

<http://www.premier-reit.co.jp/>

**Premier Investment Corporation is a J-REIT
that manages a portfolio comprised of
office buildings and residential properties in
the Tokyo Economic Bloc.**

(Listed on the Tokyo Stock Exchange - securities code: 8956)



SEMIANNUAL REPORT

FISCAL PERIOD ENDED OCTOBER 31, 2008

MESSAGE TO OUR UNITHOLDERS

Dear Investor,

The 12th Fiscal Period in Review

During the 12th fiscal period (May 1, 2008 – October 31, 2008), the Japanese economy showed clear signs of a slowdown, with decreased exports due to the slumping global economy amid a worsening worldwide financial environment, as well as conspicuous deterioration of corporate performance and stagnant personal spending. In addition, the domestic real estate market became increasingly opaque because of a sudden decrease in funds supplied to the real estate transaction market. The extreme credit crunch led to major bankruptcies in the real estate sector, which had a material impact on the investment unit price level of listed J-REITs.

Under such severe circumstances, Premier Investment Corporation (PIC) has firmly maintained its solid operational policy of “prudently selecting high-quality properties and acquiring them at appropriate price levels.” During the fiscal period, PIC acquired two existing residential properties (Storia Akasaka and Renai Shinjuku-

Gyoen Tower) and a newly-built residential property (Premier Stage Ryogoku), which each featured high occupancy. These properties, in addition to the four properties PIC obtained in the previous fiscal period which were fully operating throughout the 12th fiscal period, have contributed to PIC's performance, realizing an increase of 363 million yen in PIC's real estate rental income.

PIC has achieved 5,508 million yen in operating revenues, 2,745 million yen in operating income, 2,209 million yen in ordinary income, 2,207 million yen in net income, and a distribution per unit of 16,801 yen. As the table on page 3 indicates, these figures represent decreases compared with the 11th fiscal period results. However, PIC's sale of the NARA BUILDING II was an additional factor during the previous period. Without this sale, the operating revenues and net income in the 11th fiscal period would have only reached 4,918 million yen and 1,977 million yen, respectively. Compared with these figures, the 12th fiscal period results represent increases in revenues and profits. In other

words, PIC successfully avoided any major damage from the difficult environment and continued to achieve steady performance.

However, occupancy of owned properties dropped slightly for both office buildings (98.4%, down 0.8% from the end of the previous fiscal period) and residential properties (91.6%, down 3.8%). The impact of the deteriorating business climate is gradually becoming apparent. In particular, high-end residences with a rent level of 250,000 yen to 350,000 yen per month are struggling to a certain degree.

Moreover, financing has become a significant challenge for many J-REITs as financial institutions have become more stringent in their selection of borrowers and projects for lending. PIC, having established excellent business relationships with financial institutions, successfully secured loans totaling 18,600 million yen from lenders during the 12th fiscal period, comprising 12,600 million yen for new property acquisitions and 6,000 million yen for refinancing of existing loans.

Future Challenges and Strategies

The business climate is expected to deteriorate further in the 13th fiscal period. Based on the recognition of the market environment as summarized on page 4, PIC and Premier REIT Advisors (PRA), the asset manager, have formulated new strategies for the future and are working to implement them. The following are the essentials of these strategies.

(1) Financial Strategy

Under the present circumstances, it is of utmost importance to secure financing/refinancing and to ensure the repayment of liabilities. In order to further reinforce its financial stability, PIC will take steps to diversify the repayment dates of its loans as

well as to maintain the ratios of long-term and fixed-rate loans at a high level (both targeted at 80%). This is because we believe this measure will result in a more stabilized financial structure, even though it may cause some cost increases.

Moreover, redemption of corporate bonds is another major challenge for J-REITs. Although the present corporate bond market in Japan is not functioning, redemption of previously issued corporate bonds will become a major burden for J-REITs. Accordingly, PIC will implement a strategy in full awareness of such redemptions. As part of these measures, PIC will consider selling properties in order to obtain and secure larger cash flows.

(2) Internal Growth

As mentioned above, occupancy rates of our owned residential properties have been on a slight downward trend. Our first priority will be to raise their occupancy. For properties with an increasing number of vacant units due to high rent levels in particular, PIC will aim to raise occupancy

by lowering rents in an effort to secure cash flows. PIC will also endeavor to decrease rental business expenses and work to maintain and enhance property values through proactive renovations.

PIC has no loans coming due in the 13th fiscal period and has no need to conduct refinancing. Therefore, PIC will focus on internal growth more than ever in order to improve occupancy.

(3) External Growth

In the present environment, it is difficult to expand the portfolio as additional acquisitions would require the procurement of new funds. Therefore, PIC will emphasize the replacement of assets and aim to increase the quality of its portfolio. The distribution per unit of 16,801 yen that PIC delivered in the 12th fiscal period is a level that the present quality of the portfolio can continue to produce. Further raises in distributions must be accompanied by enhancements to the quality of the portfolio.

At present, we see a clear increase in the supply of blue-chip properties in the market. Considering this an excellent opportunity, we will fully utilize the property information sourcing capabilities of our sponsors and the asset manager so that we can proactively upgrade the portfolio through acquisitions of blue-chip properties and sales of existing properties.

Seven years have passed since the birth of J-REITs, and they are now mired in the most challenging situation to date. Nevertheless, the fundamentals of J-REITs are solid and the business model of J-REITs definitely remains firm. We are confident that J-REITs will continue to be a leading investment product for investors.

Both PIC and PRA are committed to realizing stable operations over the medium to long term by steadily implementing the strategies noted above while working to improve the quality of the owned assets. By doing so, we are determined to meet the expectations of our unitholders. We humbly thank you for your continued support.



H. Matsuzawa

Hiroshi Matsuzawa
Executive Director
Premier Investment Corporation



F. Yasutake

Fumihiko Yasutake
President and CEO
Premier REIT Advisors Co., Ltd.

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12TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

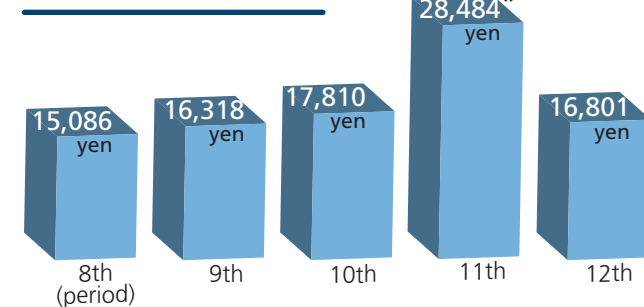
Management and Distribution Results	11th Fiscal Period (Ended April 2008)	12th Fiscal Period (Ended October 2008)
Operating Revenues (mm yen)	6,764	5,508
Operating Income (mm yen)	4,185	2,745
Ordinary Income (mm yen)	3,743	2,209
Net Income (mm yen)	3,742	2,207
Distribution per Unit (yen) (distribution in excess of profits not included)	28,484	16,801
Total Distributions (mm yen)	3,742	2,207
Distribution Payout Ratio ^(Note)	100.0%	99.9%
Distribution versus Net Assets ^(Note)	5.1%	3.1%

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

Financial Status	11th Fiscal Period (Ended April 2008)	12th Fiscal Period (Ended October 2008)
Total Assets (mm yen)	138,160	149,485
Net Assets (mm yen)	72,688	71,153
Net Assets to Total Assets	52.6%	47.6%
Net Assets per Unit (yen) ^(Note)	553,182	541,499

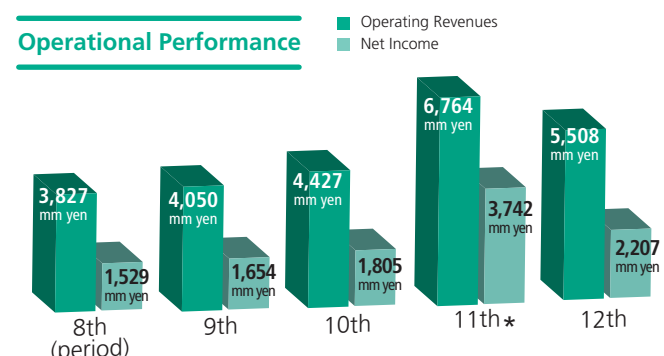
(Note) The number of outstanding investment units at the end of both the 11th and the 12th fiscal period was 131,400 units.

Cash Distribution per Unit



*During the 11th fiscal period, there were 1,845 million yen in gains from the sale of properties.

Operational Performance



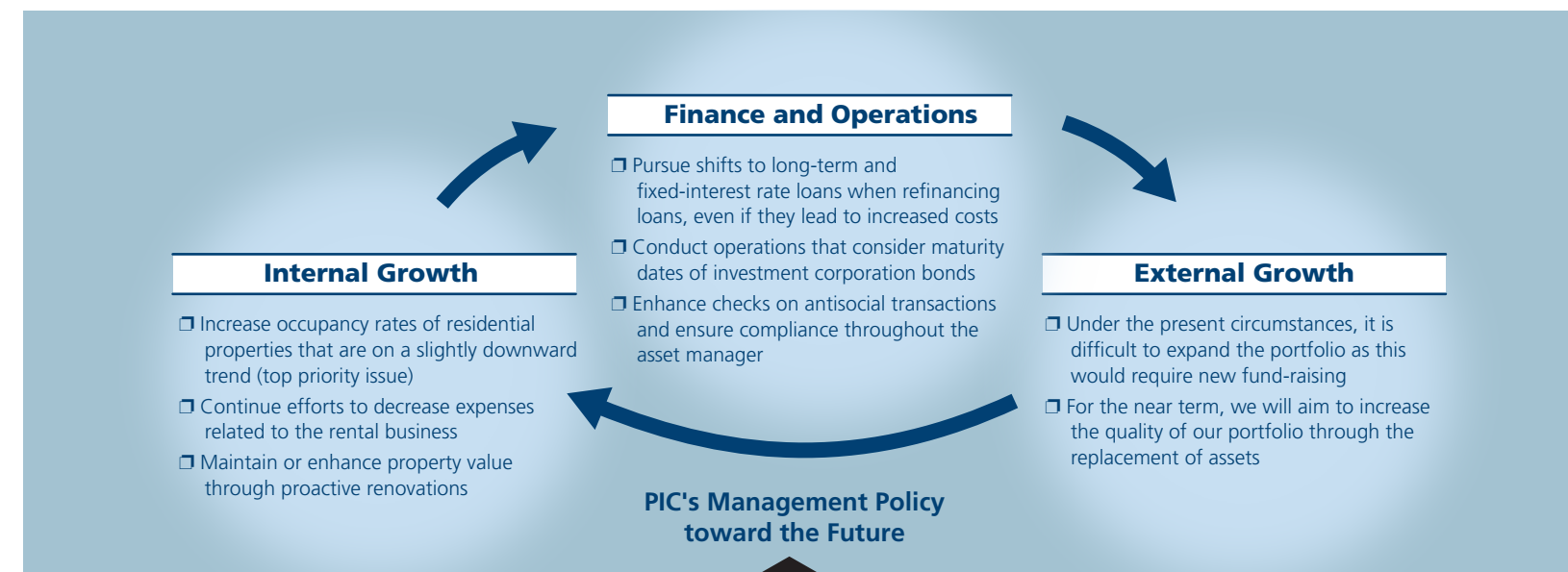
*During the 11th fiscal period, there were 1,845 million yen in gains from the sale of properties.

MARKET ENVIRONMENT AND MANAGEMENT POLICY

During the 12th fiscal period, the Japanese economy conspicuously slowed down against the background of global financial turmoil triggered by the subprime loan problems in the U.S. and the subsequent deterioration of the real economy. The real estate market

in Japan also became increasingly opaque, with funds supplied to the market rapidly decreasing. In addition, a sudden credit crunch caused several major bankruptcies in the real estate sector, and had a major impact on the investment unit price levels

of listed J-REITs. Fully considering these market conditions, PIC has established its management policy and is doing its utmost to secure stable revenues for the future.



