



# Prospect Reit Investment Corporation

Listed on the Tokyo Stock Exchange with the securities code 8969

## **Eighth Fiscal Period Results** (February 1, 2009 to July 31, 2009)

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**September 17, 2009**

This document contains a translation of the majority of the information provided in the Japanese material for the presentation of eighth fiscal period results held on September 17, 2009 as well as some information provided in the Financial Report (*Kessan Tanshin*) dated September 11, 2009, and others, with some updated data.

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Many provisions within this document contain information that constitutes forward-looking statements. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. Therefore, actual results may differ materially from those in the forward-looking statements as a result of various factors.

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# 1. Eighth Fiscal Period Highlights and Mid- and Long-Term Strategy

Prospect Reit Investment Corporation

## Eighth Fiscal Period Highlights

### Internal Growth

### Completion of large-scale renovations of Prospect Urawa-Tokiwa

(the occupancy rate was 100% at the end of July 2009). In the January 2010 period, the large scale renovations of Sky Hills Takadai I and U House Tsurumai II are under way.

**Strengthening earnings base** (installing vending machines and mobile antennas) and reducing costs.

### Financial Strategy

### New debt finance (rollover of bank loans)

Reducing refinancing risk and strengthening financial structure through longer-term borrowings.

(JPY million)

	Seventh fiscal period results (Six months from Aug 1, 2008 to Jan 31, 2009)	Eighth fiscal period results (Six months from Feb 1, 2009 to July 31, 2009)		Ninth fiscal period forecasts* (Six months from Aug 1, 2009 to Jan 31, 2010)	
			Pop change	Pop % chg	
Operating Revenues	2,254	2,236	17	0.8%	2,252
Operating Expenses	1,351	1,393	42	3.1%	1,342
Operating Income	902	843	59	6.6%	910
Ordinary Income	451	361	89	19.8%	357
Net Income	448	362	85	19.2%	356
Distribution per Unit	JPY5,970	JPY4,826	JPY1,144	19.2%	JPY4,740
Number of Property (at the end of fiscal periods)	53	53			
Total Leasable Floor Space	132,808sq m	127,458sq m			
Occupancy Rate (By Space) (at the end of fiscal periods)	90.7%	91.2%			
Capex	105	142			
Gains on sale of real estate	20	-			
NOI (Leasing Operations)	1,686	1,589			

Changed calculation methodologies for Sky Hills N15, Sky Hills Sakaimichi, Domy Chitose, Sky Hills Takadai I, and Prospect Urawa Tokiwa (no changes beside this.)

Note: The interest-bearing debt ratio as of July 31, 2009 was 49.4%. Forecasts are, however, based on an interest-bearing debt ratio of approximately 49.7% as of January 31, 2010.

\* These forecasts are based on "Assumptions for Forecasts for the Ninth Fiscal Period" mentioned afterwards.

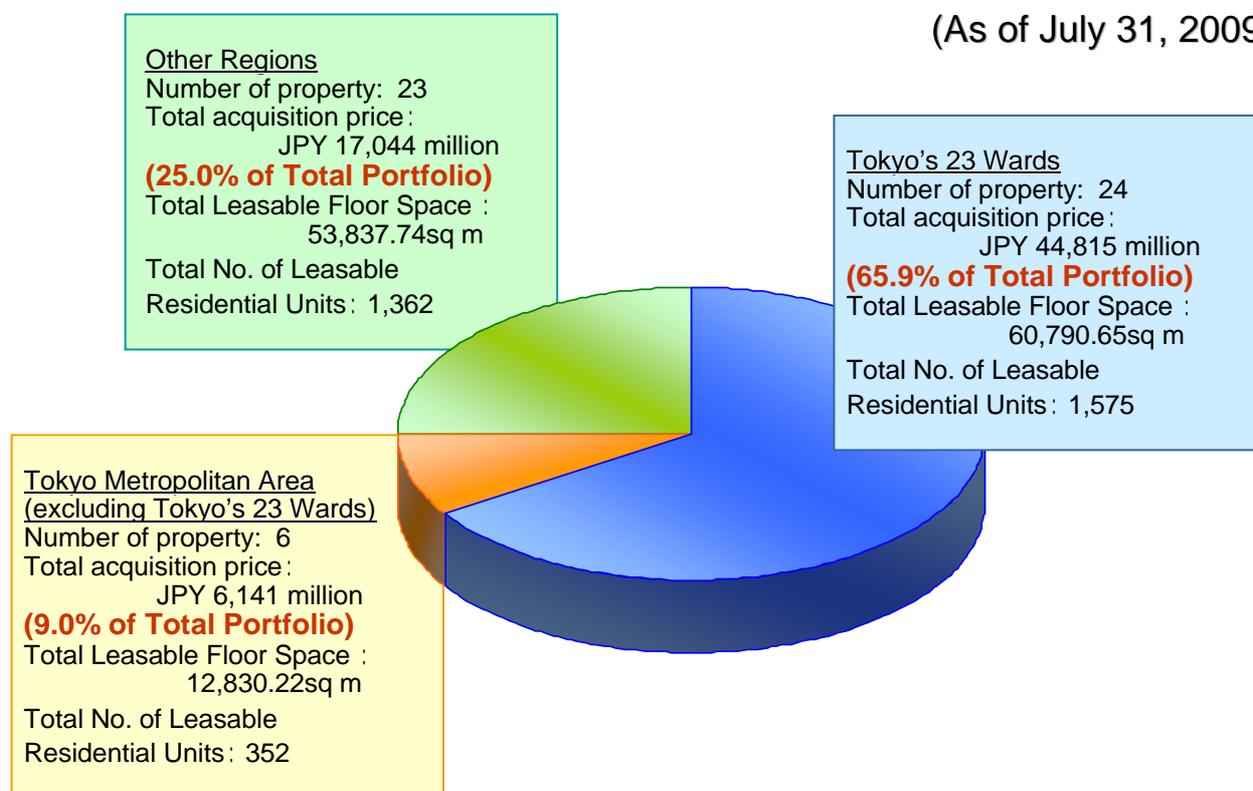
\* Disclaimer regarding 'Forecasts of Revenues and Earnings': Forward-looking statements such as forecasts of revenues and earnings in this document are based on many sources including current information available to PRI's management as well as the assumptions judged to be rational by management. These forward-looking statements are not guarantees of future performance and they involve risks and uncertainties. As a result of various factors, actual results may differ materially from those in the forward-looking statements.

## Mid- and Long-Term Strategy

- ☑ Prospect Reit Investment Corporation ("PRI") changed its corporation name as well as investment targets by the approval at the 4<sup>th</sup> unitholders' meeting held on April 10, 2009, including office properties and retail properties. This change would target to welcome new sponsor candidates in addition to expanding investment opportunities to enhance unitholders' values.
- ☑ PRI and the Asset Management Company have been studying various measures, aiming at attaining remarkable growth in PRI's corporate value, including asset growth and a strengthening of its fundamentals.
- ☑ PRI and the Asset Management Company are studying various measures but have reached neither conclusions nor decisions yet. As soon as any determinations are reached, we shall disclose such conclusions and decisions in a timely and prompt manner.

