companies, major financial institutions, reliable real estate and rental management companies, and other partners to secure stable sources of supply for newly constructed properties. This strategy enables PIC to plan the acquisition of high-quality newly constructed properties and thus increase our investment ratio in newly constructed properties.

C) Areas

a. As noted above, PIC's investments are focused in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation.

Use

Use	Key Investment Points
Office buildings	<div><div>a.</div><div>In the real estate market of Japan, office buildings are relatively less individualized and are in greater supply compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned said real estate as its primary investment targets.</div><div>b.</div><div>Tenants' demand for office space may fluctuate in response to economic trends that include business cycles. This might adversely affect PIC's earnings derived from office buildings. However, compared to real estate for other uses, office buildings are generally expected to provide relatively higher levels of profitability.</div><div>c.</div><div>PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.</div></div>
Residential properties	<div><div>a.</div><div>PIC invests in relatively high-quality Japanese rental residential properties with regard to designs of exteriors, entrances and other common areas; specifications of story height, exterior walls and other similar areas; total floor space, floor plans, and other aspects.</div><div>b.</div><div>The supply of rental residential properties is relatively limited compared to the supply of real estate for other uses, such as office buildings and residential properties for sale. For this reason, these properties have high scarcity value and compete strongly in the market. Accordingly, compared to real estate provided for other uses, these properties are relatively resistant to the adverse effects of changes in social or economic conditions, and thus are expected to yield relatively stable earnings. For these reasons, PIC has positioned such rental residential properties as part of the main investment target with the goals of establishing cash flow and diversifying assets.</div><div>c.</div><div>The asset manager expects that the market for rental residential properties in the Tokyo Economic Bloc will grow and expand over the medium to long term due to the effects of the recent demand for urban revitalization and lifestyle changes. However, if the asset manager determines that the aforementioned trends have changed due to changes in the market or other reasons, the company may make different investment decisions.</div><div>d.</div><div>Since tenants of rental residential properties are particularly selective regarding location, and different markets are formed for different types of residential properties, the company invests in said properties based on the following analyses and understandings of the future supply and demand trends for different types of properties.</div></div>
(Classification by type of residential properties)	
Wide	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div><div>b.</div><div>This type refers to residential properties primarily intended for foreigners (i.e., executives dispatched or assigned by Western and multinational companies from overseas to offices located in the Tokyo Economic Bloc), specially planned in specific locations according to the demands of foreign residents' lifestyles.</div><div>c.</div><div>Recently, the demand for these properties has increased among wealthy Japanese families as well. Like those described in b. above, these tenants are highly reliable compared to those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants tends to be low.</div><div>d.</div><div>Because this type of property is in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected. Also, differences in profitability may arise regarding investments in said properties due to management performance.</div></div>
Family	<div><div>a.</div><div>Targeted investment area: The other 18 Wards of Tokyo and Surrounding City Area.</div><div>b.</div><div>This refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children) and designed to meet their lifestyles.</div><div>c.</div><div>Generally, these families tend to place emphasis on neighborhood and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.</div></div>
DINKS	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div><div>b.</div><div>This refers to residential properties intended for young households (without children) where both partners work, and designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.")</div><div>c.</div><div>Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties are in short supply in such areas and said households earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div></div>
Singles	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div><div>b.</div><div>This refers to residential properties intended for persons living alone, and designed to meet their lifestyles.</div><div>c.</div><div>Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties may be considered stable targets for future investments as well.</div><div>d.</div><div>Since the 5 Central Wards of Tokyo, especially Minato, Shibuya and Shinjuku Wards, enjoy higher average rents and more stable demands with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</div></div>

Note: The "Key Investment Points" in the table above reflect the current views of the asset manager. These points may change due to future economic and real estate market trends. Moreover, they provide no guarantee of future trends regarding the degree of importance of properties for different uses, future earnings yield thereon and other considerations.

b. Specifically, by dividing the Tokyo Economic Bloc into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, and Surrounding City Area and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a diversified portfolio of office buildings and residential properties. The ideal portfolio balance over the medium to long term is 60% of invested funds in office buildings and 40% in residential properties. The table below outlines the geographical split PIC aims for with its asset investments.

D) Asset Size per Property

- a. Office buildings
- In principle, office buildings with available space for lease of approximately 2,000m² (approximately 700 tsubos) or more, and standard floor sizes of approximately 300m² (approximately 90 tsubos) or more, are the investment targets.
- b. Residential properties
- In principle, residential properties of the sizes and numbers of rooms indicated in the table below are the investment targets (in accordance with the classifications by type of use). Based on the standards above and additionally considering the regional characteristics of the location and the compatibility of asset size with the location

for each property, PIC will determine the appropriate size with respect to both office buildings and residential properties.

E) Due Diligence

PIC decides on the acquisition of a property after considering all the results of economic, physical and legal inspections of the property. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each item may differ depending on the use of a property, PIC will not necessarily examine all of the items before acquiring the property. The investment properties acquired by PIC may not satisfy all of the standards.

F) Standards for Tenant Selection

- a. Credit and other information is checked regarding prospective tenants in line with the attribute classifications on page 31. With respect to corporate tenants, when their credit status cannot be determined from the materials obtained or when otherwise deemed necessary, databases of outside research agencies and other materials will be used. When examination results of credit checks and other matters are satisfactory, the decision on executing a lease agreement will be made after fully considering the following matters: rent level, term of lease, amount of

deposit, type of tenant business, balance with other tenants in the subject property, size and configuration of desired space, and other matters.

- b. Concerning current tenants and new tenants with whom agreements have been concluded, PIC will generally attempt to maintain long-term relationships to the extent possible. However, in Japan, the term of a lease agreement for both office buildings and residential properties is usually two years. Moreover, many agreements include provisions that allow tenants to cancel the agreement by providing advance notice.