Market Environment

Real Estate Transaction Market

- Deals with financial requirements increased in view of the financing environment
- Investment demands for blue-chip properties in the center of Tokyo remain strong
- Supply of office buildings at fair prices remains scarce
- Overall demand for residential properties is low, but investment demand for large-scale properties in the center of Tokyo is solid

Real Estate Rental Market

- In the center of Tokyo, the polarization of rents for offices is becoming apparent in accordance with property grade
 - Class A buildings: A portion of high-price properties are exhibiting a downward trend in terms of both occupancy rate and rent levels
 - Class B buildings: The increasing trend of rents is either slowing down or coming to a halt
- The overall balance of supply and demand for residential properties in the center of Tokyo continues to be good
- Budget constraints, particularly for corporations, are significant as a result of the economic recession. Of note, residential properties with monthly rents of 250,000 yen to 350,000 yen are struggling.

REIT Market

- The largest crash since the market was established
- Various systemic reforms in an effort to allow M&As among listed REITs
- Reorganization of asset management companies accelerated through changes in their sponsors
- Western investors becoming increasingly negative towards investments in general, not just in REITs

Financial Market

- The value of various credit assets are decreasing due to the deterioration of the real economy in addition to the collapse of the financial system on a global scale triggered by the subprime loan problems
- Spreads are expanding and refinancing risks are becoming obvious as a result of lenders selecting borrowers or projects for loans
- No signs of a recovery in the now defunct corporate bond market
- No major fluctuations in short-term and long-term interest rates

Financial Characteristics of J-REITs and PIC's Strategy

In general, REITs require a huge amount of funds to acquire and operate assets in order to construct a portfolio comprising many properties. Thus, they conduct fund procurement through a balance between equity finance (capital increase through issuance of investment units to obtain funds from the capital market) and debt finance (borrowings and refinancing from financial institutions and the issuance of corporate bonds).

Currently, the financial turmoil generated in the U.S. has spread around the world and the capital market is in a heightened state of volatility. The situation does not allow easy fund procurement from the capital market (i.e., issuance of new investment units). Furthermore, we must fully consider avoiding dilution of the investment value of existing unitholders.

Therefore, PIC has established its financial strategy with the following core policies, focusing on securing debt financing and ensuring repayment of borrowings.

1) Pursue shifting to long-term and fixed-rate interest loans upon refinancing, even though they might lead to increased costs

- Diversify repayment dates of loans
- Put first priority on securing long-term loans and second priority on fixed-rate interest loans, and aim to keep the respective ratios in total interest-bearing liabilities at 80%

2) Operate in a manner to increase cash on hand in consideration of the redemption dates of corporate bonds

- Consider selling properties in order to obtain larger cash flows

Financing Status in the 12th Fiscal Period

Within a difficult fund procurement environment, PIC worked to raise funds with the basic policies of 1) Strengthening relations with existing financial institutions, 2) Enriching the formation of lenders (starting business with new financial institutions), and 3) Reducing risks involving refinancing (diversification of repayment duration).

As a result, PIC successfully raised a total of 18,600 million yen during the 12th fiscal period, comprised of 12,600 million yen primarily for acquiring three residential properties (Storia Akasaka, Renai Shinjuku-Gyoen Tower and Premier Stage Ryogoku) and 6,000 million yen for refinancing of existing loans, through loans from financial institutions.

Strengthening Relations with Existing Financial Institutions

PIC continued to secure fund procurement, focusing on the Chuo Mitsui Trust and Banking Co., Ltd. (Chuo Mitsui Trust Group is a major sponsor of the asset manager, Premier REIT Advisors) and other financial institutions with which PIC has a relationship.

Enriching the Formation of Lenders

During the 12th fiscal period, PIC enriched its formation of lenders by newly starting business with The Mie Bank, Ltd. as well as increasing loans from Sumitomo Mitsui Banking Corporation and Development Bank of Japan Inc. (the two banks with which PIC started business in 2007).

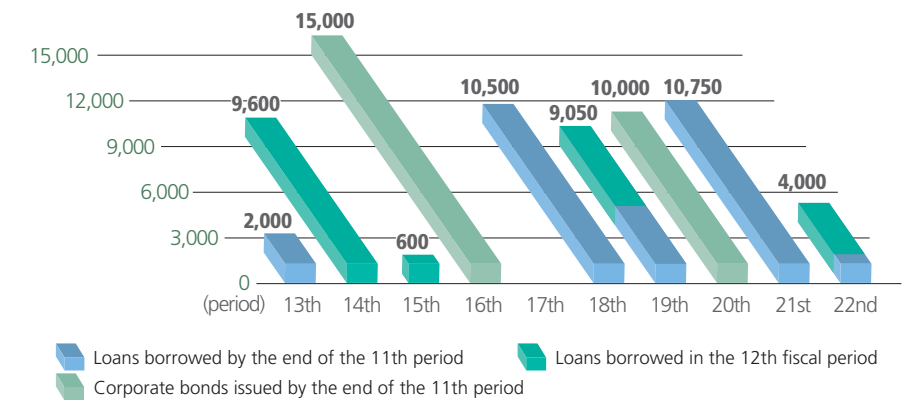
(unit: mm yen)

Lender	Amount Borrowed in 12th Fiscal Period	Amount Repaid in 12th Fiscal Period	Increase	Amount at End of Period
The Chuo Mitsui Trust and Banking Co., Ltd.	4,200	2,000	2,200	10,100
The Sumitomo Trust and Banking Co., Ltd.	2,300	1,000	1,300	5,900
Aozora Bank, Ltd.	2,400	1,000	1,400	5,750
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,850	1,000	850	5,600
Resona Bank, Limited	2,300	1,000	1,300	5,600
Sumitomo Mitsui Banking Corporation	1,550	-	1,550	5,550
Development Bank of Japan Inc.	3,000	-	3,000	4,000
Mizuho Bank, Ltd.	-	-	-	1,000
Mitsui Sumitomo Insurance Co., Ltd.	-	-	-	2,000
The Mie Bank, Ltd.	1,000	-	1,000	1,000
Total	18,600	6,000	12,600	46,500

Reduce Risks Involving Refinancing

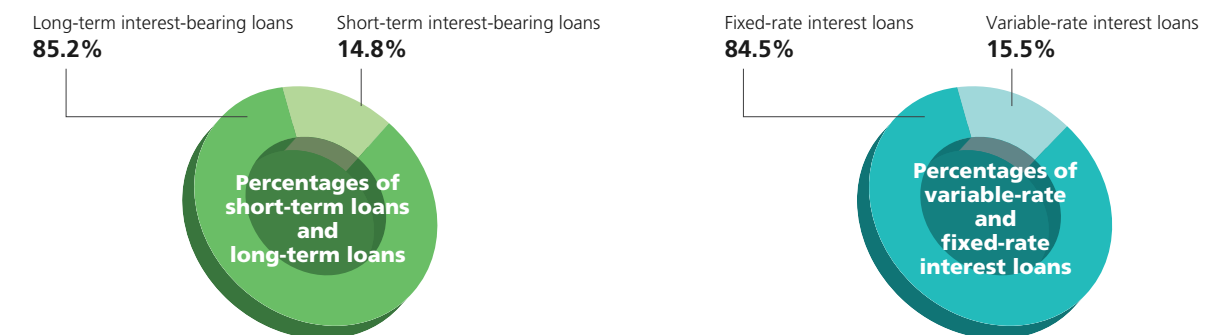
A concentration of repayment dates in certain business periods may lead to high financial risks. Accordingly, PIC has worked to diversify repayment dates when conducting new borrowings and refinancing. As a result, the repayment dates of interest-bearing liabilities at the end of the 12th fiscal period were diversified as indicated in the graph to the right.

Repayment Schedule of Interest-bearing Debt

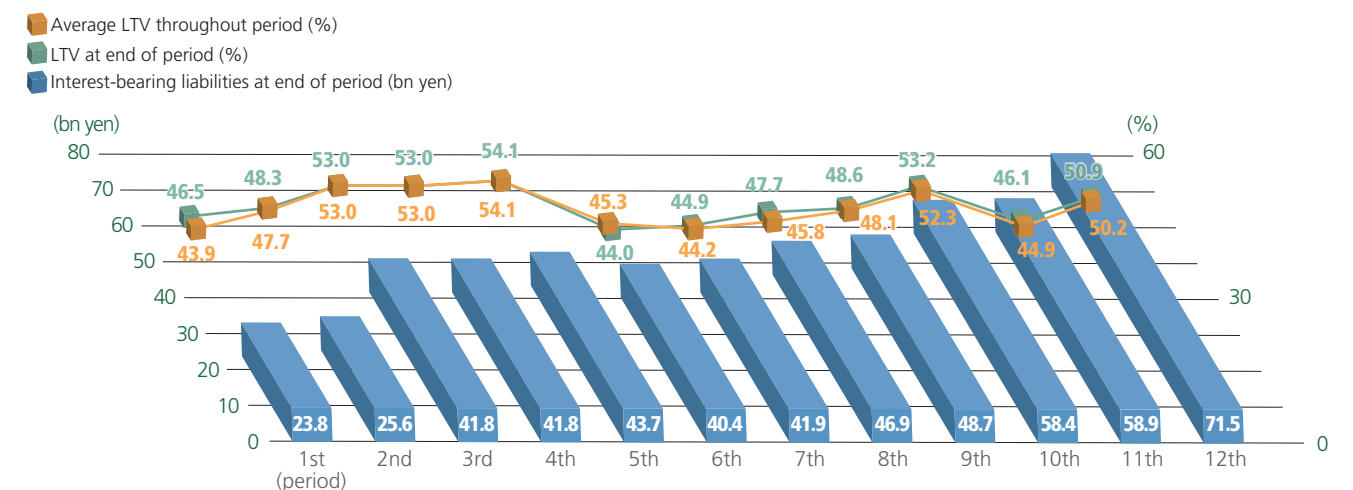


Major Financial Data for the 12th Fiscal Period

Interest-bearing Liabilities (end of the 12th fiscal period)



Changes in Interest-Bearing Liabilities Ratio against Total Assets



INTERNAL GROWTH

Importance of Internal Growth and PIC's Focus

Under the current financial conditions and capital market situation, it is difficult to achieve a portfolio growth that requires a new round of fund procurement. Accordingly, it has become all the more important to realize internal growth – efforts to maintain and further enhance the asset value and competitiveness of existing owned properties as well as working to expand rental revenues over the medium to long term.

In conducting these efforts, PIC will place top priority on raising the occupancy of its residential properties, which showed a slight downward trend in the 12th fiscal period. Moreover, PIC will continue efforts to decrease real estate rental business expenses. While focusing on the above, PIC endeavors to secure stable revenues and profits into the future.