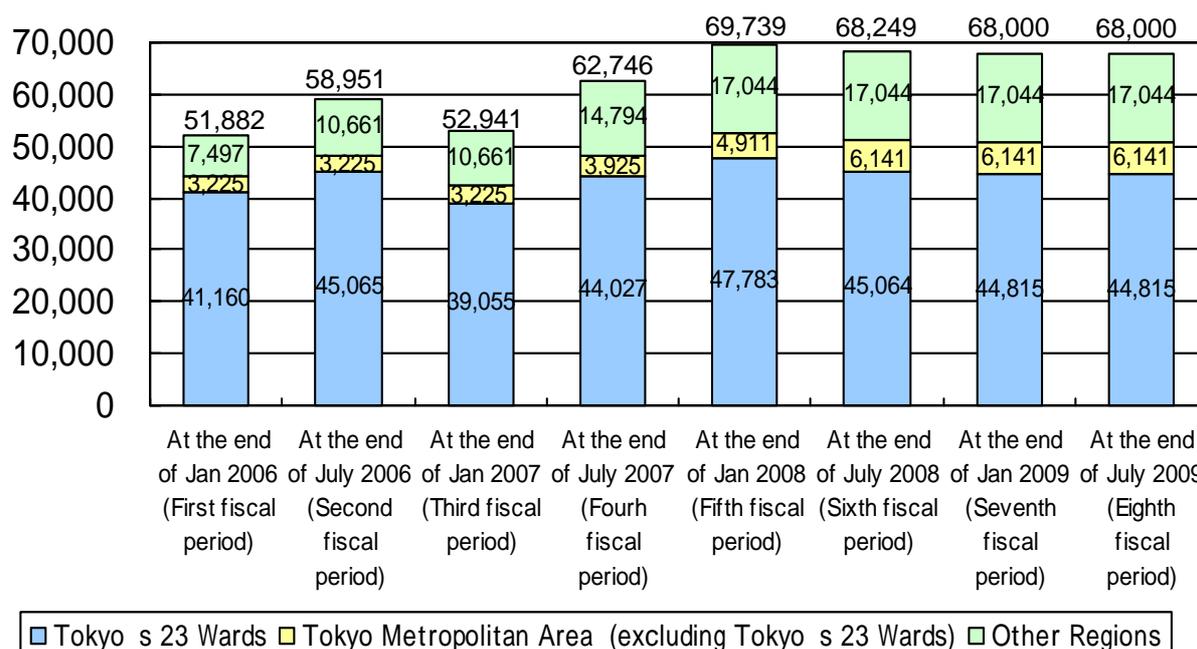
### Active Replacement Strategy in the Eighth Fiscal Period

(As of July 31, 2009)



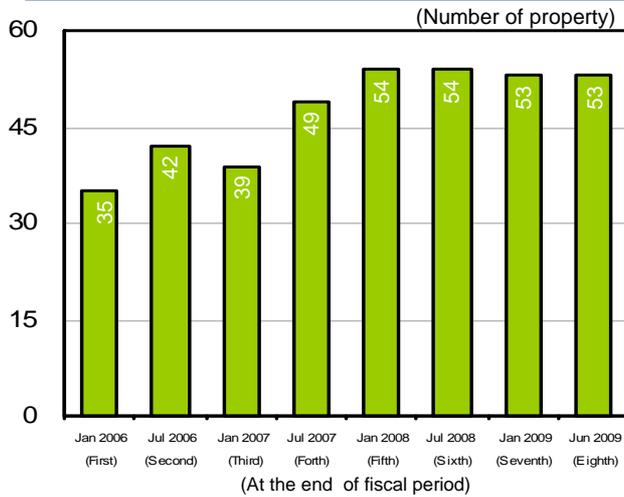
### Portfolio changes by region on an acquisition price basis

(JPY million)

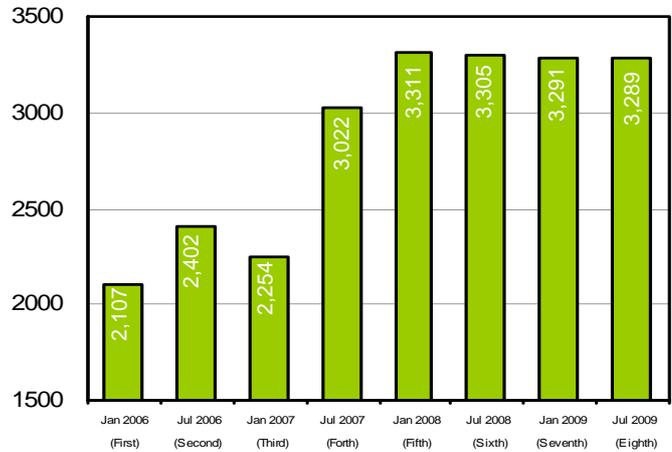


### 3. Outline of property

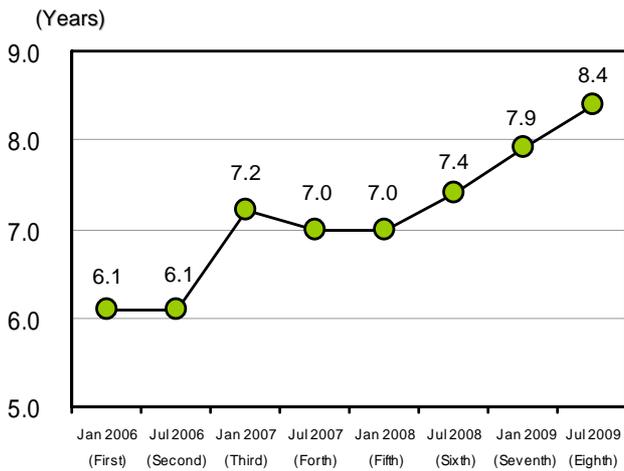
#### Portfolio growth on an acquisition-price basis



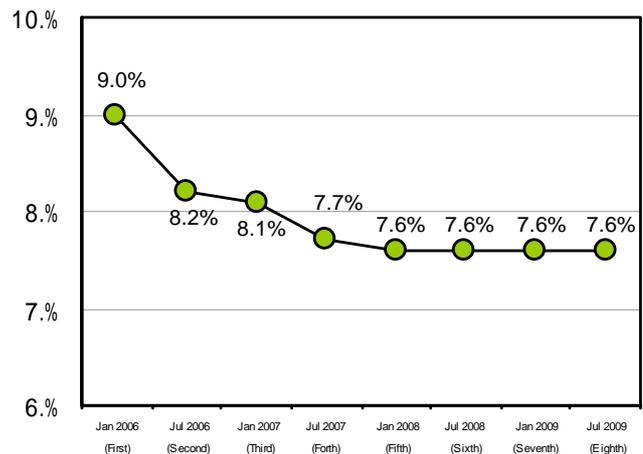
#### Total No. of leased residential units



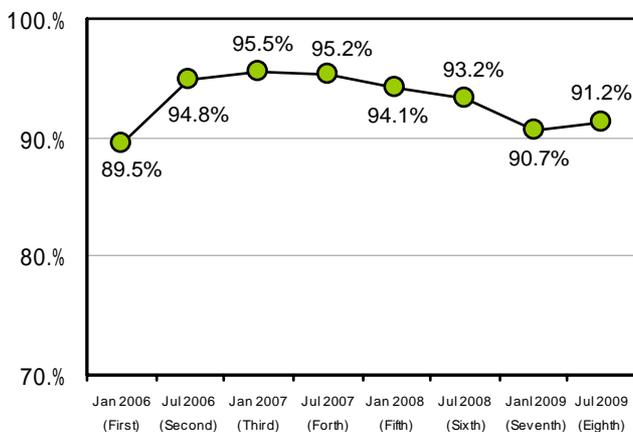
#### Average age of property since completion on a weighted-average basis