G) Amount of Investment

- a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each investment property will generally be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.).
- b. The maximum ratio of the amount invested in a single property will generally be 25% of the total amount invested in real estate investments after investing in that property, and an investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

Areas

Use \ Area	Five Central Wards of Tokyo	Other 18 Wards of Tokyo	Surrounding City Area
Office buildings	50% or more	0% - 20%	0% - 40%
Residential properties	50% or more	0% - 40%	0% - 20%

Note: Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although PIC makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring investment properties.

Asset Size per Property

	Dedicated Use Area per Rental Unit	Number of Rental Units
Wide	80m ² or more	10 or more
Family	60m ² or more	20 or more
DINKS	40-80m ²	20 or more
Singles	25-40m ²	30 or more

Due Diligence

Item	Details
Economic Inspection	Tenant inspection
	Market research
	Income-related
Physical Inspection	Location
	Construction, facilities and specifications
	Earthquake resistance
	Property management
	Environment, land quality, etc.
Legal Inspection	Title, etc.
	Property line inspection
	Tenant attributes

3. Sales Standards

A) The basic policy is to hold acquired investment properties over the medium to long term. In principle, PIC does not plan to sell acquired investment properties over the short term.

B) However, the sale of a property may be considered in the medium to long term, after a portfolio structure will be strategically classified, fully taking into consideration real estate market conditions, projected future earnings, current fluctuations and expected fluctuations in asset values, future prospects and stability of areas where the properties are located, and projected capital expenditures, etc. arising from the deterioration or obsolescence of the real estate. Moreover, while the sales policy for each property will basically be determined in the annual asset management plan, this plan may be revised as necessary.

Standards for Tenant Selection

Classification	Details Checked
Corporations	1. Business purpose, business history, financial details (i.e., financial soundness), etc. 2. Purpose of lease (e.g., purpose of use, period) 3. Existence or non-existence of joint and several guarantors and attributes of such guarantors
Individuals	1. Office and details of employment, service years, etc. 2. Annual income (and the proportion of the total amount of rent to annual income, etc.) 3. Purpose of lease (e.g., purpose of use, period and number of residents) 4. Existence or non-existence of joint and several guarantors and attributes of such guarantors (e.g., relationship with such individuals) 5. Age, gender, family structure, etc.

a. Strategic classifications

Core assets

[Strategic significance]
Assets for which the basic policy will carry over in the long term for the purpose of ensuring medium- to long-term stability of earnings.

Active assets

[Strategic significance]
Investment properties with higher liquidity, from which earnings based mainly on medium- to long-term rent incomes (income gains) are obtained – provided that the total returns (income gains plus capital gains), including earnings from sale (capital gains) based on the increased asset values (value-up) from the increase in the income gains after acquisition, will also be independently and actively sought.

- The targets of the investment properties classified by PIC as active assets are as follows: The amount of investment per property is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.
- The upper limit on active assets as a proportion of the portfolio shall generally be 20%.

b. Specific cases where sale will be considered

- When a strategic sale would contribute to earnings of PIC:
[Example] When property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses
- When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraised value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not be achieved even with additional allocation of capital.
[Example 2] When another investment property with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the property to lose importance in the portfolio structure.

C) The property will be sold through measures such as the acceptance of competitive bids over a limited period and use of competitive real estate brokers and specialized agents, so that sales at high prices can be ensured.

4. Policy for Investment in Development Projects

PIC shall, in principle, acquire real estate that provides or promises stable rent or similar earnings. PIC does not intend to acquire undeveloped land and construct buildings thereon. However, PIC may invest in a property yet to be constructed by a third party if, for example, it is determined that such property to be constructed is likely to attract sufficient tenants after completion and risks regarding completion and delivery have been minimized. The investment determination shall be made by comparing the benefits of acquiring the property with the negative impact of not earning rental income over the period until the property begins to generate such income, as well as other risks borne by PIC in connection with acquiring the property.

5. Insurance Policy

Determination as to whether or not the investment properties should be insured against earthquake damage will be made by comparing the effects of such a disaster with the cost of casualty insurance premiums, using the PML of the entire portfolio as a base. If any individual property has a high

PML, taking out an earthquake insurance policy on such individual property will be considered.

Note: Probable Maximum Loss (PML) refers to the maximum estimated rate of loss resulting from an earthquake. There are two kinds of PML, i.e., PML for individual buildings and PML for the entire portfolio. Although there is no single precise definition of PML, as used here, PML refers to the ratio (in terms of percentage) of projected recovery expenses to replacement price, which indicates the degree of damage sustained from the strongest earthquake (a major earthquake occurring once in 475 years on average, with more than a 10% probability of occurrence during every fifty-year period) expected to occur during the estimated projected term of use (a fifty-year period, which is considered to be the service life of an ordinary building).

6. Financial Policy

A) Borrowings and Corporate Bonds

a. In order to contribute to the steady growth of assets under management and efficient and stable operation of investments, PIC may borrow funds (including borrowings via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, or repay funds or debts (including repayment of tenant security deposits, loans and obligations of its corporate bonds) necessary for PIC's operations. However, the respective and combined maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000).

b. In the case of borrowing funds in accordance with above a., PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover, in order to flexibly respond to the capital

needs for the acquisition of new properties, repayment of security deposits or other monies in custody for tenants, or other events, PIC may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or PIC may conclude agreements on the reservation of loans at any time it requires.

c. When borrowing funds in accordance with above a., said funds shall only be borrowed from qualified institutional investors designated by the Enforcement Ordinance Concerning the Special Taxation Measures Law.

d. PIC may offer its assets under management as collateral for borrowed funds or the issuance of corporate bonds.

e. PIC shall aim to maintain the ratio of the balance of loans and issued corporate bonds to total assets at 60% or less. However, in connection with the acquisition of new assets and other circumstances, this ratio may tentatively exceed 60% for a short period of time.