Efforts on 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, creates

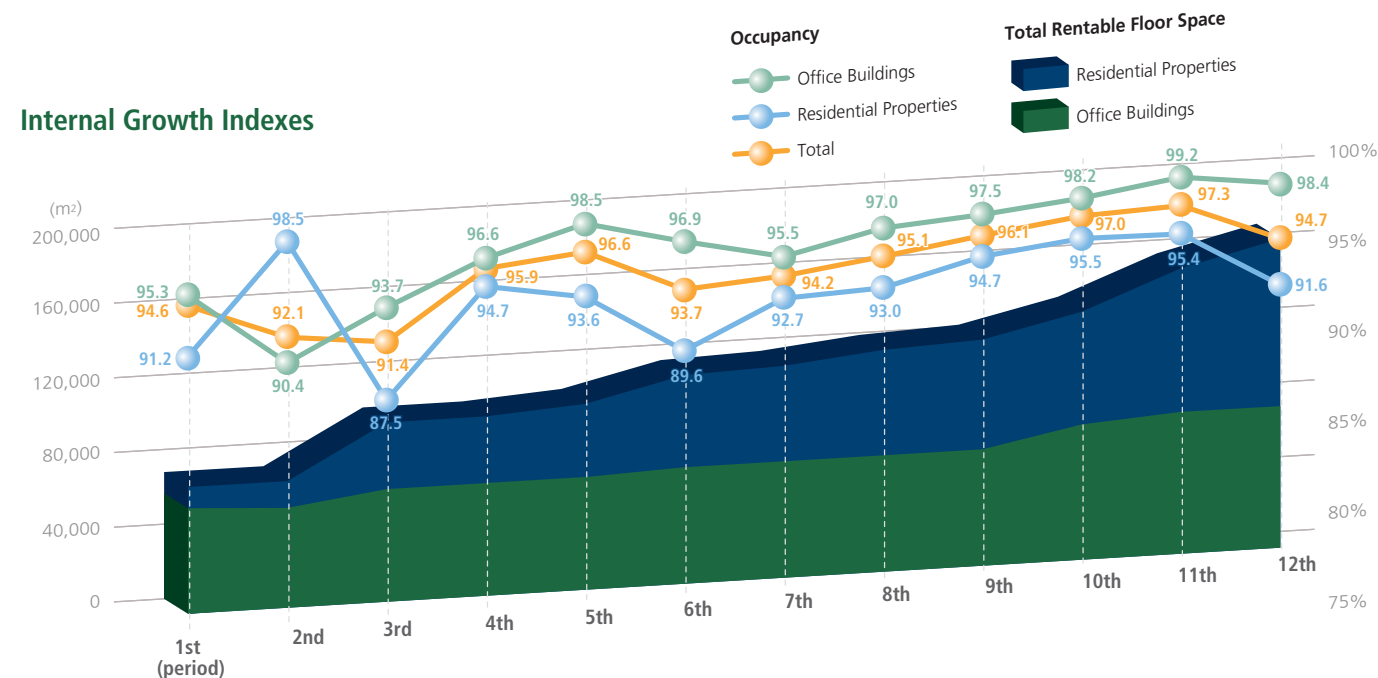
additional rental spaces and leads to the securing of new tenants, and enables stable management of owned properties and heightened occupancy. PIC is also taking steps to establish better leasing terms as a means to maximize the potential of each portfolio property.

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 • Ensure that 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



Status of Fluctuations in Rent in the 12th Fiscal Period

Office Buildings

- Increases in rent were achieved at 16.1% of PIC's existing office building portfolio (on a total leasable space basis) during the period.
- Increase in rent: 7.3 million yen per month

Increase in Rent at Existing Office Buildings

	Tenant Replacement	Contract Renewal
No. of cases	6	13
Subject area	2,122,27m²	10,188.49m²
Increase in rent	2,242,000 yen	5,076,000 yen
Rate of increase	13.7% - 27.7%	3.2% - 13.5%

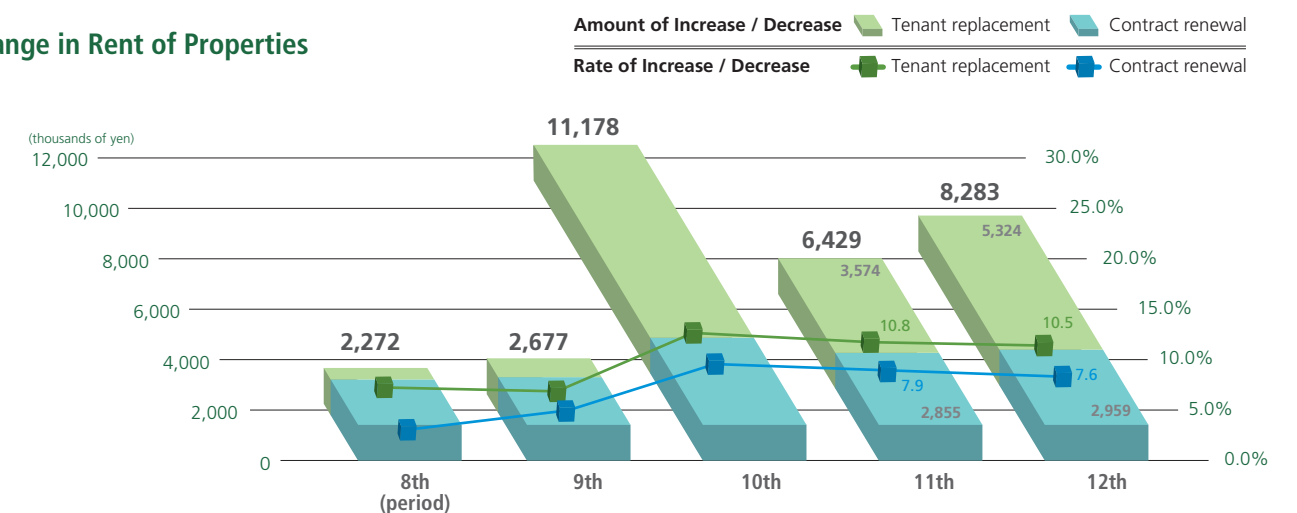
Residential Properties

- Increases in rent were achieved at 4.9% of PIC's existing residential properties portfolio (on a total leasable space basis) during the period.
- Increase in rent: 0.9 million yen per month

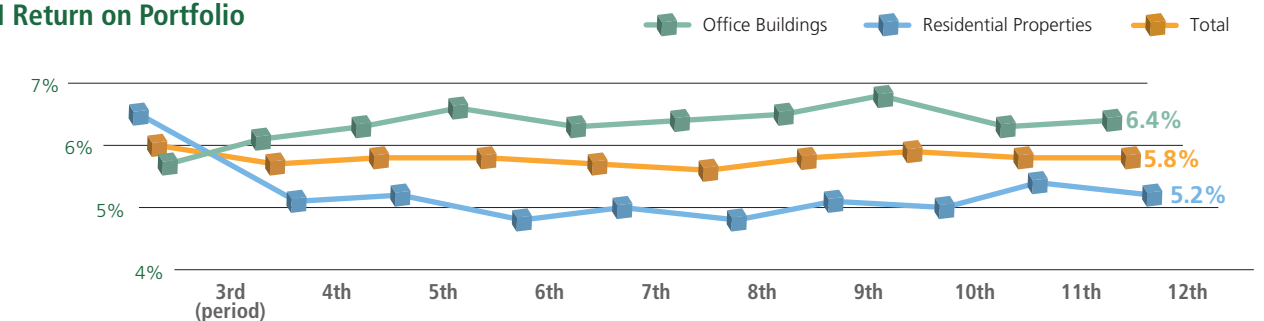
Increase in Rent at Existing Residential Properties

	Tenant Replacement	Contract Renewal
No. of cases	5	12
Subject area	2,825.49m²	1,567.62m²
Increase in rent	717,000 yen	248,000 yen
Rate of increase	0.4% - 24.0%	1.0% - 4.9%

Change in Rent of Properties



NOI Return on Portfolio



(Note) The "rental NOI return" is the annualized figure of "rental NOI divided by acquisition price." The rental NOI and acquisition price figures have been obtained using the following formulas.
 ■ Rental NOI = (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)
 ■ Acquisition price = Average of (Book values + Accumulated depreciation) covering leased properties at the beginning and end of each fiscal period

EXTERNAL GROWTH

Property Acquisitions in the 12th Fiscal Period

During the 12th fiscal period, PIC acquired three residential properties: Storia Akasaka (acquisition price: 3,930 million yen), Renai Shinjuku-Gyoen Tower (6,500 million yen) and Premier Stage Ryogoku (1,496 million yen). As a result, PIC's portfolio totaled 45 properties, comprising 14 office buildings and 31 residential properties as of October 31, 2008. The total acquisition price amounted to 139,374 million yen, with total rentable floor space of 165,493.75m² and 2,288 tenants. By investment ratio, office buildings accounted for 46.4%, with residential properties accounting for the remaining 53.6%.

Future Strategies for External Growth

PIC has steadily grown its portfolio under the basic policy of acquiring properties that are competitive in their location conditions and have specifications that realize stable revenues over the medium to long term. However, under the current financial conditions and capital market situation it is difficult to achieve portfolio growth that requires a new round of fund procurement.

As its strategy under the current conditions, PIC will aim to enhance the quality of its portfolio through replacement of properties. In addition, PIC will consider selling properties in order to obtain greater cash flow in consideration of the redemption dates of its corporate bonds.

On the other hand, given the present real estate market situation and the economic conditions in Japan, it is expected that blue-chip properties will increasingly be sold and supplied to the market. Therefore, PIC will wait for the equity market and the debt market to recover, and will expand its asset size again through acquisitions when we have good opportunities.

In doing so, PIC will leverage the strong information routes of the Chuo Mitsui Trust Group, Ken Corporation Group and the Sohgo Real Estate Group – the core sponsors of PRA, PIC's asset manager. PRA will also further reinforce its various information routes and acquisition know-how it has fostered over the years, and work to obtain information at an early stage in considering acquisitions of blue-chip properties.

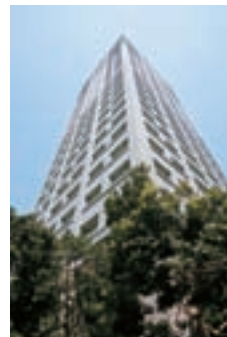
Properties Acquired During the 12th Fiscal Period

D21 Storia Akasaka



- **LOCATION** : 6-18-11 Akasaka, Minato Ward, Tokyo
- **LOT AREA** : 1,607.97m²
- **TOTAL FLOOR SPACE** : 6,329.52m²
- **STRUCTURE OF BUILDING** : Reinforced concrete structure with a flat-topped roof, 5 stories and 2 basement stories
- **CONSTRUCTION COMPLETION** : December 2002
- **DATE OF ACQUISITION** : May 22, 2008
- **ACQUISITION PRICE** : 3,930 mm yen

D22 Renai Shinjuku-Gyoen Tower



- **LOCATION** : 1-30-16 Shinjuku, Shinjuku Ward, Tokyo
- **LOT AREA** : 1,323.07m²
- **TOTAL FLOOR SPACE** : 11,203.40m²
- **STRUCTURE OF BUILDING** : Steel-framed, reinforced concrete structure with a flat-topped roof, 25 stories and 2 basement stories
- **CONSTRUCTION COMPLETION** : December 2002
- **DATE OF ACQUISITION** : May 22, 2008
- **ACQUISITION PRICE** : 6,500 mm yen

E9 Premier Stage Ryogoku



- **LOCATION** : 2-18-1 Midori, Sumida Ward, Tokyo
- **LOT AREA** : 480.32m²
- **TOTAL FLOOR SPACE** : 2,475.38m²
- **STRUCTURE OF BUILDING** : Reinforced concrete structure with a flat-topped roof, 9 stories
- **CONSTRUCTION COMPLETION** : March 2008
- **DATE OF ACQUISITION** : June 30, 2008
- **ACQUISITION PRICE** : 1,496 mm yen

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 the potential needs of tenants are greater within this Bloc, and because more efficient property management is possible by focusing on a specific concentrated investment area, thereby allowing PIC to produce stable cash flows.