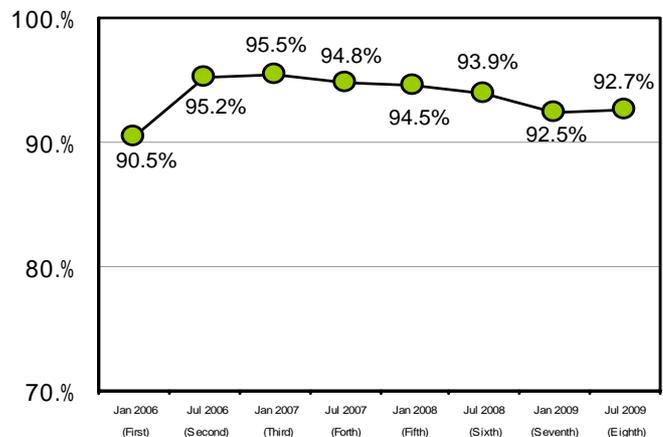
#### Portfolio PML



#### Occupancy rate by space

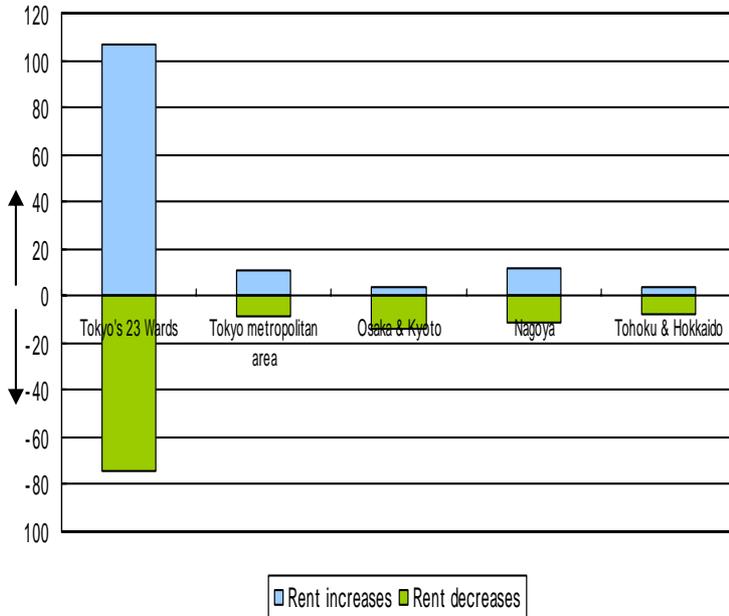


#### Occupancy rate by residential units

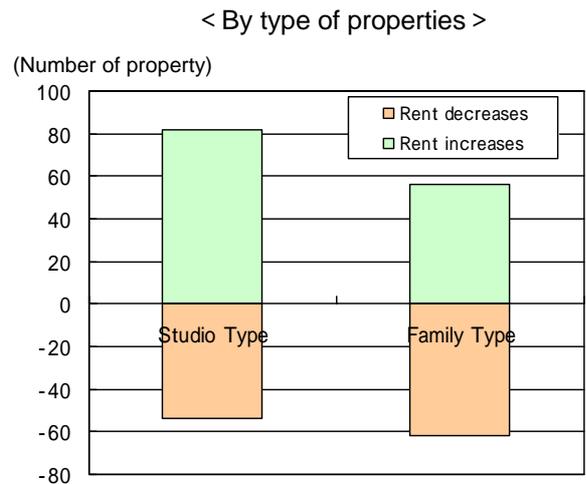


## Rent and Occupancy rate

### Rent increases and decreases by region at contract renewals and changes of tenants

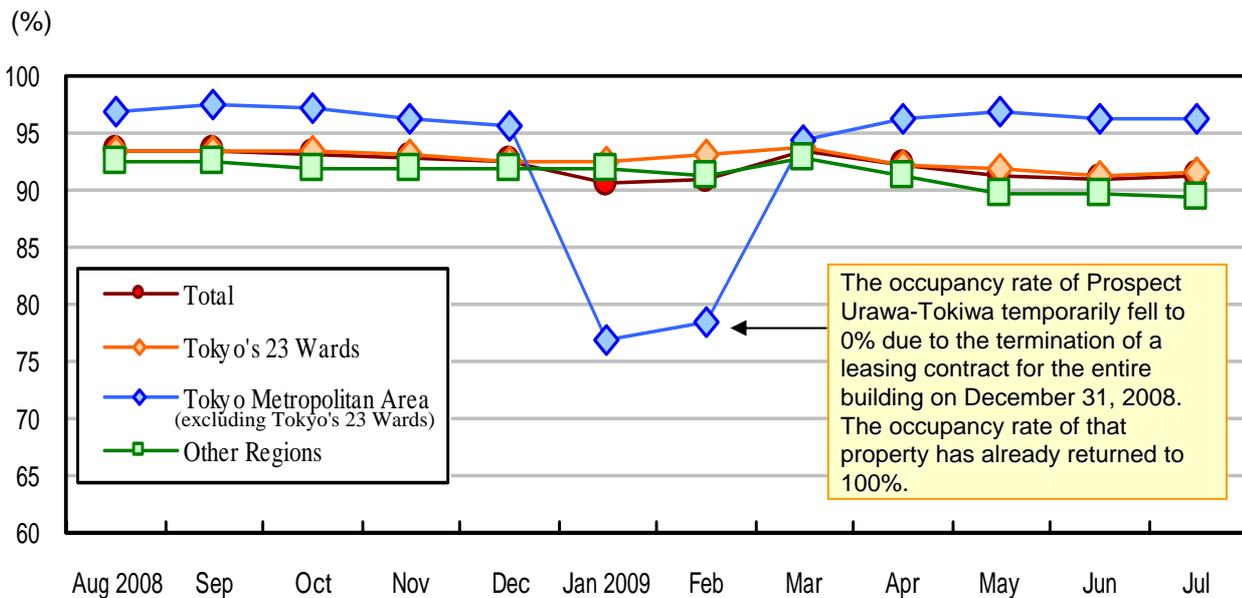


Raising rents mainly of single-type properties in Tokyo's 23 wards from the January 2009 period



## Solid demand for property units in the outskirts of Tokyo

### Occupancy rate by region (floor-space basis)



## Strengthening Profitability

### Diversifying sources of revenue

1. Actively installing vending machines of major beverage producers

July 2009: 7 additional machines



2. Actively installing antennas of major mobile telecommunications companies

July 2009: one  
Jan 2010 (e): additionally four



### Cost Reduction Measures

Eighth fiscal period (from Feb 1, 2009 to July 31, 2009)

1. Change of Property Management companies (PMs) for four properties

S002	Prospect Shinonome-bashi
S011	Fragrance Kawasaki
F003	BELNOS 34
F026	Prospect Nishisugamo

#### Achievements by the change of PMs

Raising Occupancy rates  
Average Occupancy rate 90.4% 94.9%

Reduction PM fees ( 20% ~ 40% by fee rates)  
Prospect Shinonome-bashi  
Fragrance Kawasaki

#### 2. Reduction of fees

Reduction of PM fees  
(approximately 30% by fee rate)