(Note) Total assets is the amount entered in the Assets section of the balance sheet at the end of the fiscal period nearest to the time of calculation. However, as far as property and equipment are concerned, when there is a disparity between the value of such assets calculated based on the appraisal values obtained from appraisers and their book values at the end of the fiscal period, the difference shall be added to the book values of those assets at the end of the fiscal period to calculate total assets.

B) Issuance of Additional Investment Units

To raise funds, PIC may, upon approval of the Board of Directors, flexibly issue additional investment units.

Issuance of additional investment units shall be determined by considering PIC's financial situation, including the interest-bearing liabilities ratio, and the dilution of the investment units.

II. MANAGEMENT POLICY

PIC intends to maintain and improve the value and competitiveness of the acquired investment properties through continuous capital expenditures made from a medium-to long-term perspective, and aims to achieve stable growth in returns through higher earnings (e.g., increases in rents, decreases in vacancy rates, and prolonging and fixing the terms of agreements) and reduced expenses (e.g., reduction in expenses paid to outside service providers, utility expenses and other fees and expenses).

■ The asset manager shall select the best possible party to contract with for the provision of property management services for each acquired investment property by considering the details of quantitative and qualitative analyses as described below, and past experience in relation to each acquired investment property. The asset manager shall negotiate with such service providers the particulars concerning services, payments and other matters.

■ PIC may accumulate a long-term maintenance and repair reserve, a reserve for payments, a reserve for distributions and other similar reserves and allowances as deemed necessary to maintain acquired investment properties or enhance the value of acquired investment properties.

■ PIC will endeavor to take measures such as maintaining an appropriate allocation of investments and taking out insurance against losses (e.g., fire and general liability insurance) in order to avoid major declines and fluctuations in earnings caused by disasters and loss of tenants.

■ To achieve stable earnings over the medium to long term, PIC shall, in principle, lease all investment properties (including facilities such as parking lots and signage). At the time of leasing, PIC may collect deposit money, security money, and other similar monies. Said monies shall be invested pursuant to the provisions of PIC's Articles of Incorporation.

■ The occurrence of unforeseen events, such as drastic changes in funding conditions, general market conditions, and real estate market conditions, may prevent the operations described above.

III. DISCLOSURE POLICY

- a. Our policy is to disclose as much information as possible to investors, thus providing investors with a financial product that can be easily understood.
- b. We will endeavor to arrange to provide, at all times, accurate and impartial information to all investors without delay.
- c. PIC shall disclose information in accordance with the details and formats required by Japan's Law Concerning Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Law, guidelines of the Tokyo Stock Exchange and Investment Trusts Association of Japan, etc.

Standards for Selection of Property Manager

Item	Details
Details and results of business	1. Experience and results as a property manager 2. Reputation and consistency of management policies 3. Soundness of company finances
Capabilities and corporate system	1. Knowledge of the market 2. Ability to find tenants and to connect to intermediaries' network 3. Ability to perform accounting services and reporting with regard to the property
Fees	1. Fee structure and level
Conflicts of interest	1. Existence or non-existence of any competitive projects in the surrounding area

IV. DISTRIBUTION POLICY

■ Distribution of Profits

In principle, PIC shall distribute profits based on the following policies:

- a. As part of the total amount of the cash distributions payable to unitholders, the amount of profits (the amount is obtained by subtracting the total of the amount of total unitholders' equity and the amount of the valuation and translation adjustments from the amount of net assets appearing on the balance sheet as of the end of PIC's fiscal period) shall be calculated based on generally accepted accounting principles of Japan.
- b. In the case where tax laws and regulations of Japan permit inclusion as expenses the amount of cash distributions paid to unitholders by PIC under certain conditions, PIC shall pay cash distributions to unitholders in a manner that satisfies the conditions provided by such tax laws and regulations to permit such inclusion in expenses.

■ Cash Distributions in Excess of Profits

If the Board of Directors so determines, PIC may pay cash distributions in excess of profits, based on a statement of accounts concerning cash distributions approved by the Board of Directors under Article 131, Paragraph 1 of Law Concerning Investment Trusts and Investment Corporations of Japan, pursuant to Article 137, Paragraph 1 of the same Law. However, this amount shall not exceed the upper limit stipulated in the regulations of the Investment Trusts Association of Japan or other regulations.

■ Method for Paying Distributions

Distributions shall be paid in cash, and shall, in principle, be distributed within three months of the date of settlement of accounts to unitholders or their registered pledgees registered on the final register of unitholders (including the final register of beneficiary unitholders) as of the date of settlement of accounts, in proportion to investment units held by each unitholder.

■ Matters concerning Distributions

In the case where a distribution is not received within three full years from the payment start date for the concerned distribution, PIC shall no longer be liable for such payment. Moreover, no interest shall accrue on unpaid distributions.

■ Other Matters

In principle, when applicable tax laws and regulations require individual unitholders to calculate gains/losses from the transfer for each distribution in excess of PIC's profits, PIC shall not pay to them any cash distributions in excess of profits. However, in any of the following cases a. through c., cash distributions in excess of profits may be paid in accordance with the Distribution Policy stipulated above.

- a. When it becomes unnecessary due to changes in tax laws and regulations applicable for individual unitholders to calculate the gains/losses from the transfer for each cash distribution in excess of its profits (including cases where the handling of the gains/losses from the transfer for corporate unitholders remains unchanged, but revisions are made to said handling with regard to individual unitholders).
- b. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is accepted as an appropriate practice (e.g., because applicable laws and regulations have been changed to make it an ordinary practice for individual unitholders to declare the gains/losses from the transfer).
- c. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is necessary. (e.g., when it has become necessary for PIC to meet the requirements of special tax measures for an investment corporation as stipulated under Article 67-15 of the Special Taxation Measures Law of Japan).