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 constitute the primary targeted investment area, 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. Chiyoda, Chuo and Minato Wards have long played a central role as business areas, while 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 and Potential Tenant Needs

- Population presently returning to the center of Tokyo
- Ratio of owned housing is 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



Investment Area



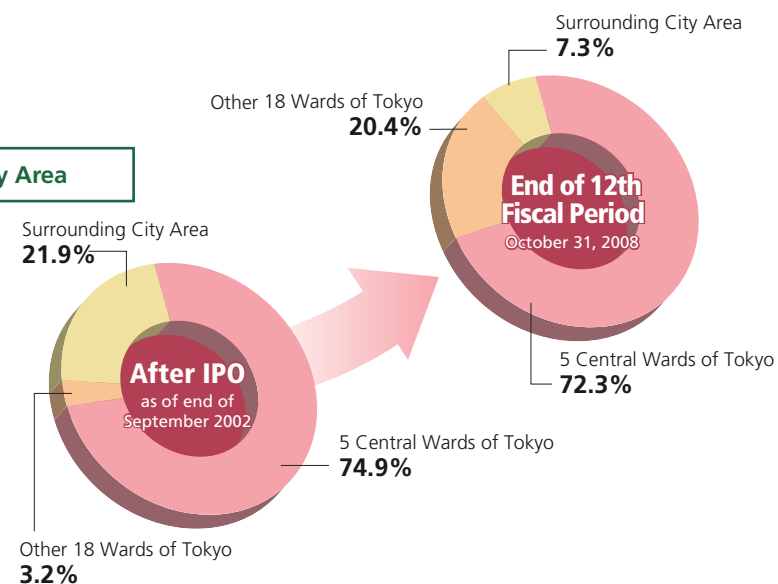
PROPERTY PORTFOLIO

Area	Property Number	Property Name	Location	Acquisition Price (mm yen)	Share (%)	PML Value (%) (Note 1)	12th Fiscal Period Performance				
							Investment period (days)	Occupancy at period end (%)	Real estate rental revenues (mm yen)	Real estate rental expenses (mm yen)	Real estate rental income (mm yen)
Office Buildings											
5 Central Wards of Tokyo	A1	Landic Shimbashi Building 1	Minato Ward, Tokyo	6,341	4.5	10.6	184	100.0	262	82	180
	A2	Landic Shimbashi 2 Building	Minato Ward, Tokyo	7,045	5.1	12.9	184	100.0	296	92	204
	A3	Fuji Building No.37	Shibuya Ward, Tokyo	1,727	1.2	5.5	184	100.0	91	35	55
	A4	KN Shibuya No.3	Shibuya Ward, Tokyo	5,348	3.8	10.6	184	100.0	276	95	181
	A5	Takadanobaba Center Building	Shinjuku Ward, Tokyo	5,118	3.7	2.0	184	100.0	259	149	109
	A6	Rokubancho Building	Chiyoda Ward, Tokyo	7,860	5.6	10.8	184	100.0	(Note 2)	(Note 2)	237
	A7	Ougaku Building	Chiyoda Ward, Tokyo	1,796	1.3	14.2	184	85.3	66	31	35
	A8	YS Kaigan Building	Minato Ward, Tokyo	5,100	3.7	10.6	184	90.9	208	92	116
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	Bunkyo Ward, Tokyo	1,456	1.0	8.7	184	100.0	66	29	36
	B2	Premier Toyocho Building	Koto Ward, Tokyo	4,310	3.1	16.2	184	100.0	159	66	93
	B3	Ueno TH Building	Bunkyo Ward, Tokyo	4,380	3.1	12.8	184	100.0	149	56	93
	B4	Gotanda NT Building	Shinagawa Ward, Tokyo	4,100	2.9	14.3	184	100.0	133	48	85
Surrounding City Area	C1	Nisso No.3 Building	Yokohama, Kanagawa	3,558	2.6	10.2	184	95.8	192	71	121
	C2	The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	6,556	4.7	10.4	184	99.0	541	272	269
SUBTOTAL				64,695	46.4	-		98.4	3,063	1,243	1,819
Residential Properties											
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	Shinjuku Ward, Tokyo	5,208	3.7	7.4	184	93.7	167	73	93
	D2	Park Axis Meiji-Jingumae	Shibuya Ward, Tokyo	2,604	1.9	9.9	184	88.8	67	22	45
	D3	Sun Palace Minami-Azabu	Minato Ward, Tokyo	1,150	0.8	5.3	184	100.0	40	21	18
	D4	Cabin Arena Akasaka	Minato Ward, Tokyo	1,330	1.0	10.1	184	97.4	47	16	30
	D5	Cabin Arena Minami-Aoyama	Minato Ward, Tokyo	1,070	0.8	11.2	184	78.7	34	19	14
	D6	Bureau Kioicho	Chiyoda Ward, Tokyo	1,840	1.3	11.6	184	100.0	62	14	47
	D7	Homat Woodville	Minato Ward, Tokyo	5,090	3.7	7.4	184	95.0	166	91	75
	D8	Roppongi Green Terrace	Minato Ward, Tokyo	4,678	3.4	10.3	184	97.1	169	64	104
	D9	B-Site Shibakoen	Minato Ward, Tokyo	2,181	1.6	11.5	184	100.0	74	20	54
	D10	Premier Stage Nihonbashi Kayabacho	Chuo Ward, Tokyo	2,430	1.7	11.7	184	92.4	96	43	53
	D11	Langue Tower Kyobashi	Chuo Ward, Tokyo	927	0.7	12.5	184	91.8	37	16	20
	D12	Premier Stage MitaKeidaimae	Minato Ward, Tokyo	1,580	1.1	14.3	184	93.1	53	18	35
	D13	Premier Rosso	Shibuya Ward, Tokyo	1,662	1.2	14.0	184	86.4	54	23	30
	D14	Premier Blanc Yoyogikouen	Shibuya Ward, Tokyo	2,330	1.7	13.1	184	86.3	78	36	41
	D15	Premier Stage Uchikanda	Chiyoda Ward, Tokyo	1,723	1.2	13.8	184	88.6	66	24	41
	D16	Premier Stage Ichigayakawadacho	Shinjuku Ward, Tokyo	1,460	1.0	13.1	184	87.6	45	17	27
	D17	Walk Akasaka	Minato Ward, Tokyo	2,043	1.5	13.9	184	76.4	61	28	33
	D18	Premier Stage Shibakoen	Minato Ward, Tokyo	1,585	1.1	16.1	184	81.8	43	16	26
	D19	MEW	Minato Ward, Tokyo	1,556	1.1	13.9	184	84.9	38	19	18
	D20	Shibaura Island Air Tower	Minato Ward, Tokyo	7,590	5.4	11.2	184	91.9	359	197	161
	D21	Storia Akasaka	Minato Ward, Tokyo	3,930	2.8	11.7	163	94.8	92	33	59
	D22	Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	6,500	4.7	7.2	163	92.6	175	81	93
Other 18 Wards of Tokyo	E1	B-Site Osaki	Shinagawa Ward, Tokyo	1,072	0.8	12.1	184	100.0	39	10	28
	E2	Premier Garden Hongo	Bunkyo Ward, Tokyo	975	0.7	12.1	184	93.1	35	14	20
	E3	Premier Grande Magome	Ota Ward, Tokyo	1,560	1.1	15.7	184	93.6	43	20	22
	E4	Premier Nozze Yutenji	Setagaya Ward, Tokyo	1,525	1.1	13.6	184	97.6	45	17	27
	E5	Across Yushima	Bunkyo Ward, Tokyo	1,803	1.3	17.2	184	89.7	55	26	28
	E6	Premier Stage Komagome	Toshima Ward, Tokyo	1,830	1.3	18.0	184	100.0	53	24	28
	E7	Premier Stage Otsuka	Toshima Ward, Tokyo	1,310	0.9	22.5	184	92.4	45	19	25
	E8	Premier Stage Honjo-Azumabashi	Sumida Ward, Tokyo	2,640	1.9	14.7	184	93.2	77	34	43
	E9	Premier Stage Ryogoku	Sumida Ward, Tokyo	1,496	1.1	12.8	124	52.1	16	21	-5
SUBTOTAL				74,679	53.6	-		91.6	2,445	1,093	1,352
TOTAL				139,374	100.0	8.6		94.7	5,508	2,337	3,171

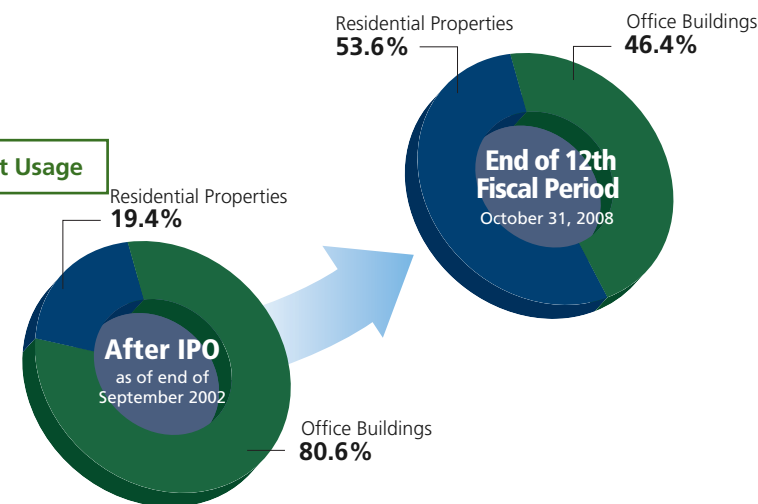
(Note 1) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined 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.

(Note 2) The rental revenues from a leasing contract with a single major tenant constitute 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.

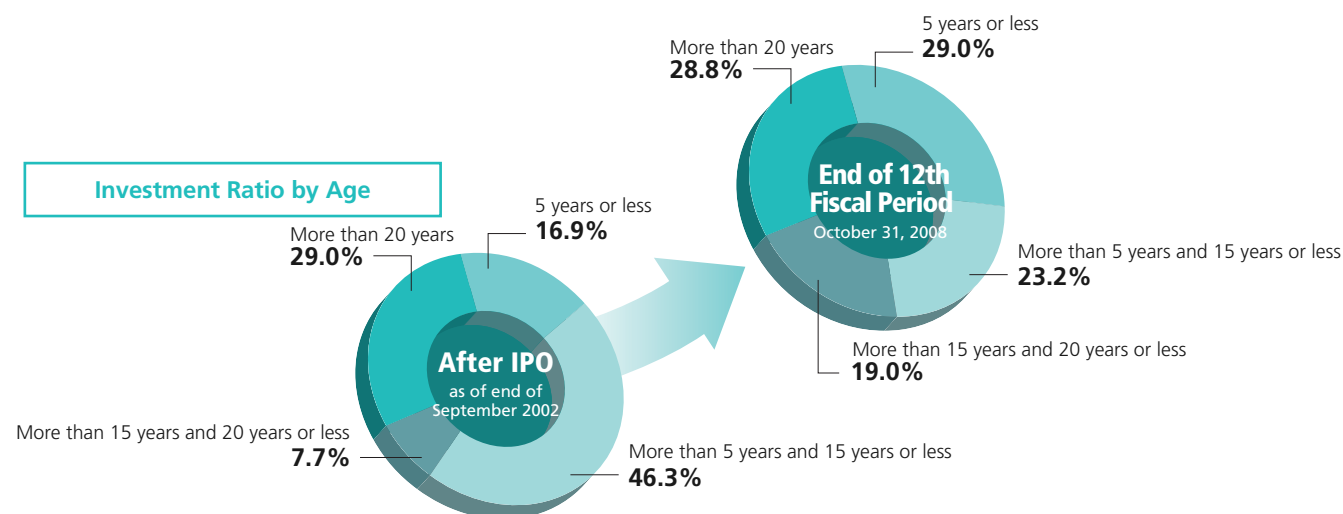
Investment Ratio by Area



Investment Ratio by Asset Usage



Investment Ratio by Age



PIC utilized its robust sponsor network as well as the asset manager’s network to acquire blue-chip office buildings and residential properties in the Tokyo Economic Bloc.

