



Prospect  
Residential  
Investment Corporation

# **Prospect Residential Investment Corporation**

**Listed on the Tokyo Stock Exchange with the securities code 8969**

## **IR Presentation in Europe (January 21 – 25, 2008)**

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**January 17, 2008**

The attached document contains a translation of the majority of the information provided in Japanese-language materials prepared for a presentation at the Global REIT Conference Tokyo 2007, which was held on December 4, 2007.

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The financial statements of PRI have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

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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<b>External Growth</b>	<p><u>(Fourth fiscal period)</u> Acquisition of 11 properties and sale of 1 property</p> <p><u>(Fifth fiscal period, through to November 2007)</u> Acquisition of 6 properties and sale of 1 property</p>
<b>Internal Growth</b>	<p>Large-scale renovations of U House Gokiso</p> <p>Further cost-reduction efforts</p>
<b>Financial Strategy</b>	<p>Received a long-term issuer credit rating of A-, submitted a registration for issuance of investment corporation bonds</p> <p>Issued the First Series Investment Corporation Bonds totaling JPY5,000 million in October 2007</p>

(JPY million)

	Third fiscal period results (Six months from Aug 1, 2006 to Jan 31, 2007)	Fourth fiscal period results (Six months from Feb 1, 2007 to July 31, 2007)		Fifth fiscal period forecasts* (Six months from Aug 1, 2007 to Jan 31, 2008)
			Pop change Pop % chg	
Operating Revenues	2,231	2,148	Δ82 Δ3.7%	2,294
Operating Expenses	1,227	1,176	Δ50 Δ4.2%	—
Ordinary Income	1,003	972	Δ31 Δ3.2%	997
Net Income	743	709	Δ34 Δ4.6%	696
Distribution per Unit	JPY9,901	JPY9,448	JPYΔ453 Δ4.6%	JPY9,268
Number of Property (at the end of fiscal periods)	39	49		
Total Leasable Floor Space	93,795 sq m	122,477sq m		
Occupancy Rate (By Space) (at the end of fiscal periods)	95.5 %	95.2%		
Capex	25	89		
NOI (Leasing Operations)	1,439	1,500		

\* Forecast of revenues and earnings for the fifth fiscal period (August 1, 2007 to January 31, 2008) is as follows. These forecasts are based on "Assumptions for Forecasts for the Fifth 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.

### Active Replacement Strategy

**Fourth fiscal period results : PRI's acquisition of 11 properties is the largest number of acquisitions it has undertaken since listing on the TSE.**

#### Acquisition

**Total Acquisition Prices : JPY 10,732 million**  
**Total Leasable Floor Space : 30,642.54 sq m**  
**Total No. of Leasable Residential Units : 795**

Property Name	Completion Date	Acquisition Date	Occupancy Rate at Acquisition	Acquisition Price (JPY Million)
Prospect Kawaramachi-Gojo	January, 2007	March 15, 2007	36.2%	803
Prospect Hatsudai	February, 2006	March 15, 2007	96.1%	730
Prospect Chuo-Rinkan	May, 2006	March 15, 2007	97.9%	700
Prospect Morishita	January, 2006	March 15, 2007	100.0%	1,480
Prospect Nishi-Sugamo	June, 2006	March 30, 2007	100.0%	1,419
Sky Hills N15	March, 2000	May 31, 2007	100.0%	932
Sky Hills Sakaimachi	February, 2002	May 31, 2007	100.0%	1,115
Domy Chitose	March, 1999	May 31, 2007	100.0%	592
Sky Hills Takadai I	January, 1992	May 31, 2007	100.0%	691
Exceria Ikebukuro West II	September, 2006	June 28, 2007	83.2%	1,020
Prospect Monzennakacho	January, 2007	June 28, 2007	90.0%	1,250

#### Sales

Property Code	F011
Property Name	O Fort Nishi-Kasai
Sales Date	July 31, 2007
Sales Price	JPY 1,080 million
Book Value	JPY 937 million
Gains on sale of real estate	JPY 146 million