FINANCIAL SECTION

BALANCE SHEETS

AS OF OCTOBER 31, 2007 AND APRIL 30, 2007

	Thousands of yen	
	October 31, 2007	April 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and deposits <small>(Note-3)</small>	¥ 382,209	¥ 1,476,869
Cash and deposits held in trust <small>(Note-3)</small>	7,553,964	6,722,644
Tenant receivables	56,091	47,952
Prepaid expenses	65,297	63,071
Advance payments	46,140	103,007
Consumption taxes refund receivables	115,345	-
Deferred tax assets <small>(Note-9)</small>	982	1,864
Other current assets	182	215
TOTAL CURRENT ASSETS	8,220,213	8,415,625
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust <small>(Note-4)</small>	45,326,243	41,135,730
Structures held in trust <small>(Note-4)</small>	769,592	651,326
Tools, furniture and fixtures held in trust <small>(Note-4)</small>	111,538	89,507
Less accumulated depreciation	(5,830,300)	(5,115,134)
Land held in trust <small>(Note-4)</small>	68,699,720	61,754,035
Property and equipment, net	109,076,939	98,515,611
Intangible fixed assets		
Intangible fixed assets	1,473	2,330
Intangible fixed assets held in trust <small>(Note-4)</small>	1,636	1,659
Total intangible fixed assets	3,109	3,990
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	40,409	25,410
Bond issue costs	23,637	47,274
Total investment and other assets	74,046	82,684
TOTAL LONG-TERM ASSETS	109,154,096	98,602,285
TOTAL ASSETS	¥ 117,374,309	¥ 107,017,911

The accompanying notes are an integral part of these financial statements.

	Thousands of yen	
	October 31, 2007	April 30, 2007
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 274,379	¥ 300,509
Short-term loan payable <small>(Note-7)</small>	-	1,800,000
Long-term loan payable due within one year <small>(Note-7)</small>	6,000,000	-
Accrued expenses	136,292	101,165
Distributions payable	13,031	14,478
Income taxes payable	226	1,715
Business office taxes payable	2,494	4,549
Consumption taxes payable	-	46,755
Rents received in advance	701,102	690,141
Deposits received	13,959	6,200
Total current liabilities	7,141,485	2,965,515
LONG-TERM LIABILITIES		
Corporate bonds <small>(Note-6)</small>	25,000,000	25,000,000
Long-term loan payable <small>(Note-7)</small>	27,400,000	21,900,000
Tenant security deposits held in trust	4,591,985	4,062,858
Total long-term liabilities	56,991,985	50,962,858
TOTAL LIABILITIES	64,133,470	53,928,373
NET ASSETS		
UNITHOLDERS' EQUITY <small>(Note-5)</small>		
Unitholders' capital	51,434,852	51,434,852
Units authorized - 2,000,000 units		
Units issued and outstanding - 101,400 units		
as of October 31, 2007 and April 20, 2007		
Retained earnings		
Unappropriated income	1,805,987	1,654,686
Total unitholders' equity	53,240,839	53,089,538
TOTAL NET ASSETS	53,240,839	53,089,538
TOTAL LIABILITIES AND NET ASSETS	¥ 117,374,309	¥ 107,017,911

The accompanying notes are an integral part of these financial statements.

PROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2007 AND APRIL 30, 2007

	Thousands of yen	
	October 31, 2007	April 30, 2007
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 3,963,597	¥ 3,599,604
Other revenue (Note-8)	464,218	450,776
Operating expenses		
Property-operating expenses (Note-8)	1,851,646	1,749,871
Asset management fees	181,898	167,792
Directors' compensation	9,000	9,000
Custodian fees	10,822	9,780
Administration fees	56,788	54,562
Audit fees	6,750	6,500
Other expenses	81,333	72,728
Operating income	2,229,575	1,980,144
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	7,577	3,575
Refund of unpaid distributions	1,670	1,550
Other non-operating income	1	1,462
Non-operating expenses		
Interest expense	264,553	159,105
Interest expenses on corporate bonds	141,446	140,326
Amortization of bond issue costs	23,637	23,637
Amortization of organizational costs	-	6,107
Other non-operating expenses	1,754	1,848
Ordinary income	1,807,433	1,655,707
Income before income taxes	1,807,433	1,655,707
Income taxes (Note-9)		
Current	605	1,894
Deferred	882	(856)
Net income	1,805,946	1,654,668
Income carried forward	41	17
UNAPPROPRIATED INCOME	¥ 1,805,987	¥ 1,654,686

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2007 AND APRIL 30, 2007

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
BALANCE AT OCTOBER 31, 2006	¥ 51,434,852	¥ 1,529,737	¥ 52,964,589	¥ 52,964,589
Changes during the period				
Cash distributions paid	-	(1,529,720)	(1,529,720)	(1,529,720)
Net income	-	1,654,668	1,654,668	1,654,668
Total changes during the period	-	124,948	124,948	124,948
BALANCE AT APRIL 30, 2007	51,434,852	1,654,686	53,089,538	53,089,538
Changes during the period				
Cash distributions paid	-	(1,654,645)	(1,654,645)	(1,654,645)
Net income	-	1,805,946	1,805,946	1,805,946
Total changes during the period	-	151,301	151,301	151,301
BALANCE AT OCTOBER 31, 2007	¥ 51,434,852	¥ 1,805,987	¥ 53,240,839	¥ 53,240,839