Many of PIC’s office buildings in its portfolio are mid-sized buildings boasting excellent access to mass transit. PIC acquires four types of residential properties: Wide, Family, DINKs and Singles (refer to the table on page 22 for the definition of each type).

A1 Landic Shimbashi Building 1



A2 Landic Shimbashi 2 Building



B3 Ueno TH Building



B4 Gotanda NT Building



C1 Nisso No.3 Building



C2 The Kanagawa Science Park R&D Building



A3 Fuji Building No.37



A4 KN Shibuya No.3



A5 Takadanobaba Center Building



A6 Rokubancho Building



D1 Park Axis Yotsuya Stage



D2 Park Axis Meiji-Jingumae



D3 Sun Palace Minami-Azabu



D4 Cabin Arena Akasaka



A7 Ougaku Building



A8 YS Kaigan Building



B1 IPB Ochanomizu Building



B2 Premier Toyoko Building



D5 Cabin Arena Minami-Aoyama



D6 Bureau Kioicho

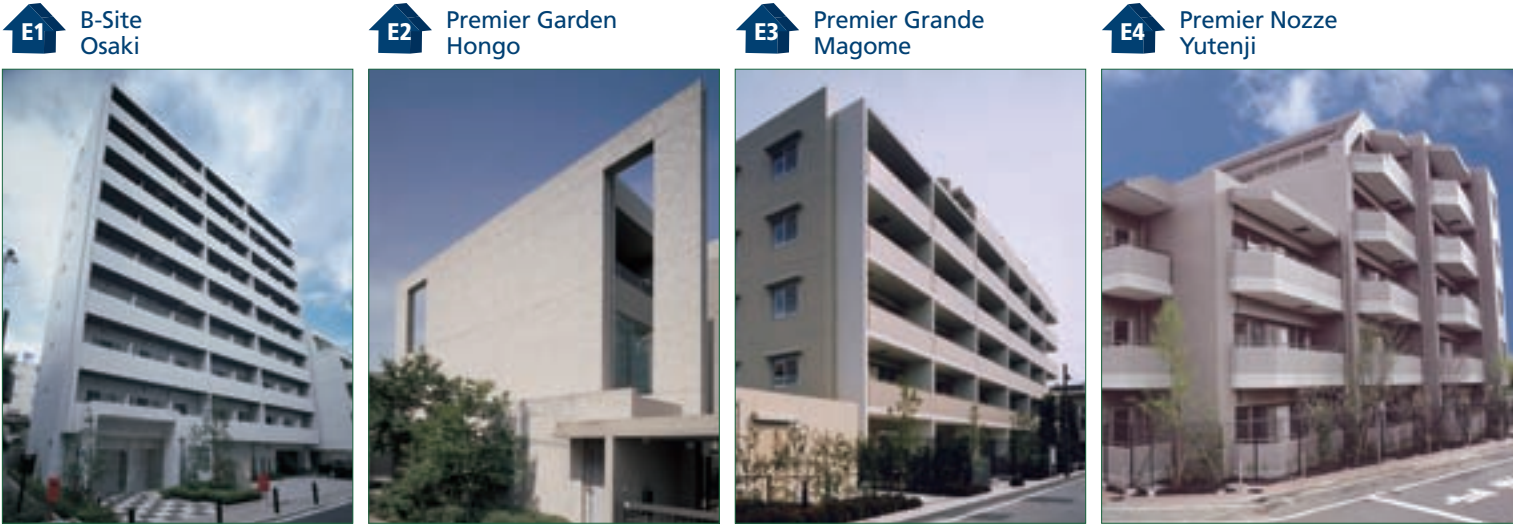


D7 Homat Woodville

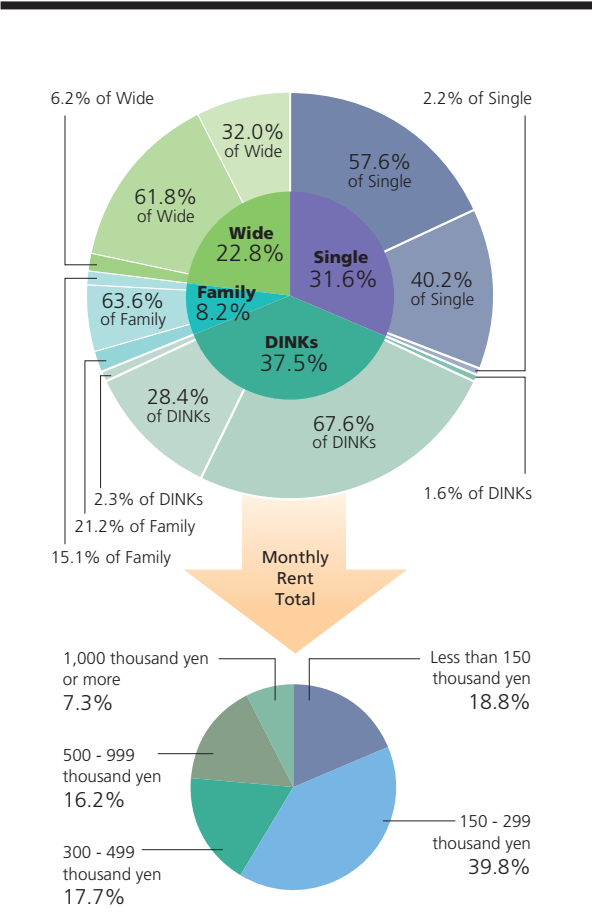


D8 Roppongi Green Terrace





Rent Distribution Based on Residential Unit Type



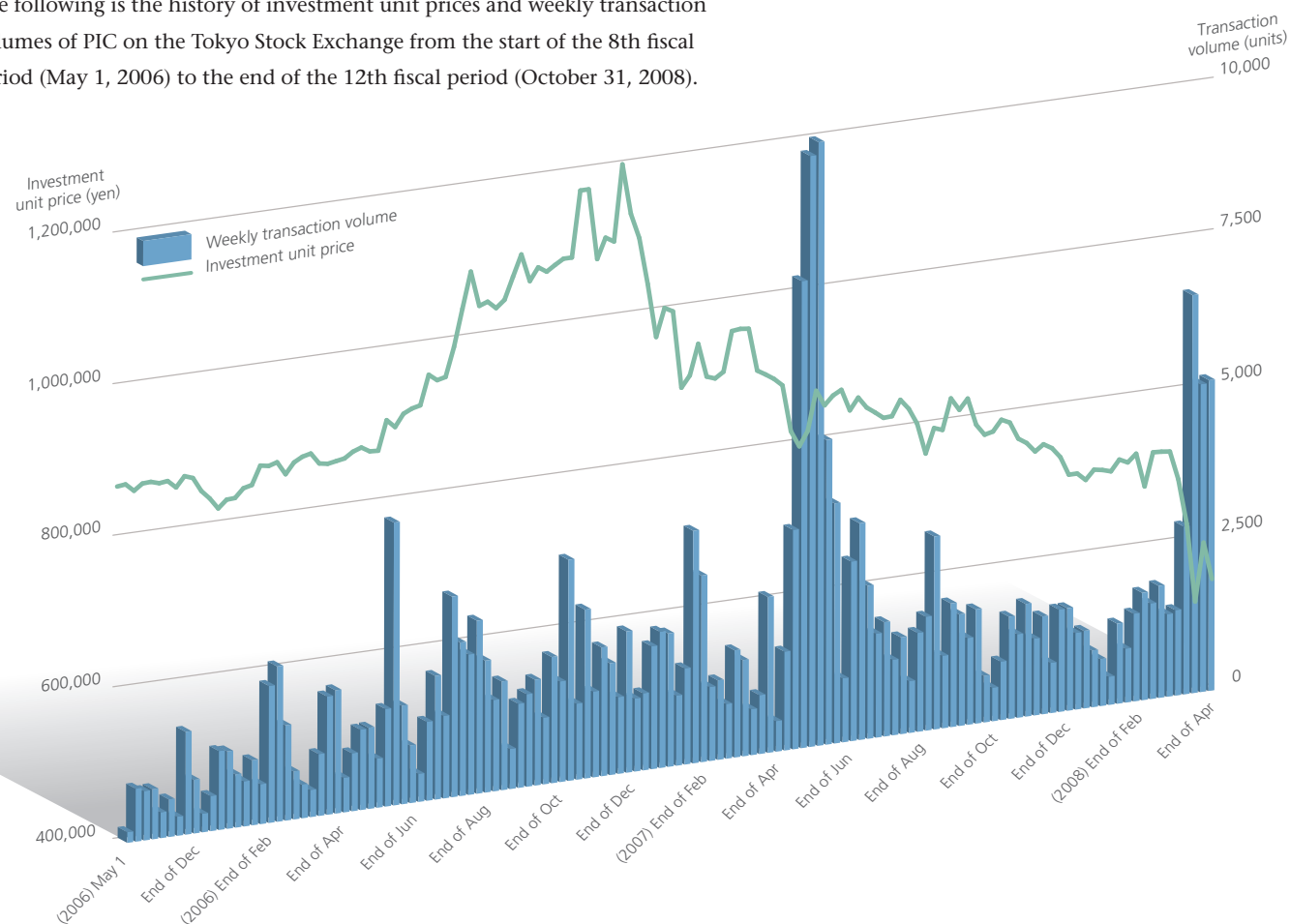
INVESTMENT UNIT STATUS

Investment Unit Status

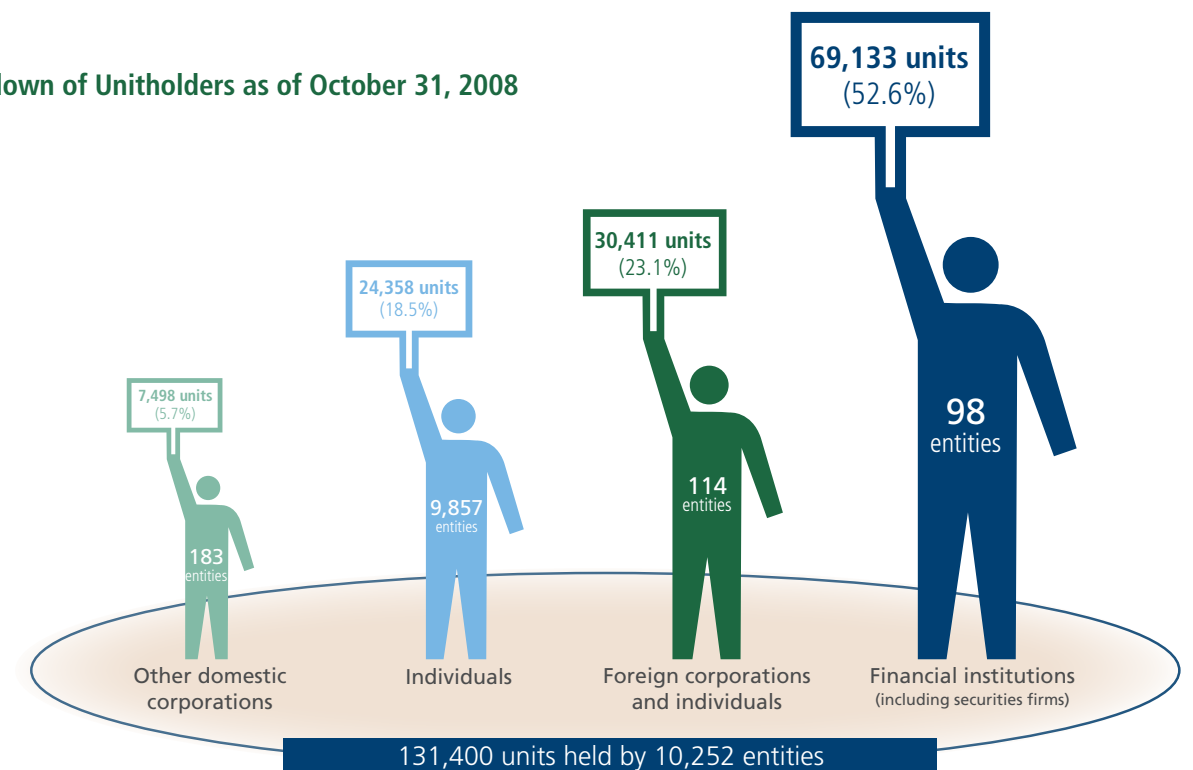
Item \ Period	8th Fiscal Period (as of October 31, 2006)	9th Fiscal Period (as of April 30, 2007)	10th Fiscal Period (as of October 31, 2007)	11th Fiscal Period (as of April 30, 2008)	12th Fiscal Period (as of October 31, 2008)
Total number of authorized units	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding	101,400	101,400	101,400	131,400	131,400
Unitholders' capital	51,434 mm yen	51,434 mm yen	51,434 mm yen	68,945 mm yen	68,945 mm yen
Total number of unitholders	9,944	8,031	7,555	10,305	10,252

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 8th fiscal period (May 1, 2006) to the end of the 12th fiscal period (October 31, 2008).