### Acquisition of newly built or relatively new properties in collaboration with the Sponsor Company

#### Newly built properties

**Positive aspects:** **highly competitive;**  
**lower repair expenses**

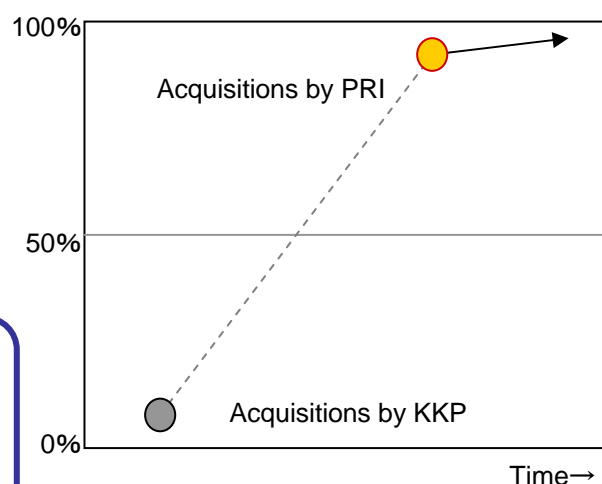
**Negative aspects:** high expenses during  
the lease-up period to secure near or full  
occupancy; high leasing risks



**PRI acquires properties of which the  
Sponsor Company, Prospect Co., Ltd.  
(KKP) undertakes leasing activities  
aimed at raising occupancy rates.**

Utilizing the warehousing functions of  
the Sponsor Company enables PRI to acquire  
newly built or relatively new properties  
as well as to diminish the expense burden  
during lease-up periods.

Occupancy conditions associated with  
utilizing warehousing functions:



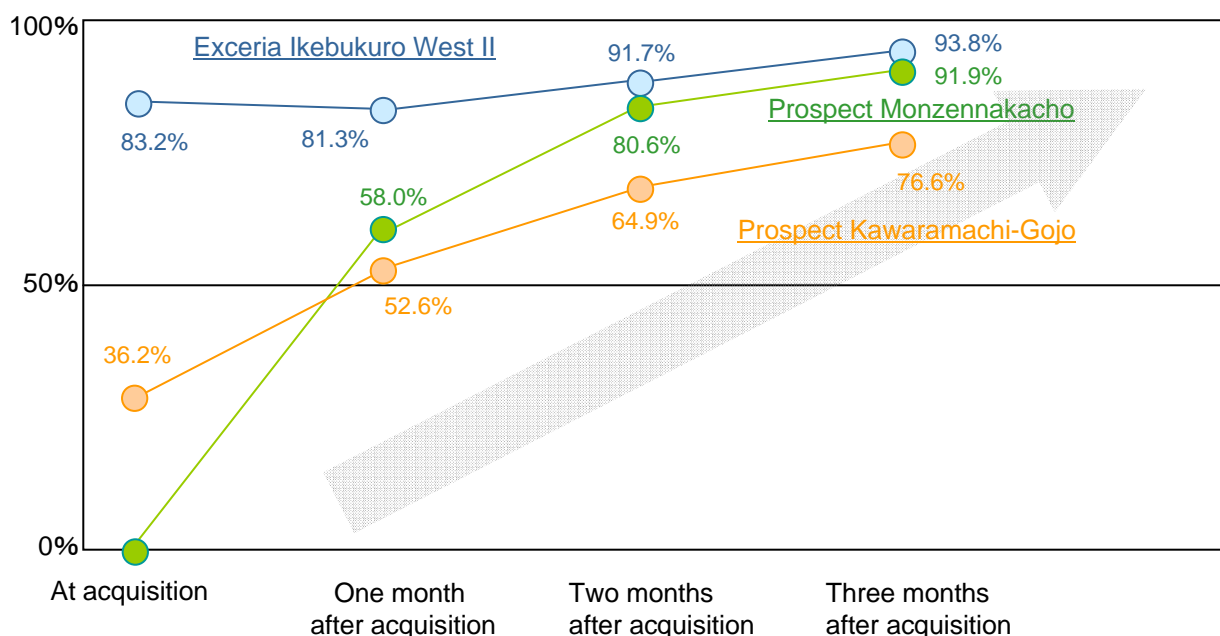
Property Number	F024	S022	F025
Property Name	<b>Prospect Hatsudai</b>	<b>Prospect Chuo-Rinkan</b>	<b>Prospect Morishita</b>
Photo			
Location	1-5-17 Hon-cho, Shibuya-ku, Tokyo	5-1-10 Chuo-rinkan, Yamato-shi, Kanagawa	2-16-10 Morishita, Koto-ku, Tokyo
Acquisition Price (Millions of Yen)	730	700	1,480
Acquisition Date	March 15, 2007	March 15, 2007	March 15, 2007
Completion Date	February 2006	May 2006	January 2006
Structure	S/3F	RC/13F	RC/9F
Occupancy Rate at Acquisition	96.1%	100.0%	100.0%
Total Leasable Floor Space	817.71 sq m	1,098.24 sq m	2,399.23 sq m
Total No. of Leasable Residential Units	22	48	45
Direct DCF Yield	4.5%	5.1%	4.9%




### Acquisition of properties with fixed-rent contracts

By adding properties with fixed-rent contracts to its portfolio, PRI strengthens its revenue and earnings stability and decreases the risks associated with leasing and tenant turnover. PRI has set a target of approximately 10% of its total portfolio to consist of properties with fixed-rent contracts within the next two years.