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2007 AND APRIL 30, 2007

	Thousands of yen	
	October 31, 2007	April 30, 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 1,807,433	¥ 1,655,707
Depreciation	719,338	658,540
Amortization of organization costs	-	6,107
Amortization of bond issue costs	23,637	23,637
Interest income	(7,577)	(3,575)
Refund of unpaid distributions	(1,670)	(1,550)
Interest expenses	405,999	299,431
Loss on disposal of property and equipment held in trust	170	106
Increase in tenant receivables	(7,002)	(5,335)
(Increase) Decrease in consumption taxes refund receivables	(115,140)	64,964
(Decrease) Increase in accounts payable	(30,422)	15,705
(Decrease) Increase in consumption taxes payable	(46,755)	46,755
Increase in rent received in advance	10,961	38,364
Other	70,828	(58,406)
SUBTOTAL	2,829,799	2,740,453
Interest received	7,577	3,575
Interest paid	(396,322)	(289,878)
Income taxes paid	(3,231)	(752)
Net cash provided by operating activities	2,437,822	2,453,397
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(11,275,869)	(1,951,950)
Proceeds from tenant security deposits held in trust	695,557	224,409
Payments for tenant security deposits held in trust	(166,430)	(163,076)
Net cash used in investing activities	(10,746,742)	(1,890,616)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	10,600,000	1,800,000
Repayments of short-term loan payable	(12,400,000)	(6,500,000)
Proceeds from long-term loan payable	11,500,000	6,500,000
Payments of distributions	(1,654,421)	(1,528,047)
Net cash provided by financing activities	8,045,578	271,952
NET CHANGE IN CASH AND CASH EQUIVALENTS	(263,340)	834,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,199,514	7,364,781
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-3)	¥ 7,936,173	¥ 8,199,514

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2007 AND APRIL 30, 2007

Note-1. Organization and basis of presentation

(a) Organization – Premier Investment Corporation (hereafter, "PIC") is an investment corporation established in May 2002 under the Law Concerning Investment Trusts and Investment Corporations (hereafter, "Investment Trust Law") with an initial capital of 200,000 thousand yen (400 units), and it is listed on the Tokyo Stock Exchange. Premier REIT Advisors Co., Ltd., is the asset manager of PIC.

On September 10, 2002, PIC issued 59,000 units for proceeds totaling 27,187,200 thousand yen through initial public offering. On November 15, 2003, December10, 2003 and May 13, 2005, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, and 22,000 units through public offering, respectively. As of October 31, 2007, PIC had total unitholders' capital of 51,434,852 thousand yen with 101,400 units outstanding.

As of October 31, 2007, PIC owned a portfolio of 13 office buildings and 26 residential properties (39 properties in total). Total acquisition costs of those properties were 110,318,826 thousand yen.

(b) Basis of presentation - The financial statements of PIC have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and other related regulations of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by PIC and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain items presented in the financial statements have been reclassified for the convenience of readers outside Japan. PIC does not prepare consolidated financial statements as PIC has no subsidiaries.

PIC's fiscal period is six months, which respectively ends in April and October of each year.

Amounts less than 1 thousand yen have been omitted. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

Note-2. Summary of significant accounting policies

(a) Cash and cash equivalents - Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust, and short-term investments. Short-term investments are highly liquid, readily convertible to cash, have an insignificant risk of change in value, and an original maturity of three months or less.

(b) Depreciation and amortization -

Property and equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on estimated useful lives.

The ranges of useful lives used in the computation of depreciation are generally as follows:

Tools, furniture and fixtures	3 years
Buildings held in trust	3-47 years
Structures held in trust	3-37 years
Tools, furniture and fixtures held in trust	3-10 years

In accordance with the amended Japanese tax law, properties and equipment acquired on or after April 1, 2007 are depreciated with the residual value of one yen recognized at the end of the useful life. As a result of this change in accounting treatment, property-related expenses increased by 15 thousand yen.

Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over taxable lives.

However, in accordance with the amended Japanese tax law, such properties and equipment are depreciated with the residual value of one yen over five years from the following fiscal year after they are depreciated to the residual value of 5% of acquisition costs.

As a result of this change in accounting treatment, property-related expenses increased by 3,766 thousand yen.

Prepaid expenses - Prepaid expenses are amortized using the straight-line method, and are mainly comprised of deferred financing costs for corporate bonds and loans, and insurance.

Organizational costs and bond issuance costs - Organizational costs and bond issuance costs are amortized using the straight-line method over five years and three years, respectively.

(c) Income taxes –Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences for the carrying amount of assets and liabilities between book basis and tax basis is recognized as deferred taxes.

(d) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 25,950 thousand yen and 1,734 thousand yen for the six months ended October 31, 2007 and April 30, 2007, respectively. From the six months ended April 30, 2007, property operating expenses are recognized so that the total annual tax payments are allocated evenly to each period even though property-related tax payments vary for each period. As a result of this change in accounting treatment, property operating expenses decreased by 27,576 thousand yen

(e) Revenue recognition – PIC owns and operates residential and office properties that are rented to tenants. Revenue from leasing the residential and office spaces is recognized on an accrual basis based on the lease agreements. Rental revenue includes fixed rental revenues, recoveries of utility charges, and other income.

(f) Accounting treatment of beneficiary interest in trust accounts, including real estate – For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which PIC holds all of its properties, all accounts of assets and liabilities held in trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and income statement accounts.

(g) Accounting standard for impairment of fixed assets – Effective May 1, 2005, PIC adopted the Accounting Standard for Impairment of Fixed Assets (Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets issued by the Japanese Business Accounting Deliberation Council on August 9, 2002) and Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The standard requires the recognition of an impairment loss on fixed assets whenever events or changes in circumstances indicate that the carrying amounts of fixed assets may not be recoverable.