Breakdown of Unitholders as of October 31, 2008



Top 10 Unitholders as of October 31, 2008

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	NikkoCiti Trust and Banking Corporation	11,392	8.66
2	Japan Trustee Services Bank, Ltd.	9,156	6.96
3	Trust & Custody Service Bank, Ltd.	7,246	5.51
4	THE FUJI FIRE AND MARINE INSURANCE COMPANY LIMITED	5,517	4.19
5	The Master Trust Bank of Japan, Ltd.	5,365	4.08
6	MORGAN STANLEY & CO., INC.	4,735	3.60
7	North Pacific Bank, Ltd.	4,525	3.44
8	SIS SEGAIINTERSETTLE AG	3,375	2.56
9	The Nomura Trust and Banking Co., Ltd.	2,946	2.24
10	Sumitomo Mitsui Banking Corporation	2,520	1.91
Total		56,777	43.2%

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

ASSET MANAGER

Overview

PRA, the asset manager of PIC, instituted a strategic realignment of its shareholders and sponsors in March 2008 to realize a more dynamic support team for unitholders of PIC. Its core sponsorship now consists of a robust three-member team – Ken Corporation Group, the Chuo Mitsui Trust Group and the Sohgo Real Estate Group.

Ken Corporation Ltd. has been established as the outright leading shareholder with 35.0% ownership and continues to provide support in the management of PIC's assets and seconding of staff; the Chuo Mitsui Trust Group continues with 14.9% ownership and flexible financial support and guidance for PIC; and the Sohgo Real Estate Group, which has an ownership of

35.0%, is a leading developer expected to be a strong source of property acquisitions and sourcing.

This new core team further enhances PRA's asset management capabilities, reinforcing the asset manager's team of skilled

property sourcing, real estate management, compliance and financial experts. This transformation further secures a strong footing and direction for PIC within the constantly evolving credit, debt and real estate supply environments.

Trade Name	Premier REIT Advisors Co., Ltd.
Line of Business	Asset management for the investment corporation
President & CEO	Fumihiro Yasutake
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo (Moved on September 16, 2008)
Paid-in Capital	300 million yen (as of March 31, 2008)
Major Shareholders	Ken Corporation Ltd. (35.0%) The Chuo Mitsui Trust Group (14.9%) The Sohgo Real Estate Group (35.0%) Others (15.1%)

The Chuo Mitsui Trust Group

As a pioneer in REIT management, the Group provides strong support in fund procurement and provision of property information.

The Sohgo Real Estate Group

As a total solution provider in real estate, the Group provides strong support in supplying high-quality properties through development and management of residential properties and office buildings.

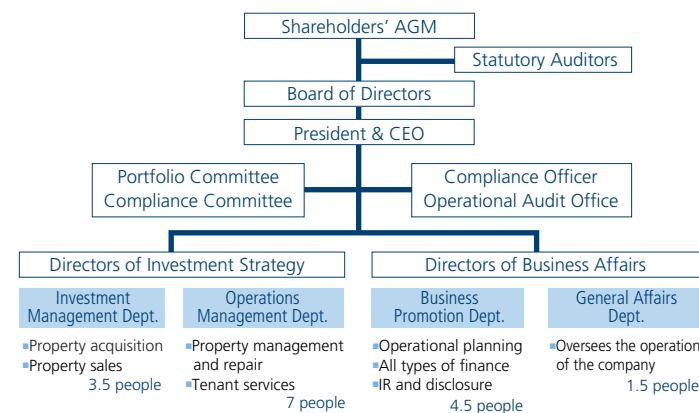
Ken Corporation Group

As an integrated real estate think tank focused on high-grade rental residences, the Group provides strong support in leasing and property management as well as providing property information.



Premier REIT Advisors Co., Ltd.

Organizational Chart



OVERVIEW OF ASSET MANAGEMENT

	Unit	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)	11th Fiscal Period (November 1, 2007 – April 30, 2008)	12th Fiscal Period (May 1, 2008 – October 31, 2008)
Business Results						
Operating Revenues	Thousands of yen	3,827,928	4,050,380	4,427,815	6,764,587	5,508,964
(Real estate rental revenues)	Thousands of yen	(3,827,928)	(4,050,380)	(4,427,815)	(4,918,656)	(5,508,964)
Operating Expenses	Thousands of yen	2,005,222	2,070,236	2,198,239	2,579,153	2,763,803
(Real estate rental expenses)	Thousands of yen	(1,695,761)	(1,749,871)	(1,851,646)	(2,110,087)	(2,337,063)
Operating Income	Thousands of yen	1,822,706	1,980,144	2,229,575	4,185,434	2,745,161
Ordinary Income	Thousands of yen	1,531,132	1,655,707	1,807,433	3,743,755	2,209,054
Net Income	(a) Thousands of yen	1,529,704	1,654,668	1,805,946	3,742,755	2,207,687
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	104,878,555	107,017,911	117,374,309	138,160,716	149,485,112
(Period-on-period variation)	%	(+5.1)	(+2.0)	(+9.7)	(+17.7)	(+8.2)
Interest-bearing Liabilities	Thousands of yen	46,900,000	48,700,000	58,400,000	58,900,000	71,500,000
Net Assets	(c) Thousands of yen	52,964,589	53,089,538	53,240,839	72,688,121	71,153,011
(Period-on-period variation)	%	(+0.1)	(+0.2)	(+0.3)	(+36.5)	(-2.1)
Unitholders' Capital	Thousands of yen	51,434,852	51,434,852	51,434,852	68,945,312	68,945,312
Distribution						
Total Distributions	(d) Thousands of yen	1,529,720	1,654,645	1,805,934	3,742,797	2,207,651
Distribution Payout Ratio (Note 1)	(d)/(a) %	100.0	99.9	99.9	100.0	99.9
Per Unit Information						
Number of Units Outstanding	(e) Units	101,400	101,400	101,400	131,400	131,400
Net Assets per Unit	(c)/(e) Yen	522,333	523,565	525,057	553,182	541,499
Distribution per Unit	(d)/(e) Yen	15,086	16,318	17,810	28,484	16,801
(Earnings Distribution per Unit)	Yen	(15,086)	(16,318)	(17,810)	(28,484)	(16,801)
(Distribution in Excess of Earnings per Unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	1.5 (3.0)	1.6 (3.2)	1.6 (3.2)	2.9 (5.9)	1.5 (3.0)
Return on Total Unitholders' Equity (Note 3)	%	2.9 (5.7)	3.1 (6.3)	3.4 (6.7)	5.9 (11.9)	3.1 (6.1)
Net Assets Ratio	(c)/(b) %	50.5	49.6	45.4	52.6	47.6
(Period-on-period variation)		(-2.5)	(-0.9)	(-4.2)	(+7.2)	(-5.0)
Rental NOI (Net Operating Income) (Note 4)	Thousands of yen	2,820,177	2,958,049	3,294,650	3,633,286	4,086,140

(Note 1) Distribution payout ratios have been rounded down to the tenth place

(Note 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

(Note 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 8th fiscal period, 181 days for the 9th fiscal period, 184 days for the 10th fiscal period, 182 days for the 11th fiscal period and 184 days for the 12th fiscal period. This is true concerning both Note 2 and Note 3.

(Note 4) Rental NOI: (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)

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 the said real estate. PIC shall also make investments to ensure solid growth and stable earnings over the medium to long term. PRA 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, leasehold interest, surface rights (chijo-ken), and trust beneficial interest of real estate in trust (hereinafter, the "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 the Investment Properties, fluctuations in asset values and their forecasted 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 position of these Investment Properties.

B) Use

- a. PIC shall invest in the Investment Properties primarily for office and residential uses. However, such real estate may in some cases be used partially for retail or other 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

- the 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 agency and property 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.
- 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 the 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 on page 23 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

Use

Use	Key Investment Points
Office buildings	<p>a. 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 target.</p> <p>b. Tenant 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.</p> <p>c. PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.</p>
Residential properties	<p>a. 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.</p> <p>b. Rental residential properties are relatively resistant to the adverse effects of changes in social or economic conditions compared to real estate for other uses, 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.</p> <p>c. 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, PIC may make different investment decisions.</p> <p>d. Since tenants of rental residential properties are particularly selective about location, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends for different types of properties.</p>
(Classification by type of residential properties)	
Wide	<p>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</p> <p>b. 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.</p> <p>c. 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.</p> <p>d. 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.</p>
Family	<p>a. Targeted investment area: The Other 18 Wards of Tokyo and Surrounding City Area.</p> <p>b. This refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children), and are designed to meet their lifestyles.</p> <p>c. 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.</p>
DINKs	<p>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</p> <p>b. This refers to residential properties intended for young households (without children) where both partners work, and are designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.")</p> <p>c. 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.</p>
Singles	<p>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</p> <p>b. This refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</p> <p>c. 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.</p> <p>d. Since the 5 Central Wards of Tokyo, especially Minato, Shibuya and Shinjuku Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</p>

(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 or other considerations.

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 [▶see table on page 24](#)
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.

Areas

<div>Use \ Area</div>	Area	5 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 the Investment Properties.

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.

F) Standards for Tenant Selection

[▶see table below](#)

- a. Credit and other information is checked regarding prospective tenants in line with the attribute classifications below. 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 fullest 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.