Abreast Sakuragawa  
SK Residence

Reduction of appraisers' fees by ¥6 million yoy for 53 properties

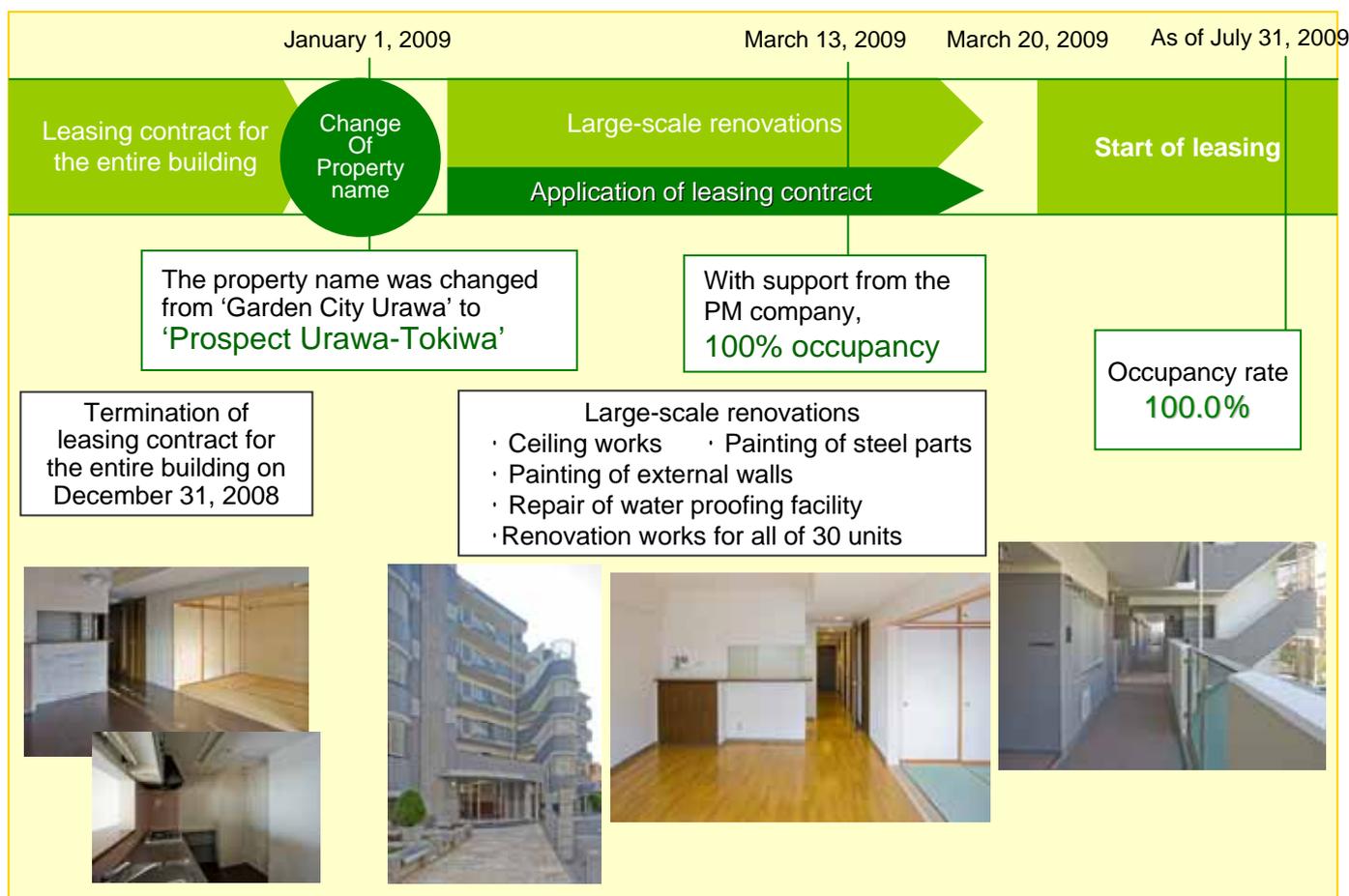
#### 3. Reduction of Repair expenses

Reduction of repair expenses by utilizing outside advisors

Reduction of repair management fees

Prospect Shinonome-bashi	5%	0%
Fragrance Kawasaki	5%	0%
BELNOS 34	5%	0%
SK Residence	10%	0%

## Prospect Urawa-Tokiwa



## Capital Expenditure Plan (in the eighth period consisting of items from JPY 5 million)

Property Name	Purpose	Planned period	Planned work amount (millions of yen)
Sky Hills Takadai I	Large-scale renovations	November 2009	72
U House Tsurumai II	Large-scale renovations	September 2009	37
BELNOS 34	Renovation of retail space on the second floor	January 2010	35
U House Gokiso	Renovation of two rooms	January 2010	10
Demi-Hashimoto	Renovation of three rooms	January 2010	9
BELNOS 34	Maintenance of mechanical parking system	August 2009	7
Palais D'Or Maruyama	Renovation of retail space on the first floor	October 2009	5

### [Details of large-scale repair works]

#### Sky Hills Takadai I

- Ceiling works
- Painting of external walls
- Painting of steel parts
- Repair of water proofing facility
- New installation of security cameras
- Replacement of interphone system

#### U House Tsurumai II

- Ceiling works
- Painting of external walls
- Painting of steel parts
- Repair of water proofing facility

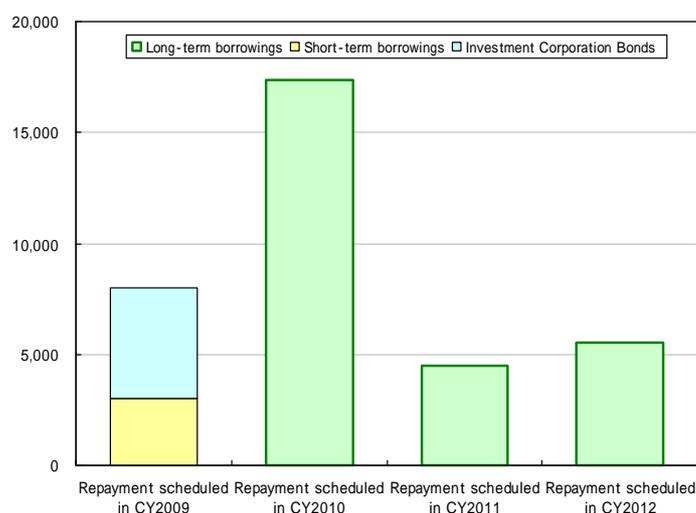
## Stabilization of Financial Structure

### Improved Maturity Ladder

Achieved longer-terms of borrowings by the roll over of loans (total Y7,500 mil) on May 29, 2009.

Debt financing (JPY Mil)	Duration	Debt financing (JPY Mil)	Duration
4,000	1 year	4,500	2 years
3,500	3 months	3,000	4 months

Lender	Debt financing (JPY Mil)	Interest Rate (%)	Drawdown Date	Maturity / Repayment Date
Aozora Bank, Ltd.	4,500	2.46636% (TIBOR+2.00%)	May 29, 2009	May 31, 2011
Aozora Bank, Ltd.	3,000	2.41636% (TIBOR+1.95%)	May 29, 2009	Sep 30, 2009



### Rating

Credit rating agency	Object	Rating	Outlook
JCR	Long-term issuer credit rating for long-term senior debt	BBB	Stable

### Investment Corporation Bonds

On October 12, 2007, PRI issued its First Series Unsecured Investment Corporation Bonds.

Name of the bonds	First Series Unsecured Investment Corporation Bonds
Total amount of the bonds	JPY 5,000 million
Repayment deadline	October 9, 2009
Coupon rate	Six-month yen LIBOR plus 100 bps (floating interest rates)

### Interest Swap Contract

Subsequently, PRI concluded an interest swap contract covering the entire issue of the investment corporation bonds.

Contracted party	Notional principal	Termination date	Interest rate
JPMorgan Securities Japan Co., Ltd.	JPY 5,000 million	October 9, 2010	Fixed interest payment rate: 2.183% Floating interest receipt rate: six-month yen LIBOR

As a result, the interest rate for the two-year bond issue has been fixed at 2.183%.

### Interest rate caps

PRI concluded two contracts for the purchase of yen interest rate caps covering a total of JPY 10,000

Contracted party	Notional principal	Termination date	Strike rate
JPMorgan Securities Japan Co., Ltd. (corridor-type contract)	JPY 5,000 million	July 30, 2010	First: 1.0% Second: 2.0%
Daiwa Securities SMBC Co. Ltd.	JPY 5,000 million	October 29, 2010	1.0%

## 6. APPENDIX

### Eighth Fiscal Period (February 1, 2009 to July 31, 2009)

(Thousand of yen)	Seventh Fiscal Period	Eighth Fiscal Period
Operating revenues	2,254,053	2,236,868
Real estate rental revenues	2,160,486	2,121,562
Other rental revenues	93,566	115,305
Operating expenses	1,351,126	1,393,667
Real estate rental expenses	1,053,178	1,133,698
Loss on sale of real estate	20,937	-
Asset management fees	136,272	122,267
Custodian fees	3,606	3,584
Administrative service fees	21,265	22,848
Directors' fees	6,000	6,000
Bad debt loss	109,865	105,267
Operating income	902,926	843,200
Non-operating income	2,533	2,218
Interest income	2,493	1,431
Other non-operating income	39	787
Non-operating expenses	454,441	483,510
Interest expense	292,950	284,995
Bond interest expense	55,478	54,364
Amortization of bond issuance expense	7,686	7,686
Debt-related expenses	94,073	129,020
Other non-operating expenses	4,251	7,442
Ordinary income	451,018	361,908
Income before income taxes	451,018	362,488
Income taxes	2,687	60
Net income	448,331	362,428
Retained earnings brought forward	24	8
Retained earnings at the end of period	448,355	362,436