(h) Accounting for consumption taxes – The national and local consumption taxes are excluded from business transaction amounts. Consumption taxes receivable in suspense and consumption taxes payable in suspense are netted, and the net amount is recorded as consumption taxes refund receivables or consumption taxes payable on the balance sheets.

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2007 and April 30, 2007 consisted of the following:

	Thousands of yen			
	October 31, 2007		April 30, 2007	
Cash and deposits	¥	382,209	¥	1,476,869
Cash and deposits held in trust		7,553,964		6,722,644
Cash and cash equivalents		7,936,173		8,199,514

Note-4. Schedule of property and equipment and intangible assets held in trust

Property and equipment and intangible assets held in trust as of October 31, 2007 and April 30, 2007 consisted of the following:

	Thousands of yen					
	October 31, 2007			April 30, 2007		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 45,326,243	¥ 5,576,991	¥ 39,749,251	¥ 41,135,730	¥ 4,898,239	¥ 36,237,491
Structures	769,592	217,496	552,095	651,326	188,869	462,456
Tools, furniture and fixtures	111,538	35,666	75,871	89,507	27,880	61,627
Land	68,699,720	-	68,699,720	61,754,035	-	61,754,035
SUBTOTAL	114,907,094	5,830,155	109,076,939	103,630,600	5,114,989	98,515,611
Intangible assets held in trust	1,717	80	1,636	1,717	57	1,659
SUBTOTAL	1,717	80	1,636	1,717	57	1,659
TOTAL	¥ 114,908,812	¥ 5,830,235	¥ 109,078,576	¥ 103,632,317	¥ 5,115,046	¥ 98,517,270

A government subsidy of 19,834 thousand yen is deducted from the acquisition cost of the building in trust.

Note-5.Unitholders’ equity

PIC issues investment units in accordance with the Investment Trust Law. All the proceeds from the issuance of new units are designated as stated capital. PIC maintains minimum net assets of at least 50,000 thousand yen as required by the Investment Trust Law.

Note-6. Corporate bonds

Corporate bonds for the six months ended October 31, 2007 and April 30, 2007 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2007 (Amount)	April 30, 2007 (Amount)	
Unsecured bond No.1 (issued on September 8, 2005 and due on September 8, 2010)	¥ 15,000,000	¥ 15,000,000	0.94
Unsecured bond No. 2 (issued on September 8, 2005 and due on September 7, 2012)	10,000,000	10,000,000	1.41
TOTAL	¥ 25,000,000	¥ 25,000,000	

The anticipated maturities of corporate bonds for the following four years ended October 31 starting from 2009 are as follows:

(thousands of yen)	
2009	¥ -
2010	15,000,000
2011	-
2012	10,000,000

Note-7. Short-term and long-term loans

Short-term and long-term loans as of October 31, 2007 and April 30, 2007 consisted of the following:

	Thousands of yen			
	October 31, 2007 (Thousands of yen)	Interest rate (%)	April 30, 2007 (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on February 8, 2008 with floating rate	¥ -		¥ 1,800,000	1.05
SUBTOTAL	-		1,800,000	
LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on September 9, 2008 with fixed rate	6,000,000	0.92	-	-
SUB TOTAL	6,000,000		-	
LONG-TERM LOANS				
Unsecured loan due on November 18, 2008 with fixed rate	4,700,000	1.78	4,700,000	1.78
Unsecured loan due on November 18, 2008 with floating rate	4,700,000	1.67	4,700,000	1.49
Unsecured loan due on September 9, 2008 with fixed rate	-	-	6,000,000	0.92
Unsecured loan due on February 29, 2012 with fixed rate	3,650,000	1.83	3,650,000	1.83
Unsecured loan due on February 28, 2013 with fixed rate	2,850,000	2.08	2,850,000	2.08
Unsecured loan due on July 29, 2011 with fixed rate	10,500,000	1.89	-	-
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	-	-
SUBTOTAL	27,400,000		21,900,000	
TOTAL	¥ 33,400,000		¥ 23,700,000	

Floating interest rates in the table above represents the weighted average interest rate for the period.

The anticipated maturities of long-term loans for the following four years ended October 31 starting from 2009 are as follows:

(thousands of yen)		
2009	¥	9,400,000
2010		-
2011		10,500,000
2012		3,650,000

PIC executed a line of commitment agreement which provided credit facilities totaling 1,000,000 thousand yen with Aozora Bank. No amount has been drawn down as of October 31, 2007 and April 30, 2007, respectively.

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2007 and April 30, 2007 were as follows:

	Thousands of yen	
	October 31, 2007	April 30, 2007
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 3,441,724	¥ 3,108,236
Common area charge	521,872	491,367
Subtotal	3,963,597	3,599,604
Other revenue		
Parking fees	102,238	95,517
Facility fees	26,175	25,299
Incidental revenue	271,569	203,440
Miscellaneous income	64,234	126,518
Subtotal	464,218	450,776
TOTAL REAL ESTATE RENTAL REVENUE	4,427,815	4,050,380
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	463,031	451,623
Utilities	244,961	198,891
Real estate taxes	217,101	208,619
Insurance	13,561	12,653
Maintenance and repairs	121,815	150,113
Trust fees	47,560	44,442
Depreciation	718,481	657,541
Miscellaneous expenses	25,131	25,985
TOTAL REAL ESTATE RENTAL EXPENSES	1,851,646	1,749,871
REAL ESTATE RENTAL INCOME	¥ 2,576,169	¥ 2,300,508

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended October 31, 2007 and April 30, 2007.