3. Sales Standards

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

Asset Size per Property

	Dedicated Use Area per Rental Unit	Number of Rental Units
Wide	80m² or more	10 or more
Family	60m² or more	20 or more
DINKs	40-80m²	20 or more
Singles	25-40m²	30 or more

Due Diligence

	Item	Details
Economic Inspection	Tenant inspection	1. Financial credibility, status of rent collection, etc. of tenants 2. Tenants' business types, number of tenants, purposes of use, etc. (including household conditions for residential properties) 3. Past occupancy rates, rent trends and future expectations 4. Proportion occupied by each tenant, diversification of tenants, etc.
	Market research	1. Market rents, occupancy rates, trends in competitive properties and tenant demand, etc.
	Income-related	1. Inspection of competitive strength, including ability to attract tenants and resale potential 2. Lease agreement levels, lease agreement structures, and possibility of renewal of such agreements 3. Expense levels, arrangements for agreements related to expenses, and possibility of renewal of such agreements 4. Inspection of appropriate levels of rents and expenses, and possibility of projected future expense burdens 5. Comparison of renovation plans with actual funds accumulated
Physical Inspection	Location	1. Condition of roadways, access to primary means of transport (e.g., passenger trains), numbers of users of primary means of transport 2. Location of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties) 3. Sunlight, vistas, views, noise, etc. (all of which are specific to residential properties) 4. Area's name value, reputation, scale, etc.
	Construction, facilities and specifications	1. For both office buildings and residential properties: Design, primary structure, age of construction, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rented floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor excess weight, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
	Earthquake resistance	1. Achievement of abilities in line with new earthquake-resistant construction standards or equivalent or higher standards 2. In principle, the probable maximum loss (PML) caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more.
	Property management	Compliance with applicable laws and regulations (specifically, the Fire Service Law, City Planning Law and other laws and regulations in relation to structure), etc. 1. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 2. Quality of property management, existence or non-existence of and terms of owner's agreement, and the quality and financial credibility of a property management company
	Environment, land quality, etc.	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs 2. Soil quality, land use history, status of soil contamination, etc.
Legal Inspection	Title, etc.	
	Property line inspection	1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
	Tenant attributes	1. Purpose of use by tenants, and terms of agreements with tenants 2. Existence or non-existence of any disputes with tenants

B) However, the sale of a property may be considered in the medium to long term, after a portfolio structure is strategically classified, fully taking into consideration real estate market conditions, projected future earnings, current fluctuations and forecasted 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.

a. Strategic classifications

Core assets
[Strategic significance] Assets with respect to which the basic policy is to carry over in the long term for the purpose of ensuring medium- to long-term stability of earnings.
Active assets
[Strategic significance] The 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, are also 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 the 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 realized.

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 basis. 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 every 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 deposit money, 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., the 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. (See table below)

■ 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 the acquired Investment Properties or enhance the value of the acquired Investment Properties.

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' networks 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

■ 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. The 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 the Law Concerning Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, guidelines of the Tokyo Stock Exchange and Investment Trusts Association of Japan, etc.

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 the Law Concerning Investment Trusts and Investment Corporations. 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 the 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, 2008 AND APRIL 30, 2008

	Thousands of yen	
	October 31, 2008	April 30, 2008
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3)	¥ 2,025,377	¥ 2,777,374
Cash and deposits held in trust (Note-3)	8,665,388	8,280,998
Tenant receivables	62,417	55,329
Prepaid expenses	91,667	74,767
Advance payments	-	5,856
Consumption taxes refund receivables	52,700	114,874
Deferred tax assets (Note-10)	1,177	1,940
Other current assets	872	182
TOTAL CURRENT ASSETS	10,899,602	11,311,323
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	59,415,881	54,390,446
Structures held in trust (Note-4)	1,167,605	1,028,032
Tools, furniture and fixtures held in trust (Note-4)	145,214	127,220
Less accumulated depreciation	(7,311,418)	(6,397,202)
Land held in trust (Note-4)	82,903,948	75,495,666
Property and equipment, net	136,321,376	124,644,309
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	1,590	1,613
Intangible fixed assets	469	921
Total intangible fixed assets	1,779,662	1,780,137
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	128,524	64,140
Other deposits held in trust	326,509	326,509
New investment unit issuance costs	19,437	24,296
Total investment and other assets	484,471	424,946
TOTAL LONG-TERM ASSETS	138,585,510	126,849,393
TOTAL ASSETS	¥ 149,485,112	¥ 138,160,716

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

	Thousands of yen	
	October 31, 2008	April 30, 2008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 558,446	¥ 457,670
Short-term loan payable (Note-7)	10,600,000	1,000,000
Long-term loan payable due within one year (Note-7)	1,000,000	7,000,000
Accrued expenses	179,673	124,234
Distributions payable	19,722	13,286
Income taxes payable	82	203
Business office taxes payable	2,995	4,728
Rents received in advance	852,231	863,074
Deposits received	55,173	40,262
Total current liabilities	13,268,326	9,503,461
LONG-TERM LIABILITIES		
Corporate bonds (Note-6)	25,000,000	25,000,000
Long-term loan payable (Note-7)	34,900,000	25,900,000
Tenant security deposits held in trust	5,163,774	5,069,134
Total long-term liabilities	65,063,774	55,969,134
TOTAL LIABILITIES	78,332,101	65,472,595
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	68,945,312	68,945,312
Units authorized - 2,000,000 units		
Units issued and outstanding - 131,400 units as of October 31, 2008 and as of April 30, 2008		
Retained earnings		
Unappropriated income	2,207,699	3,742,809
Total unitholders' equity	71,153,011	72,688,121
TOTAL NET ASSETS	71,153,011	72,688,121
TOTAL LIABILITIES AND NET ASSETS	¥ 149,485,112	¥ 138,160,716

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

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ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2008 AND APRIL 30, 2008

	Thousands of yen	
	October 31, 2008	April 30, 2008
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 4,920,670	¥ 4,404,637
Other revenue (Note-8)	588,293	514,018
Gains from sale of properties (Note-9)	-	1,845,930
Operating expenses		
Property-operating expenses (Note-8)	2,337,063	2,110,087
Asset management fees	226,617	258,190
Directors' compensation	9,000	9,000
Custodian fees	13,814	12,000
Administration fees	71,002	75,317
Audit fees	7,750	7,000
Other expenses	98,554	107,557
Operating income	2,745,161	4,185,434
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	10,444	8,766
Refund of unpaid distributions	987	1,224
Other non-operating income	266	1,088
Non-operating expenses		
Interest expense	399,907	265,627
Interest expenses on corporate bonds	141,673	140,553
Amortization of bond issue costs	-	23,637
Public listing related costs	-	16,325
Amortization of new investment unit issuance cost	4,859	4,859
Other non-operating expenses	1,365	1,754
Ordinary income	2,209,054	3,743,755
Income before income taxes	2,209,054	3,743,755
Income taxes (Note-10)		
Current	605	1,956
Deferred	762	(957)
Net income	2,207,687	3,742,755
Income carried forward	11	53
UNAPPROPRIATED INCOME	¥ 2,207,699	¥ 3,742,809

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2008 AND APRIL 30, 2008

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
BALANCE AT OCTOBER 31, 2007	¥ 51,434,852	¥ 1,805,987	¥ 53,240,839	¥ 53,240,839
Changes during the period				
Issuance of new investment units	17,510,460	-	17,510,460	17,510,460
Cash distributions paid	-	(1,805,934)	(1,805,934)	(1,805,934)
Net income	-	3,742,755	3,742,755	3,742,755
Total changes during the period	17,510,460	1,936,821	19,447,281	19,447,281
BALANCE AT APRIL 30, 2008	¥ 68,945,312	¥ 3,742,809	¥ 72,688,121	¥ 72,688,121
Changes during the period				
Cash distributions paid	-	(3,742,797)	(3,742,797)	(3,742,797)
Net income	-	2,207,687	2,207,687	2,207,687
Total changes during the period	-	(1,535,110)	(1,535,110)	(1,535,110)
BALANCE AT OCTOBER 31, 2008	¥ 68,945,312	¥ 2,207,699	¥ 71,153,011	¥ 71,153,011

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2008 AND APRIL 30, 2008

	Thousands of yen	
	October 31, 2008	April 30, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,209,054	¥ 3,743,755
Depreciation	914,691	825,269
Amortization of bond issue costs	-	23,637
Amortization of new investment unit issuance cost	4,859	4,859
Interest income	(10,444)	(8,766)
Refund of unpaid distributions	(987)	(1,224)
Interest expenses	541,580	406,181
(Increase) Decrease in tenant receivables	(6,237)	261
Decrease in consumption taxes refund receivables	62,173	1,353
Increase in accounts payable	93,263	134,021
(Decrease) Increase in rent received in advance	(10,842)	161,972
Decrease in carrying amounts of property and equipment due to sale	-	1,366,829
Other	29,898	14,144
SUBTOTAL	3,827,009	6,672,295
Interest received	10,444	8,766
Interest paid	(584,837)	(396,762)
Income taxes paid	(2,292)	(842)
Net cash provided by operating activities	3,250,324	6,283,456
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(12,577,198)	(17,711,142)
Payments for purchases of intangible fixed assets held in trust	-	(1,777,602)
Payments of other deposit held in trust	-	(326,509)
Proceeds from tenant security deposits held in trust	396,703	713,459
Payments of tenant security deposits held in trust	(302,063)	(236,311)
Net cash used in investing activities	(12,482,557)	(19,338,106)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	9,600,000	1,000,000
Proceeds from long-term loan payable	9,000,000	7,900,000
Repayments of long-term loan payable	(6,000,000)	(8,400,000)
Proceeds from issuance of new investment units	-	17,510,460
Payments of new investment unit issuance costs	-	(29,155)
Payments of distributions	(3,735,373)	(1,804,454)
Net cash provided by financing activities	8,864,626	16,176,849
NET CHANGE IN CASH AND CASH EQUIVALENTS	(367,607)	3,122,199
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,058,372	7,936,173
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(Note-3) ¥ 10,690,765	¥ 11,058,372

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2008 AND APRIL 30, 2008

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, December 10, 2003, May 31, 2005 and November 26, 2007, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, 22,000 units through public offering and 30,000 units through public offering, respectively. As of October 31, 2008, PIC had total unitholders' capital of 68,945,312 thousand yen with 131,400 units outstanding.

As of October 31, 2008, PIC owned a portfolio of 14 office buildings and 31 residential properties (45 properties in total). Total acquisition costs of those properties were 139,374,826 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	3-66 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.

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.

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

Bond issuance costs - Bond issuance costs are amortized using the straight-line method over three years.

New investment unit issuance costs - New investment unit issuance costs are amortized using the straight-line method over three years.

The public offering of new investment units on November 26, 2007 was conducted through an underwriting agreement under which underwriters underwrote all of the new investment units at an agreed issue price and sold them at an offering price, which is different from the issue price, to investors (the “ Spread Method”).

Under the Spread Method, PIC does not pay any underwriting commissions to the underwriters because the difference between the offering price and the issue price is deemed to be substantially equivalent to the underwriting commission received by the underwriters. In the case of the public offering of new investment units completed on November 26, 2007, the total amount of the difference between the offering price and the issue price was 629,340 thousand yen. If the underwriters had underwritten the new investment units at the issue price and offered the units to investors at an offering price equal to the issue price (known as the “ Conventional Method”), a commission would have been incurred, which would have been expensed as new investment unit issuance costs. Therefore, under the Spread Method, the new investment unit issuance costs and the amortization of new investment unit issuance costs were reported 524,450 thousand yen and 104,890 thousand yen less, respectively, while ordinary income and income before income taxes were reported 104,890 thousand yen more than if the Conventional Method would have been applied.

(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 24,429 thousand yen and 23,125 thousand yen for the six months ended October 31, 2008 and April 30, 2008, respectively.

(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 temporarily recoverable.