**Eighth Fiscal Period (As of July 31, 2009)**

(Thousand of yen)		Seventh Fiscal Period	Eighth Fiscal Period
ASSETS	Current assets	3,169,057	3,346,755
	Cash and deposits	1,119,128	1,291,069
	Entrusted cash and deposits	1,854,042	1,768,022
	Derivative assets	1,407	279
	Other current assets	194,479	287,384
	Fixed assets	68,587,380	68,333,802
	Property and equipment	68,473,804	68,141,808
	Buildings	761,172	747,145
	Land	794,545	794,545
	Entrusted buildings	30,192,576	29,874,543
	Entrusted land	36,725,509	36,725,573
	Intangible assets	6,803	5,696
	Other intangible assets	6,803	5,696
	Long-term derivative assets	106,772	186,298
Investments and other assets	10,646	2,959	
Total assets		71,767,084	71,683,518
LIABILITIES	Current liabilities	13,087,969	25,947,044
	Operating payables	343,168	336,407
	Short-term debt	7,500,000	3,000,000
	Long-term Borrowing with repayment dates within one year	-	17,346,000
	Current portion of investment corporation bonds	5,000,000	5,000,000
	Advances received	244,800	264,637
	Fixed liabilities	23,698,824	10,829,640
	Long-term debt	22,904,000	10,058,000
	Leasehold and security deposits	794,824	771,640
Total liabilities		36,786,793	36,776,684
NET ASSETS	Unitholders' capital	35,070,193	34,984,275
	Unitholders' capital	34,621,838	34,621,838
	Retained earnings	448,355	362,436
	Evaluation and conversions	89,902	77,441
	Earnings on differed hedge transactions	89,902	77,441
Total net assets		34,980,291	34,906,833
Total liabilities and net assets		71,767,084	71,683,518

## Outline of Appraisers' reports as of July 31, 2009

Code	Property Name	Appraisal value (Y mil)	Discount Cash Flow Methodologies					Acquisition Price (Millions of Yen)	Appraiser (Note)
			Direct cap value (Y mil)	Direct Cap rate (%)	DCF value (Y mil)	Discount rate(%)	Final cap rate (%)		
S001	TK Flats Shibuya	5,210	5,260	5.3	5,160	5.0	5.5	6,399	A
S002	Prospect Shinonomebashi	3,270	3,300	5.5	3,240	5.2	5.7	3,353	A
S004	Maison de Ville Takanawa Gyoranzaka	1,600	1,620	5.2	1,580	4.9	5.4	1,768	A
S005	Prospect Omori-Kaigan	1,660	1,670	5.6	1,640	5.3	5.8	1,807	A
S006	Abreast Shin-Osaka	1,556	1,620	6.2	1,556	5.9	6.7	1,826	C
S007	Maison de Ville Naka-Meguro	1,090	1,100	5.4	1,080	5.1	5.6	1,189	A
S008	Roppongi Rise House	951	961	5.2	941	4.9	5.4	1,184	A
S009	Prospect Nihonbashi-Honcho	897	902	5.5	892	5.2	5.7	1,070	A
S011	Fragrance Kawasaki	601	629	5.6	601	5.3	6.1	624	C
S012	Abreast Sakuragawa	430	442	6.1	430	5.8	6.6	516	C
S013	Dome Takamine	223	236	6.2	223	5.9	6.7	322	C
S014	Dome Yotsuya	194	208	6.4	194	6.1	6.9	275	C
S016	Abreast Nagase	159	163	6.5	159	6.2	7.0	209	C
S017	Living Stage Higashi-Sendai	347	363	6.6	347	6.3	7.1	435	C
S018	Prospect Toyonaka Hattori	388	398	6.2	378	5.9	6.5	396	A
S019	Prospect Bishoen	289	291	6.3	286	6.0	6.5	376	A
S020	Prospect Shimogamo	321	324	6.1	318	5.8	6.3	411	A
S021	Prospect Kawaramachi-Gojo	643	649	6.1	636	5.8	6.3	803	A
S022	Prospect Chuo-Rinkan	537	540	6.1	533	5.9	6.3	700	J
S023	Sky Hills N15	840	859	6.4	832	6.0	6.7	932	T
S024	Sky Hills Sakaimachi	876	911	7.0	861	6.9	7.3	1,115	T
S025	Domy Chitose	500	508	8.0	496	8.0	8.3	592	T
S026	Sky Hills Takada I	609	596	7.5	614	7.0	7.8	691	T
S027	Exceria Ikebukuro West II	880	889	5.4	876	5.2	5.6	1,020	D
S028	Prospect Monzenakacho	1,080	1,090	5.5	1,080	5.3	5.7	1,250	D
S029	Prospect KALON Minowa	1,740	1,750	5.6	1,730	5.3	5.8	1,930	A
S030	Prospect Nakanoshima	789	795	5.7	786	5.9	6.0	1,000	T
S031	Prospect Ogikubo	726	734	5.5	723	5.3	5.7	880	D
S032	Prospect Musashi-Shinjo	1,080	1,060	5.9	1,090	5.9	6.1	1,230	D
F001	Prospect Kiyosumi-Teien	2,660	2,680	5.5	2,630	5.2	5.7	2,780	A
F002	Park Terrace Ebisu	2,230	2,280	5.3	2,210	5.5	5.6	2,712	T
F003	BELNOS34	1,960	1,990	6.0	1,930	5.7	6.3	2,534	A
F004	Prospect Dogenzaka	1,740	1,760	5.3	1,720	5.0	5.5	2,294	A
F005	U House Daikan-Cho	1,336	1,468	6.2	1,336	5.9	6.7	1,548	C
F006	U House Gokiso	1,165	1,208	6.6	1,165	6.3	7.1	1,406	C
F007	Angel Heim Nishi-Rokugo No.2	1,291	1,408	6.1	1,291	5.8	6.6	1,401	C
F008	Prospect Onshi-Koen	1,160	1,160	5.6	1,160	5.5	5.9	1,196	T
F009	Deim-Hashimoto	825	835	6.5	815	6.2	6.8	992	A
F010	SK Residence	901	915	5.8	886	5.5	6.1	1,020	A
F012	Prospect Urawa-Tokiwa	788	800	6.0	775	5.8	6.2	878	A
F014	U House Tsurumai II	527	610	6.2	527	5.9	6.7	685	C
F017	Living Stage Minami-Sendai	241	253	6.7	241	6.4	7.2	275	C
F019	Prospect Glarsa Hiroo	4,020	4,050	5.2	3,980	4.9	5.4	3,905	A
F020	Prospect Katsura	478	483	6.5	472	6.2	6.7	570	A
F021	Crown Heim Nishi-Tanabe	446	448	6.1	444	5.8	6.3	601	A
F022	Takasagoseki Nibankan	639	647	7.0	631	6.7	7.3	810	A
F023	Prospect Machiya	498	502	5.6	493	5.3	5.8	547	A
F024	Prospect Hatsudai	577	582	5.3	571	5.1	5.5	730	J
F025	Prospect Morishita	1,310	1,320	5.5	1,300	5.3	5.7	1,480	J
F026	Prospect Nishi-Sugamo	1,220	1,230	5.6	1,210	5.3	5.8	1,419	A
F027	Palais D'Or Maruyama	889	900	7.0	877	6.7	7.3	1,250	A
F028	Prospect Kawasaki	1,580	1,590	5.7	1,570	5.8	6.0	1,717	T
F029	Prospect Nihonbashi-Koamicho	875	881	5.3	873	5.4	5.6	946	T

(Note) A: Aoyama Realty Advisors, C: Chuo, J: Japan Real Estate Research Institute, T: Tanizawa  
D: Daiwa

## Interest-bearing debt balance (As of July 31, 2009)

(Millions of yen unless otherwise stated)

	Lender	Drawdown Date	Debt Financing / Repayment	Average Interest Rate (%) (Note 1)	Interest Rate	Maturity / Repayment Date	Remarks
Short-term Borrowings	Aozora Bank, Ltd.	May 29, 2009	3,000	2.416%	Floating	September 30, 2009	Secured
Long-term Borrowing with repayment dates within one year	Aozora Bank, Ltd.	March 15, 2007	4,336	1.420%	Floating	March 15, 2010	Secured
	Sumitomo Mitsui Banking Corporation (Note 3)		2,601		Floating		
	The Sumitomo Trust & Banking Corporation		867		Floating		
	The Musashino Bank, Ltd.		867		Floating		
	The Norinchukin Trust & Banking Corporation (Note 2)		8,239		Floating		
	NTT Finance Corp.		433		Floating		
	(Subtotal)		(17,346)				
Long-term borrowings	The Norinchukin Trust & Banking Corporation (Note 2)	June 28, 2007	2,634	1.620%	Floating	July 31, 2012	Secured
	Sumitomo Mitsui Banking Corporation (Note 3)	September 7, 2007	2,924	1.670%	Floating	October 31, 2012	Secured
	Aozora Bank, Ltd.	May 29, 2009	4,500	2.466%	Floating	May 31, 2011	Secured
(Total)			30,404				

Note 1: Average interest rates are based on weighted-average rates and the number of days in the period. Figures are rounded to the nearest third decimal place.