	October 31, 2007	April 30, 2007
Statutory tax rate	39.39%	39.39%
Adjustments		
Deductible cash distributions	(39.34)	(39.36)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.08	0.06

Under PIC's distribution policy, cash distributions are made in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan for the fiscal period to qualify for conditions as set forth in the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, PIC treated the cash distributions as tax deductions as allowed in the Special Taxation Measures Law.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in net deferred tax assets or liabilities as of October 31, 2007 and April 30, 2007 were as follows:

	Thousands of yen	
	October 31, 2007	April 30, 2007
Deferred tax assets		
Enterprise taxes	¥ 982	¥ 1,864
Total of deferred tax assets	982	1,864
Deferred tax liabilities	-	-
NET DEFERRED TAX ASSETS	¥ 982	¥ 1,864

Note-10. Per unit information

The following table summarizes the net assets per unit as of October 31, 2007 and April 30, 2007, and the net income per unit for the six months ended October 31, 2007 and April 30, 2007.

	October 31, 2007	April 30, 2007
Net assets per unit	¥ 525,057	¥ 523,565
Net income per unit	17,810	16,318

The net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding for the respective six-month period.

The basis for calculating net income per unit was as follows:

	Thousands of yen	
	October 31, 2007	April 30, 2007
Net income	¥ 1,805,946	¥ 1,654,668
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,805,946	1,654,668
Average number of units during the period	101,400 units	101,400 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2007 and April 30, 2007.

Note-11. Leases

PIC leases its properties to tenants under non-cancellable operating leases. As of October 31, 2007 and April 30, 2007, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2007	April 30, 2007
Due within one year	¥ 336,724	¥ 396,142
Due after one year	618,129	753,422
TOTAL	¥ 954,854	¥ 1,149,565

Note-12. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC's Article of Incorporation, the maximum distribution amount cannot exceed the unappropriated income, and this amount must exceed 90% of the "distributable income" which is defined in Article 67-15 of the Special Taxation Measures Law of Japan. No cash distributions exceeding the unappropriated income as set forth in Article 13, Paragraph 2 of the PIC's Article of Incorporation were made.

Based on this policy, the board of directors of PIC resolved on January 16, 2008 and July 9, 2007 to make cash distributions of 1,805,934,000 yen and 1,654,645,200 yen for 101,400 units to unitholders of record on October 31, 2007 and April 30, 2007, respectively.

Income carried forward after the distributions for the six months ended October 31, 2007 and April 30, 2007 were as follows:

	October 31, 2007	April 30, 2007
Unappropriated income	¥ 1,805,987,424	¥ 1,654,686,218
Cash distributions declared	1,805,934,000	1,654,645,200
(Cash distribution declared per unit)	(17,810)	(16,318)
INCOME CARRIED FORWARD	53,424	41,018

Note-13. Subsequent events

Issuance of new investment units

At the Board of Directors meetings held on November 2, 2007 and November 16, 2007, PIC resolved the issuance of new investment units through a public offering for purposes of acquiring new properties and partial repayment of loans. PIC completed the public offering of 30,000 units on November 26, 2007, the payment deadline, at an offering price of 604,660 yen per unit. The total proceeds from this offering were 17,510,460 thousand yen. The date of issuing new investment units and the starting date of calculating dividends are November 27, 2007 and November 1, 2007, respectively. As a result of the issuance of new investment units, the unitholders' capital was 68,945,312 thousand yen with 131,400 units outstanding as of November 26, 2007.

Acquisition of properties

Pursuant to the basic investment policy and other policies, PIC purchased the following properties as summarized below:

- On November 30, 2007, PIC purchased a trust beneficiary interest in Premier Stage Honjo-Azumabashi for 2,640,000 thousand yen. The acquisition is financed with proceeds from the public offering described above. This residential property is located at 2-4-8 Azumabashi, Sumida Ward, Tokyo, with an area of 860.95m², total floor space of 3,852.86m², and total leasable space of 3,465.00m². Construction was completed in November 2007.

•On December 3, 2007, PIC purchased a trust beneficiary interest*¹ in Shibaura Island Air Tower for 7,590,000 thousand yen. The acquisition is financed with proceeds from the public offering described above. This property is located at 4-22-1 and 4-22-2 Shibaura, Minato Ward, Tokyo, with an area of 11,280.97m², total floor space of 81,760.00m² (rental housing tower and entrance building: 78,333.26m², retail building: 3,426.74m²), and total leasable space of 13,092.43m²*². Construction was completed in March 2007, and the property consisted of residential and retail spaces (871 units for residence and 7 lots for retail).

*1 This trust beneficiary interest represents the trust assets of the joint interest in the ownership of two buildings in Shibaura Island Air Tower – Air Tower (rental housing tower and entrance building) and Air Terrace (retail building) – and the quasi-joint interest in the general leasehold interest (ippan teiki syakutchiken) of the site (share of 23/100). The beneficiaries hold the joint interest and quasi joint interest on behalf of PIC. The beneficiaries also hold the joint interest in the buildings and the quasi-joint interest in the general leasehold interest (ippan teiki syakutchiken) of the site for the other joint owners under separate trust agreements.

*2 The total leasable space is the product of the actual leasable space of the property and PIC's joint ownership percentage of the property (share of 23/100).

The acquisition costs of the above properties represent the price set forth in the agreements, which do not include other acquisition-related costs such as commissions, taxes and dues.