Property Number	F026	S023	S024
Property Name	<b>Prospect Nishi-Sugamo</b>	<b>Sky Hills N15</b>	<b>Sky Hills Sakaimachi</b>
Photo			
Location	5-6-5 Takinogawa, Kita-ku, Tokyo	3-21-319 Kita-jyugojo-nishi, Kita-ku, Sapporo-shi, Hokkaido	4-19-1 Sakaimachi, Chitose-shi, Hokkaido
Acquisition Price (Millions of Yen)	1,419	932	1,115
Acquisition Date	March 30, 2007	May 31, 2007	May 31, 2007
Completion Date	June 2006	March 2000	February 2002
Structure	RC/15F	SRC/RC/15F	RC/10F
Total Leasable Floor Space	2,023.42 sq m	4,754.86 sq m	6,775.39 sq m
Total No. of Leasable Residential Units	42	111	134
Direct DCF Yield	5.1%	5.8%	6.3%
Property Number	S025	S026	
Property Name	<b>Domy Chitose</b>	<b>Sky Hills Takadai I</b>	
Photo			
Location	2-5-10 Takadai, Chitose-shi, Hokkaido	4-1-6 Takadai, Chitose-shi, Hokkaido	
Acquisition Price (Millions of Yen)	592	691	
Acquisition Date	May 31, 2007	May 31, 2007	
Completion Date	March 1999	January, 1992	
Structure	RC/6F	SRC/11F	
Total Leasable Floor Space	3,383.02 sq m	4,712.47 sq m	
Total No. of Leasable Residential Units	111	120	
Direct DCF Yield	6.9%	6.5%	

### Acquisition of properties in good locations and with strong potential for high occupancy rates



Property Number	S021	S027	S028
Property Name	<b>Prospect Kawaramachi-Gojo</b>	<b>Exceria Ikebukuro West II</b>	<b>Prospect Monzennakacho</b>
Photo			
Location	758-6 Nishihashizume-cho, Gojo Noboru, Teramachidori, Shimogyo-ku, Kyoto	1-13-4, Kanamecho, Toshima-ku, Tokyo	2-2-3, Hiranocho, Koto-ku, Tokyo
Acquisition Price (Millions of Yen)	803	1,020	1,250
Acquisition Date	March 15, 2007	June 28, 2007	June 28, 2007
Completion Date	January 2007	September 2006	January 2007
Structure	RC/12F	RC/13F	RC/9F
Total Leasable Floor Space	1,528.12 sq m	1,379.52 sq m	1,790.56 sq m
Total No. of Leasable Residential Units	52	48	62
Direct DCF Yield	5.1%	4.8%	4.9%

### Active Replacement Strategy

**Results in Fifth fiscal period (up to November 30, 2007) : PRI acquired 6 properties and sold 1 property**

#### Acquisition



Property Name	Prospect KALON Minowa
Acquisition Date	September 7, 2007
Location	Taito-ku, Tokyo
Acquisition Price	JPY1,930 million
Structure	RC15F with B1
Completion Date	February 2007
Total No. of Leasable Residential Units	82
Total Leasable Floor Space	3,032.37 sq m
Direct DCF Yield	5.0%



Property Name	Prospect Nihonbashi Koamicho
Acquisition Date	October 19, 2007
Location	Chuo-ku, Tokyo
Acquisition Price	JPY 946 million
Structure	SRC 10F
Completion Date	March, 2007
Total No. of Leasable Residential Units	37
Total Leasable Floor Space	1,364.02 sq m
Direct DCF Yield	4.9%



Property Name	Prospect Kawasaki
Acquisition Date	October 19, 2007
Location	Kawasaki, Kanagawa
Acquisition Price	JPY 1,717 million
Structure	RC 14F
Completion Date	August, 2006
Total No. of Leasable Residential Units	52
Total Leasable Floor Space	3,377.53m <sup>2</sup>
Direct DCF Yield	5.2%



Property Name	Palais D'Or Maruyama
Acquisition Date	October 19, 2007
Location	Sapporo, Hokkaido
Acquisition Price	JPY 1,250 million
Structure	SRC 10F
Completion Date	November, 1989
Total No. of Leasable Residential Units	64
Total Leasable Floor Space	4,678.32m <sup>2</sup>
Direct DCF Yield	5.7%