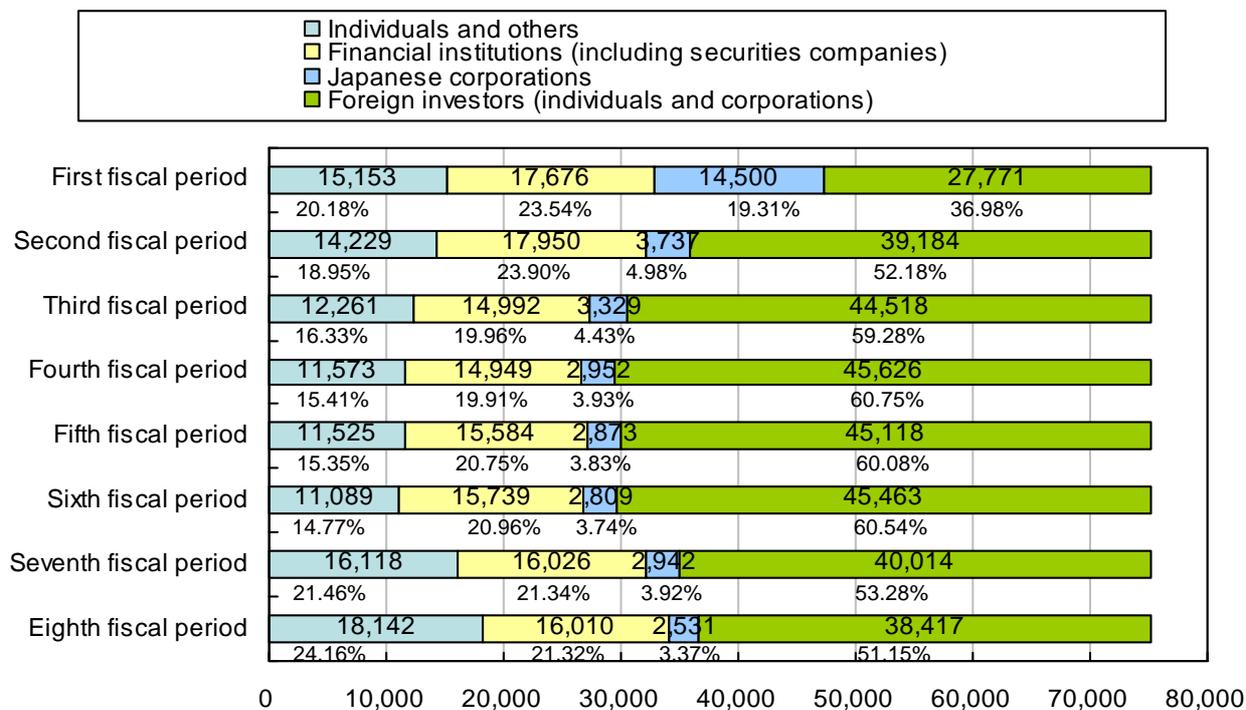
Note 2: Following the approval of PRI for the application from Lehman Brothers Japan Inc. to transfer (sell) claimable assets arising from these loans, such assets were transferred to the Norinchukin Trust & Banking Corporation (NTBC) on August 27, 2007. The contract terms and contents including loan conditions and other matters were also transferred unchanged to NTBC.

Note 3: Following the approval of PRI for the application from Lehman Brothers Japan Inc. to transfer (sell) claimable assets arising from these loans, such assets were transferred to Sumitomo Mitsui Banking Corporation (SMBC) on March 30, 2009. The contract terms and contents including loan conditions and other matters were also transferred unchanged to SMBC.

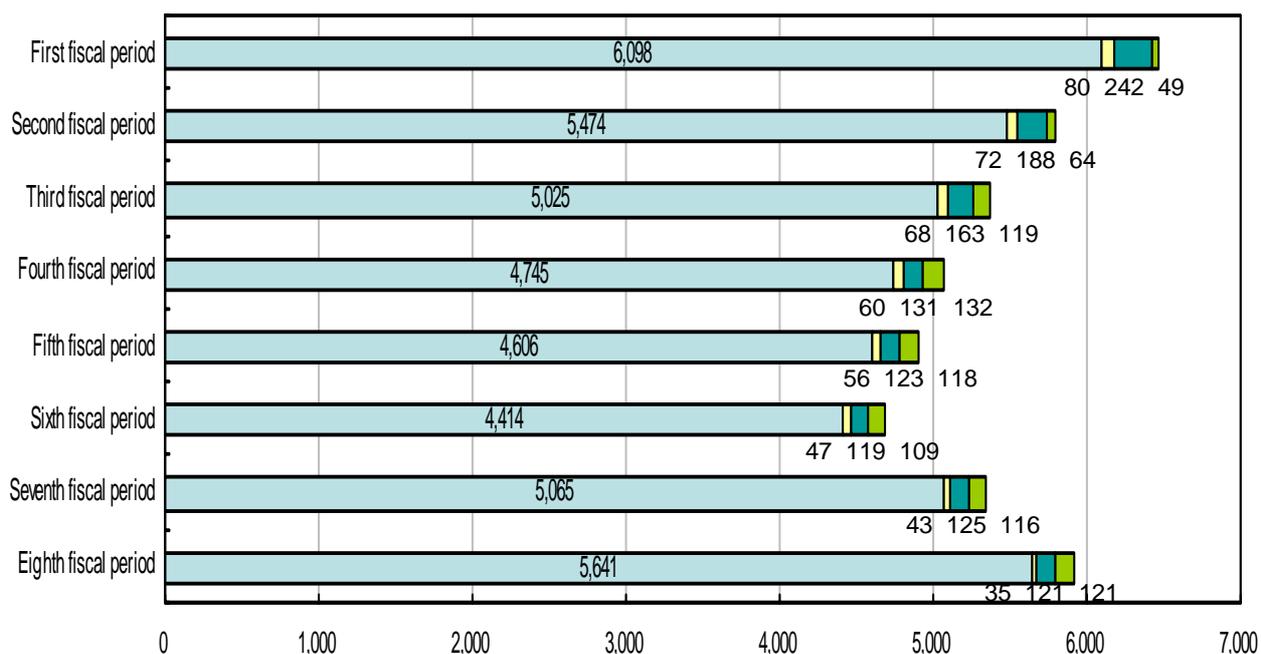
Investment Corporation Bonds	First Series Unsecured Investment Corporation Bonds	October 12, 2007	5,000	Six-month LIBOR plus 100 bps	October 9, 2009	Unsecured
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## Unitholder Composition