Early repayment of loans

On November 30, 2007, PIC repaid the following loans (6,400,000 thousand yen in total) before their maturity through proceeds from the public offering described above:

- Series 2 term loan

Drawn down date	November 18, 2003					
Lender	The Chuo Mitsui Trust and Banking Co., Ltd.	Resona Bank, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Aozora Bank, Ltd.	Total	
Initial amount of debt finance (thousands of yen)	2,350,000	2,350,000	2,350,000	2,350,000	9,400,000	
Outstanding balance before repayment (thousands of yen)	2,350,000	2,350,000	2,350,000	2,350,000	9,400,000	
Amount to repay (thousands of yen)	1,600,000	1,600,000	1,600,000	1,600,000	6,400,000	
Outstanding balance after repayment (thousands of yen)	750,000	750,000	750,000	750,000	3,000,000	
Interest rate	Fixed interest rate: 1.78125%		Variable interest rate: 1.80917%			
Maturity date	November 18, 2008					
Payment method	Balloon payment					
Use of funds	Financing for the purchase of trust beneficiary certificates and other purposes					
Guarantee/security	Unsecured and non-guaranteed					

Transfer of property

Pursuant to the basic investment policy and other policies of PIC, PIC transferred the trust beneficiary certificate in NARA BUILDING II on January 31, 2008 at 3,315,000 thousand yen based on the transfer agreement of the trust beneficiary certificate concluded on November 2, 2007. NARA BUILDING II was acquired on February 26, 2003 at the acquisition cost of 1,580,000 thousand yen. The acquisition cost represents the price set forth in the agreement, which does not include other purchase-related costs such as commissions, taxes and dues. The carrying value of NARA BUILDING II as of October 31, 2007 was 1,379,947 thousand yen, a 1,935,052 thousand yen difference between the transfer price and the carrying value. Tokyo Tatemono Co., Ltd. appraised the property at 2,960,000 thousand yen as of October 11, 2007.

This office property is located at 2-2-8 Shin-Yokohama, Kohoku Ward, Yokoyama, Kanagawa Prefecture with an area of 700.59m², total floor space of 5,356.99m², and total leasable space of 4,049.99m². Construction was completed in March 1992.

The transfer price above represents the transfer price set forth in the agreement, which does not include other transfer-related costs such as commissions, taxes and dues.

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Report of Independent Auditors

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying balance sheets of Premier Investment Corporation (the “Company”) as of October 31, 2007 and April 30, 2007, and the related profit and loss statements, statements of changes in unitholders’ equity and cash flow statements for the six months then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2007 and April 30, 2007, and the results of its operations and its cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 13, the Company has (1) issued new investment units, (2) purchased trust beneficiary certificates, (3) made early repayments of loans, and (4) transferred the trust beneficiary certificate.



February 18, 2008

OTHER FINANCIAL INFORMATION

CAPITAL EXPENDITURES

1. Planned Capital Expenditures

PIC plans to incur capital expenditures for scheduled renovations, etc. of the portfolio it owns, including the following material expenditures.

Name	Address	Purpose	Scheduled Period	Planned Contruction Expenditure (thousands of yen)		
				Total	Amount Paid during the 10th Fiscal Period	Amount Paid before the 10th Fiscal Period
Homat Woodville	Minato Ward, Tokyo	Construction of air conditioning systems	October 2007 – October 2010	129,041	–	–

2. Capital Expenditures during the 10th Fiscal Period

The following is an overview of the major construction classified as a capital expenditure during the 10th fiscal period for the portfolio owned by PIC. The capital expenditures during the period totaled 177,488 thousand yen. This, combined with maintenance and repair expenditures of 121,815 thousand yen, classified as operating expenses for the period, means a total of 299,304 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Nisso No.3 Building	Nishi Ward, Yokohama, Kanagawa	Construction of air conditioning systems	October 2006 – May 2007	80,753
Landic Shinbashi Building 1	Minato Ward, Tokyo	Construction of air conditioning systems	April 2007 – May 2007	11,180
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Office renovation	August 2007 – September 2007	10,618
Other construction	–	–	–	74,935
Total				177,488

3. Amounts Reserved for Long-Term Maintenance and Repair Plans

Item	Fiscal Period	6th Fiscal Period (May 1, 2005 – October 31, 2005)	7th Fiscal Period (November 1, 2005 – April 30, 2006)	8th Fiscal Period (May 1, 2006 – October 31, 2006)	9th Fiscal Period (November 1, 2006 – April 30, 2007)	10th Fiscal Period (May 1, 2007 – October 31, 2007)
Deposits at the end of the preceding period		196,695	202,758	202,958	204,158	204,608
Deposits made during the period		46,063	200	1,200	450	23,260
Amounts used from deposits during the period		40,000	–	–	–	–
Deposits carried forward to the next period		202,758	202,958	204,158	204,608	227,868

DEBT AND REPAYMENT STATUS

In preparation for future rises in interest rates, PIC has been shifting its existing loans to long-term loans with fixed interest rates. Based on this policy, PIC refinanced its loans in the 10th fiscal period by obtaining two grants for long-term loans with fixed interest rates and using the funds to repay the full amount of short-term loans with floating interest rates totaling 11,500 million yen. The short-term loans consisted of 1,800 million yen borrowed in the 9th fiscal period and 9,700 million yen borrowed in the 10th fiscal period, both for acquiring properties. The repayment of the short-term loans was made before the maturity dates. As a result, the balance of PIC’s short-term loans was reduced to zero, and the maturity dates of loans were extended and all loans now have fixed interest rates.

OVERVIEW OF LONG-TERM LOANS

1	Loan amount	10,500 million yen
	Interest rate	1.89375% (fixed interest rate)
	Lender	3,000 million yen from Chuo Mitsui Trust and Banking Company, Limited, 2,500 million yen from Sumitomo Trust and Banking Co., Ltd., 2,000 million yen from Bank of Tokyo-Mitsubishi UFJ, Ltd. and 1,000 million yen respectively from Aozora Bank Ltd., Sumitomo Mitsui Banking Corporation and Mitsui Sumitomo Insurance Company, Limited
	Maturity date	July 29, 2011
2	Loan amount	1,000 million yen
	Interest rate	2.23875% (fixed interest rate)
	Lender	The Development Bank of Japan
	Maturity date	July 31, 2013

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