(h) Accounting for consumption taxes – The national and local consumption taxes are excluded from business transaction amounts. Consumption taxes receivable and consumption taxes payable 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, 2008 and April 30, 2008 consisted of the following:

	Thousands of yen	
	October 31, 2008	April 30, 2008
Cash and deposits	¥ 2,025,377	¥ 2,777,374
Cash and deposits held in trust	8,665,388	8,280,998
Cash and cash equivalents	10,690,765	11,058,372

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2008 and April 30, 2008 consisted of the following:

	Thousands of yen					
	October 31, 2008			April 30, 2008		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 59,415,881	¥ 6,988,477	¥ 52,427,404	¥ 54,390,446	¥ 6,120,614	¥ 48,269,831
Structures	1,167,605	267,669	899,935	1,028,032	231,835	796,197
Tools, furniture and fixtures	145,214	55,126	90,087	127,220	44,607	82,613
Land	82,903,948	-	82,903,948	75,495,666	-	75,495,666
SUBTOTAL	143,632,649	7,311,273	136,321,376	131,041,366	6,397,057	124,644,309
Intangible fixed assets held in trust						
Leasehold held in trust	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets held in trust	1,717	126	1,590	1,717	103	1,613
SUBTOTAL	1,779,319	126	1,779,192	1,779,319	103	1,779,216
TOTAL	¥ 145,411,969	¥ 7,311,400	¥ 138,100,569	¥ 132,820,685	¥ 6,397,160	¥126,423,525

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, 2008 and April 30, 2008 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2008 (Amount)	April 30, 2008 (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 2010 were as follows:

(thousands of yen)		
2010	¥	15,000,000
2011		-
2012		10,000,000
2013		-

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

Short-term and long-term loans as of October 31, 2008 and April 30, 2008 consisted of the following:

	October 31, 2008		April 30, 2008	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on March 27, 2009 with floating rate	¥ 1,000,000	1.30	¥ 1,000,000	1.31
Unsecured loan due on May 22, 2009 with floating rate	8,050,000	1.46	-	-
Unsecured loan due on June 30, 2009 with floating rate	1,550,000	1.42	-	-
SUBTOTAL	10,600,000	-	1,000,000	-
LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on September 9, 2008 with fixed rate	-	-	6,000,000	0.92
Unsecured loan due on November 18, 2008 with fixed rate * ¹	500,000	1.78	500,000	1.78
Unsecured loan due on November 18, 2008 with floating rate * ²	500,000	1.80	500,000	1.80
SUB TOTAL	1,000,000	-	7,000,000	-
LONG-TERM LOANS				
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	10,500,000	1.89
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	1,000,000	2.24
Unsecured loan due on March 27, 2013 with fixed rate	7,900,000	1.61	7,900,000	1.61
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08	-	-
Unsecured loan due on March 9, 2012 with fixed rate	5,400,000	1.91	-	-
Unsecured loan due on March 9, 2010 with fixed rate	600,000	1.62	-	-
SUBTOTAL	34,900,000	-	25,900,000	-
TOTAL	¥ 46,500,000	-	¥ 33,900,000	-

*1 PIC repaid 3,200 million yen and 1,000 million yen on November 30, 2007 and February 29, 2008, respectively, before their maturity (4,200 million yen in total).
*2 PIC repaid 3,200 million yen and 1,000 million yen on November 30, 2007 and February 29, 2008, respectively, before their maturity (4,200 million yen in total).

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 in 2010 are as follows:

(thousands of yen)	
2010	¥ 600,000
2011	10,500,000
2012	9,050,000
2013	14,750,000

PIC executed a commitment-line agreement which provided credit facilities totaling 2,000,000 thousand yen and 1,000,000 thousand yen with Aozora Bank Ltd. as of October 31, 2008 and April 30, 2008, respectively. No amount has been drawn down as of October 31, 2008 and April 30, 2008, respectively.

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2008 and April 30, 2008 were as follows:

	Thousands of yen	
	October 31, 2008	April 30, 2008
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,348,732	¥ 3,865,462
Common area charge	571,938	539,175
Subtotal	4,920,670	4,404,637
Other revenue		
Parking fees	135,169	122,360
Facility fees	31,603	29,629
Incidental revenue	292,395	235,071
Miscellaneous income	129,126	126,956
Subtotal	588,293	514,018
TOTAL REAL ESTATE RENTAL REVENUE	5,508,964	4,918,656
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	575,414	528,260
Utilities	290,604	230,694
Real estate taxes	249,400	218,986
Insurance	15,274	14,151
Maintenance and repairs	141,581	177,945
Trust fees	54,294	50,037
Depreciation	914,239	824,716
Miscellaneous expenses	96,254	65,294
TOTAL REAL ESTATE RENTAL EXPENSES	2,337,063	2,110,087
REAL ESTATE RENTAL INCOME	¥ 3,171,900	¥ 2,808,569

Note-9. Gains from Sale of Properties

Gains from sale of properties for the six months ended October 31, 2008 and April 30, 2008 were as follows:

(NARA BUILDING II)	Thousands of yen	
	October 31, 2008	April 30, 2008
Revenue from sale of properties	¥ -	¥ 3,315,000
Cost of properties	-	1,366,829
Other expenses for sale	-	102,239
GAINS FROM SALE OF PROPERTIES	¥ -	¥ 1,845,930

Note-10. 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, 2008 and April 30, 2008.

	October 31, 2008	April 30, 2008
Statutory tax rate	39.32%	39.39%
Adjustments		
Deductible cash distributions	(39.29)	(39.38)
Other	0.03	0.02
EFFECTIVE TAX RATE	0.06	0.03

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, 2008 and April 30, 2008 were as follows:

	Thousands of yen	
	October 31, 2008	April 30, 2008
Deferred tax assets		
Enterprise taxes	¥ 1,177	¥ 1,940
Total of deferred tax assets	1,177	1,940
Deferred tax liabilities	-	-
NET DEFERRED TAX ASSETS	¥ 1,177	¥ 1,940

Adjustments to deferred tax assets and liabilities due to changes in income tax rate: The statutory tax rate used to calculate deferred tax assets and liabilities has been changed from 39.39% to 39.32% in accordance with the Tentative Measure Law concerning Special Taxes for Local Corporations (Law No.25, 2008) promulgated on April 30, 2008. This change in the statutory tax rate has no significant impact.

Note-11. Per unit information

The following table summarizes the net assets per unit as of October 31, 2008 and April 30, 2008 and the net income per unit for the six months ended October 31, 2008 and April 30, 2008:

	October 31, 2008	April 30, 2008
Net assets per unit	¥ 541,499	¥ 553,182
Net income per unit	16,801	29,405

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, 2008	April 30, 2008
Net income	¥ 2,207,687	¥ 3,742,755
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,207,687	3,742,755
Average number of units during the period *1	131,400 units	127,279 units

*1 The total units outstanding reached 131,400 units as of April 30, 2008 through the public offering of 30,000 units completed on November 26, 2007.

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2008 and April 30, 2008.

Note-12. Leases

PIC leases its properties to tenants under non-cancellable operating leases. As of October 31, 2008 and April 30, 2008, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2008	April 30, 2008
Due within one year	¥ 416,919	¥ 483,276
Due after one year	1,085,895	1,235,362
TOTAL	¥ 1,502,815	¥ 1,718,638

Changes in significant accounting policies: From the fiscal year ended October 31, 2008, the Company adopted the Accounting Standards for Lease Transactions (Statement No.13 issued on June 17, 1993, and amended on March 30, 2007) and Guidance on Accounting Standard for Lease Transactions (Guidance No.16 issued on January 18, 1994 and amended on March 30, 2007). These changes do not have any impact on the income statement.

Note-13. 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 15, 2009 and July 8, 2008 to make cash distributions of 2,207,651,400 yen and 3,742,797,600 yen for 131,400 units to unitholders of record on October 31, 2008 and April 30, 2008, respectively.

Income carried forward after the distributions for the six months ended October 31, 2008 and April 30, 2008 were as follows:

	October 31, 2008	April 30, 2008
Unappropriated income	¥ 2,207,699,347	¥ 3,742,809,418
Cash distributions declared	2,207,651,400	3,742,797,600
(Cash distribution declared per unit)	(16,801)	(28,484)
INCOME CARRIED FORWARD	47,947	11,818



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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, 2008 and April 30, 2008 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 audit.

We conducted our audit 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 audit provides 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, 2008 and April 30, 2008, and the results of their operations and their cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

February 17, 2009

CAPITAL EXPENDITURES

1. 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 12th Fiscal Period	Amount Paid before the 12th Fiscal Period
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	February 2009 – December 2009	185,799	–	–
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2007 – October 2010	129,041	9,531	18,464
The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Renovation of automatic fire alarm system and other equipment	July 2008 – September 2009	60,730	–	–
Ougaku Building	Chiyoda Ward, Tokyo	Renovation of air conditioning systems and other equipment	June 2008 – April 2009	60,050	27,217	–

2. Capital Expenditures during the 12th Fiscal Period

The following is an overview of the major construction classified as a capital expenditure during the 12th fiscal period for the portfolio owned by PIC. The capital expenditures during the period totaled 146,395 thousand yen. This, combined with maintenance and repair expenditures of 141,581 thousand yen that were classified as operating expenses for the period, means a total of 287,977 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Ougaku Building	Chiyoda Ward, Tokyo	Renovation of air conditioning systems and other equipment	June 2008 – July 2008	27,217
Gotanda NT Building	Shinagawa Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2008 – October 2008	17,421
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	August 2008 – August 2008	15,558
Other construction	–	–	–	86,197
Total				146,395

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

Item	Fiscal Period	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)	11th Fiscal Period (November 1, 2007 – April 30, 2008)	12th Fiscal Period (May 1, 2008 – October 31, 2008)
Deposits at end of the preceding period		202,958	204,158	204,608	227,868	231,563
Deposits made during the period		1,200	450	23,260	17,400	42,882
Amounts used from deposits during the period		–	–	–	13,705	–
Deposits carried forward to the next period		204,158	204,608	227,868	231,563	274,445

OVERVIEW OF FUND PROCUREMENT

During the 12th fiscal period, PIC made no public offering of additional investment units. On the other hand, PIC newly borrowed 12,600 million yen for property acquisitions and related expenses and refinanced 6,000 million yen to meet the maturity date of a long-term loan.

As a result, PIC’s interest-bearing liabilities totaled 71,500 million. The breakdown is as follows: 10,600 million yen in short-term loans, 35,900 million yen in long-term loans (including long-term loans due within one year), and 25,000 million yen in corporate bonds. All of these borrowings are on a no-collateral and no-guarantee basis, and will be repaid in a lump-sum upon maturity. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 85.2%.

New Borrowings in the 12th Fiscal Period

1) On May 22, 2008, PIC borrowed a total of 11,050 million yen in short-term and long-term loans to fund the acquisitions of Storia Akasaka and Renai Shinjuku-Gyoen Tower, plus a portion of the related expenses as detailed below.

2) On June 30, 2008, PIC borrowed 1,550 million yen from Sumitomo Mitsui Banking Corporation as a short-term loan (maturity date: June 30, 2009) to partially fund the acquisition of Premier Stage Ryogoku and related expenses as detailed below.

Refinancing in the 12th Fiscal Period

PIC refinanced a total of 6,000 million yen in long-term loans, as the long-term loans of 6,000 million yen PIC borrowed on September 9, 2005 matured on September 9, 2008 as detailed below.

Commitment Line

PIC raised the commitment amount of its commitment line contracted with Aozora Bank, Ltd. by 1,000 million yen to 2,000 million yen (commitment period: July 1, 2008 – June 30, 2009) in order to expand its fund procurement limits for new property acquisitions, refinancing and other purposes.

New Borrowings

	Short-term Loan	Long-term Loan	Short-term Loan
Loan Amount	8,050 million yen	3,000 million yen	1,550 million yen
Maturity Date	May 22, 2009	May 22, 2013	June 30, 2009
Lender	2,200 million yen from The Chuo Mitsui Trust and Banking Co., Ltd., 2,000 million yen respectively from The Sumitomo Trust and Banking Co., Ltd. and Resona Bank, Limited, and 1,850 million yen from The Bank of Tokyo-Mitsubishi UFJ, Ltd.		
	3,000 million yen from Development Bank of Japan Inc.		Sumitomo Mitsui Banking Corporation

Refinancing

	Long-term Loan	Long-term Loan
Loan Amount	5,400 million yen	600 million yen
Maturity Date	March 9, 2012	March 9, 2010
Lender	2,400 million yen from Aozora Bank, Ltd., 2,000 million yen from The Chuo Mitsui Trust and Banking Co., Ltd. and 1,000 million yen from The Mie Bank, Ltd.	
	300 million yen respectively from The Sumitomo Trust and Banking Co., Ltd. and Resona Bank, Limited	

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