Number of investment units held by type of unitholders



Number of unitholders by type of unitholders



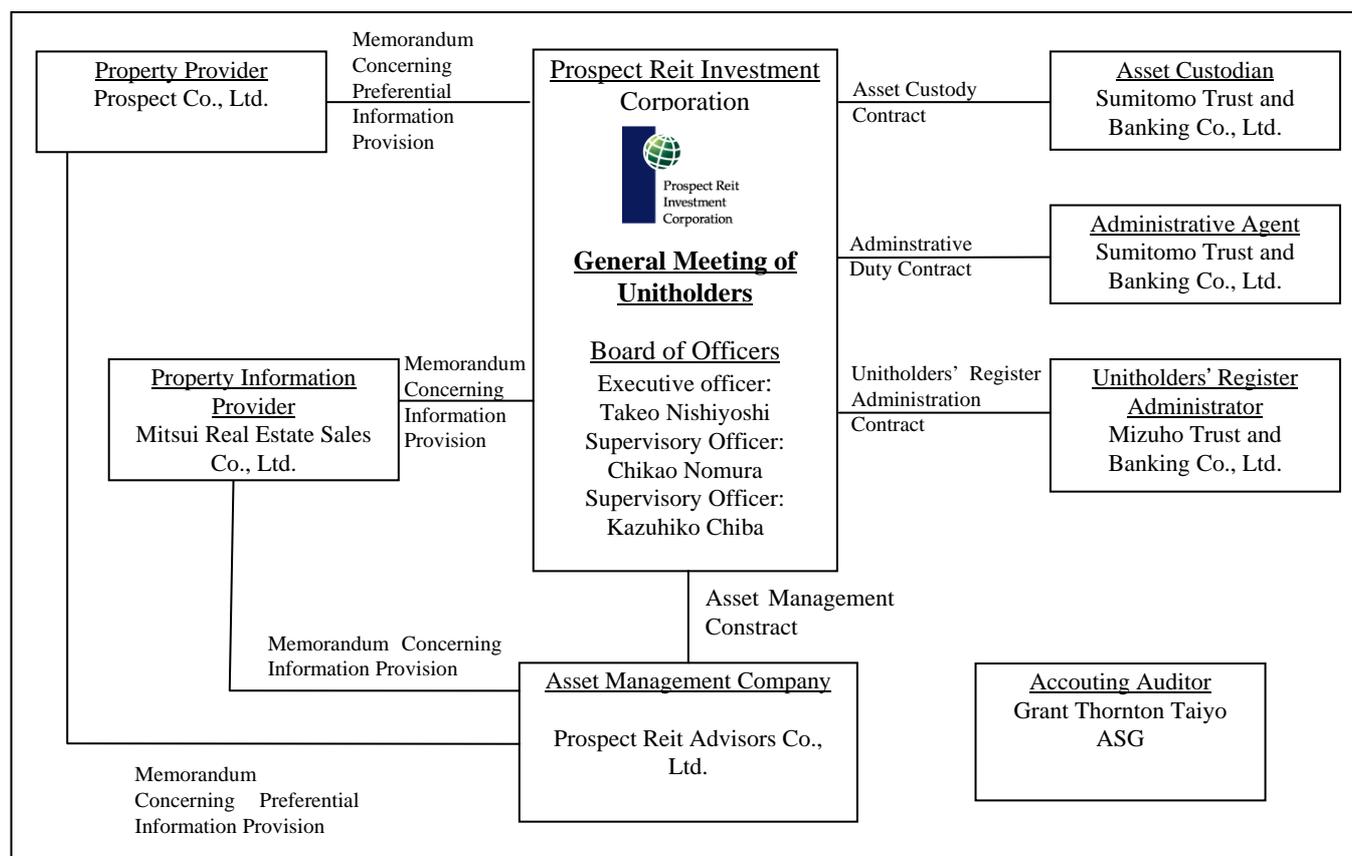
## Major Unitholders

Name of unitholder	Number of investment units held	Percentage share of total number of outstanding investment units
The Chase Manhattan Bank N.A. London Special Account Number One	8,531	11.4 %
NikkoCiti Trust and Banking Corporation (Investment trust account)	5,821	7.8 %
Prospect Japan Fund Limited	5,331	7.1 %
Goldman Sachs International	3,752	5.0 %
State Street Bank and Trust Company 505041	2,688	3.6 %
BNP Paribas Securities Services Luxembourg Jasdec Securities	2,328	3.1 %
The Okinawa Kaiho Bank Limited	2,158	2.9 %
CGML-IPB Customer Collateral Account	2,077	2.8 %
Bank of Minami-Nippon Limited	2,000	2.7 %
Japan Trustee Services Bank Limited (trust account)	1,830	2.4 %
Total	36,516	48.6 %

## Significant Unitholding Report (to the Ministry of Finance)

Filing Date	Name	Number of investment units held	Percentage share of total number of outstanding investment units (%)
September 2, 2009	Prospect Asset Management, Inc.	12,525	16.68
June 26, 2009	Citigroup Global Markets Limited	2,077	2.77

## Structure of the Investment Corporation



### Outline of the Asset Management Company

**Name:** Prospect Reit Advisors, Co., Ltd.  
**Shareholders' capital:** JPY 200 million (as of July 31, 2009)

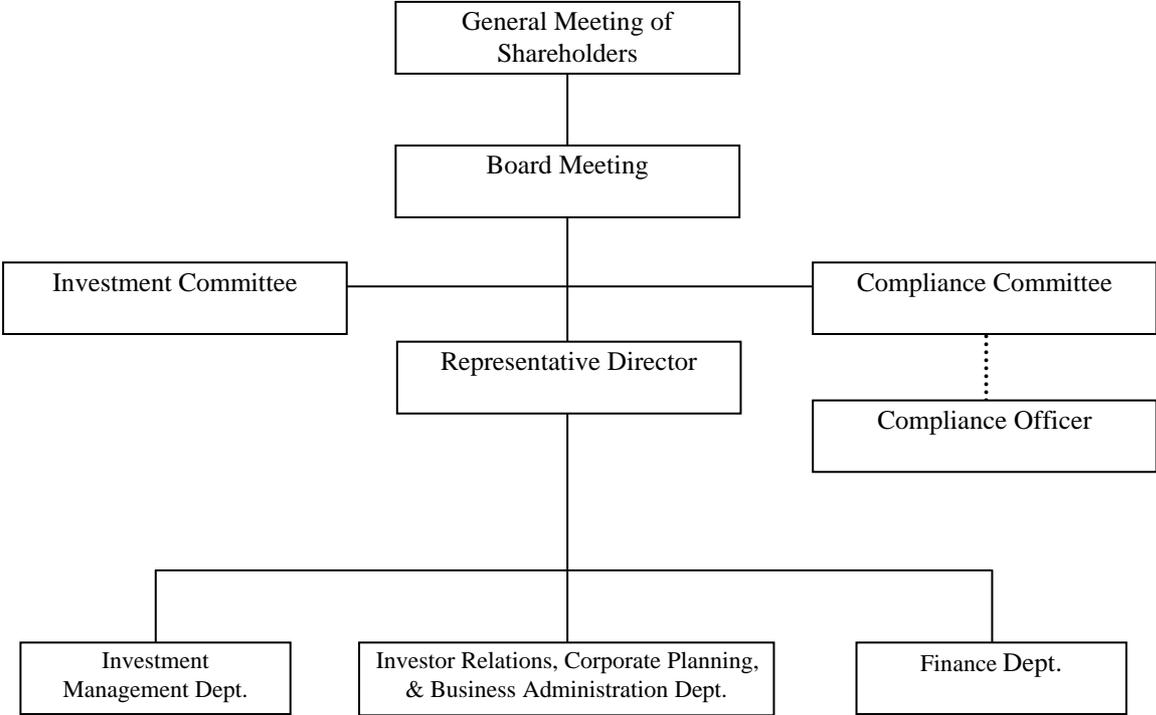
**Total number of shares authorized:** 9,000  
**Total number of shares issued and outstanding:** 4,000  
**Major share holders:** Prospect Co., Ltd. (2-2-1, Marunouchi, Chiyoda-ku, Tokyo)  
 <Number of shares held:4,000, percentage of outstanding shares:100%>

The history of Prospect Reit Advisors, Co., Ltd.

June 16, 2009	Changed the corporation name to Prospect Reit Advisors, Co., Ltd
December 3, 2007	Registration as a financial products exchange company (asset management business) under provision of the Financial Products Exchange Law; Registration number 394, granted by the Head of the Kanto Local Finance Bureau
March 4, 2005	Approved by the Prime Minister of Japan as an asset management company for investment corporations under the Investment Trust Law (the relevant law at that time, before partial revisions to the Securities Exchange Law)
January 13, 2005	Approved by the Minister of Land, Infrastructure and Transport as a full transaction agency under the Real Estate Business Law
November 19, 2004	Received a license as a Real Estate Agent
September 7, 2004	The Asset Management Company was established

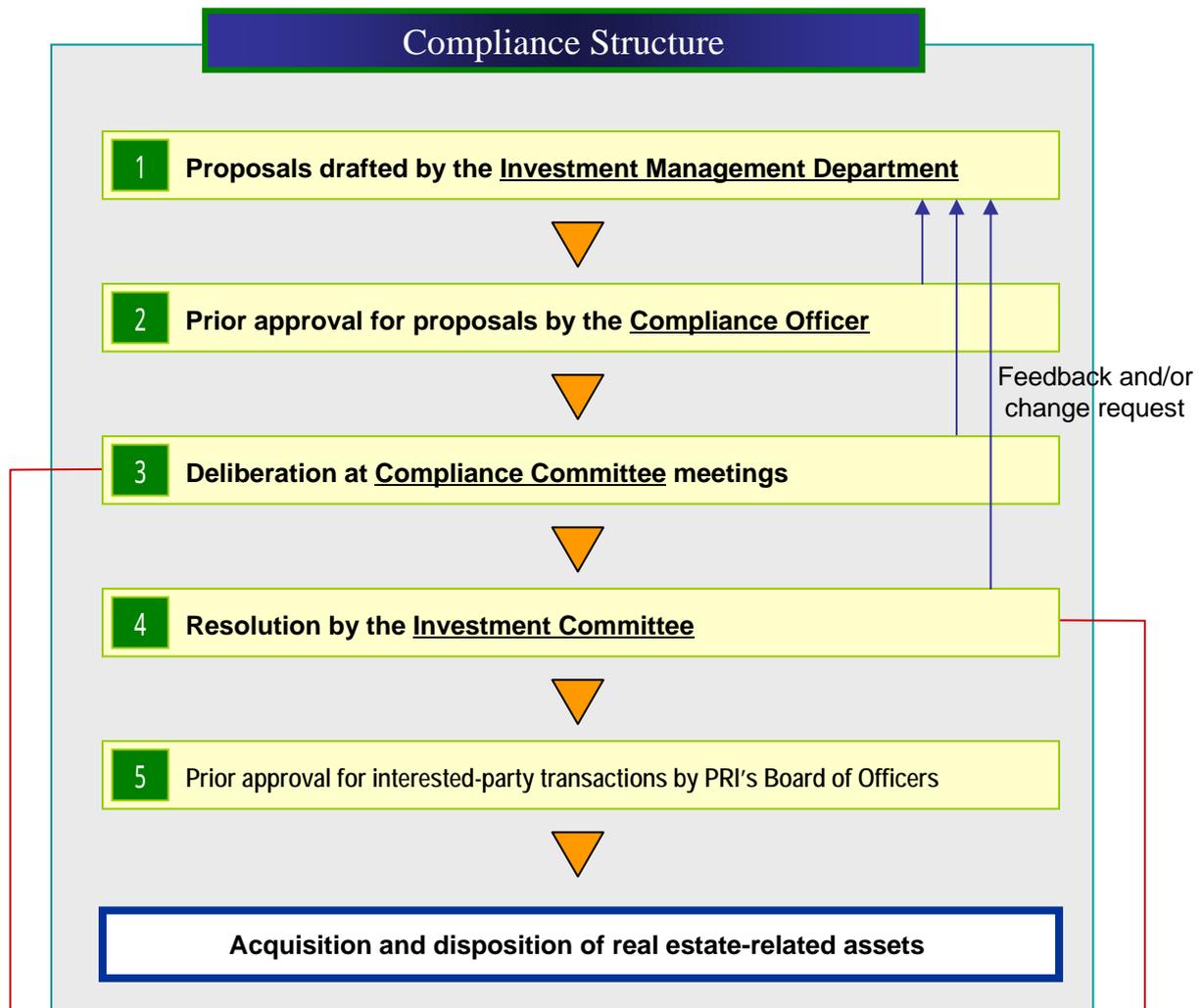
# Outline of the Asset Management Company

## The Corporate Structure of the Asset Management Company



## Basic Policy

Transactions with interested parties must be approved in advance by the Investment Corporation’s Board of Officers. In the acquisition of a real estate-related asset, the acquisition price shall not exceed the appraisal value. Corporate entities, including their directors and employees, that have special interests in transactions of real estate-related assets shall not be given voting rights for the resolution of agendas related to such transactions.



### **Compliance Committee**

The Compliance Committee includes external experts (lawyers) in order to secure sound compliance at the Asset Management Company.

#### **Compliance Committee Members**

Compliance Officer, Representative Director and President, directors and the general manager of each department of the Asset Management Company, as well as one or more external experts

### **Investment Committee**

The Investment Committee is the supreme decision-making body within the Asset Management Company regarding asset management operations. The committee has the authority to make important decisions relating to the acquisition and disposition of real estate-related assets, fund procurement, asset management and property management.

#### **Investment Committee Members**

Representative Director and President, Compliance Officer, directors and the general manager of each department of the Asset Management Company

## Assumptions for Forecasts for the Ninth Fiscal Period (February 1, 2009 to July 31, 2009)

	Assumptions
Operating Period	Ninth fiscal period: From August 1, 2009 to January 31, 2010 (184 days)
Managed Assets	Forecasts are based on a property portfolio comprising 53 properties held as of July 31, 2009. The property portfolio may change, however, due to property acquisition or sale.
Investment Units Issued	Forecasts are based on the assumption that PRI shall not issue additional investment units.
Interest-Bearing Debt Ratio	<p>The interest-bearing debt ratio as of July 31, 2009 was 49.4%. Forecasts are, however, based on an interest-bearing debt ratio of approximately 49.7% as of January 31, 2010, taking into account an increase in debt financing to acquire additional properties as well as repayment stemming from the above sale of one property.</p> <p>The interest-bearing debt ratio is calculated as follows: Interest-bearing debt ratio = Interest-bearing debt ÷ (Interest-bearing debt + Unitholders' capital) × 100</p>
Operating Expenses	<p>Forecasts are based on the assumption that PRI shall post repairs, maintenance and renovation expenses of JPY 86 million (a decrease of JPY 29 million compared with the previous fiscal period). Repairs, maintenance and renovation expenses are estimated based on amounts considered essential for each property for each fiscal period. Actual repairs, maintenance and renovation expenses for each fiscal period, however, may differ significantly from these amounts due to unforeseen circumstances or emergencies.</p> <p>Of the amount of property tax and city planning tax assessed for the property portfolio, the applicable portion is recorded as rental business expenses for each fiscal period. For properties acquired during each period, property tax and city planning tax are allocated to the seller and purchaser on a pro rata basis at the time of acquisition settlement. In the case of PRI, an amount equivalent to the portion allocated to the purchaser is included in the acquisition price of the property and not recorded as an expense. Forecasts are based on the assumption that PRI shall post property tax and city planning tax of JPY 125 million (an increase of JPY 5 million compared with the previous fiscal period).</p> <p>Depreciation is calculated using the straight-line method inclusive of incidental expenses. Forecasts are based on the assumption that PRI shall post depreciation expenses of JPY 484 million (a decrease of JPY 1 million compared with the previous fiscal period).</p>
Non-Operating Expenses	<p>Forecasts are based on the assumption that PRI shall post total interest expenses including bond interest expenses of JPY 378 million (an increase of JPY 39 million compared with the previous fiscal period), and debt-related expenses of JPY 167 million (an increase of JPY 38 million compared with the previous fiscal period).</p> <p>Forecasts for the fiscal period ending in January 2010 are based on the rollover of a JPY3.0 billion short-term loan (repayment on September 30, 2009) and a JPY5.0 billion investment corporation bonds (repayment on October 9, 2009) in the same amounts. There are neither long-term loans nor investment corporation bonds with repayment/maturity dates within this fiscal period.</p>
Cash Distribution	Forecasts are based on the assumption that PRI shall distribute the full amount of retained earnings each fiscal period in line with its distribution policy.