Property Name	Prospect Nakanoshima
Acquisition Date	October 19, 2007
Location	Osaka, Osaka
Acquisition Price	JPY 1,000 million
Structure	RC 14F
Completion Date	August, 2006
Total No. of Leasable Residential Units	63
Total Leasable Floor Space	1,572.48 sq m
Direct DCF Yield	5.2%



Property Name	Prospect Ogikubo
Acquisition Date	November 7, 2007
Location	Suginami-ku, Tokyo
Acquisition Price	JPY 880 million
Structure	RC 5F
Completion Date	February, 2007
Total No. of Leasable Residential Units	40
Total Leasable Floor Space	1,106.63 sq m
Direct DCF Yield	4.6%

#### Acquired 6 Properties

Total Acquisition Prices :

**JPY 7,723 million**

Total Leasable Floor Space :

**15,131.25 sq m**

Total No. of Leasable

Residential Units : **338**

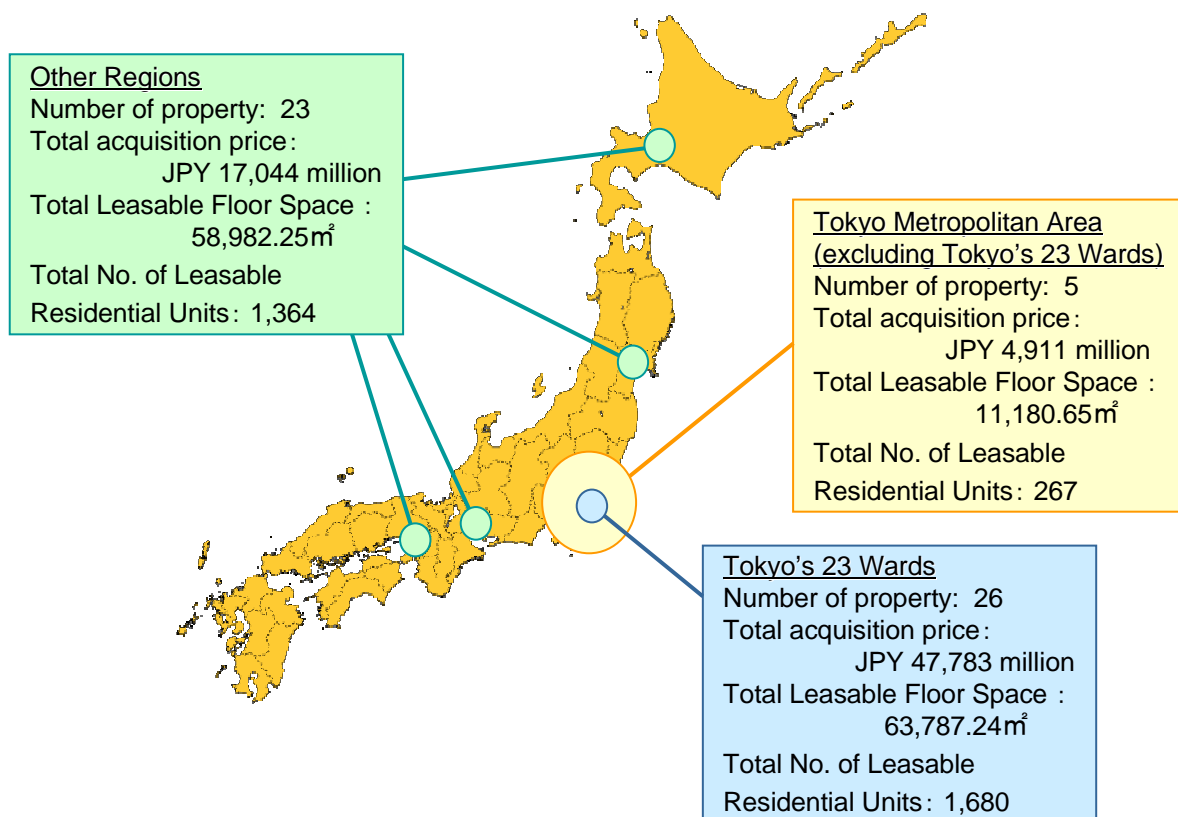
#### Sales

Property Code	F013
Property Name	Garden City Kita-Toda
Location (Address)	4-40-1 Sasame, Toda City, Saitama
Sales Price	JPY 811 million
Book Value	JPY 724 million
Gains on sale of real estate	JPY 80 million (approx.)
Sales Date	August 31, 2007

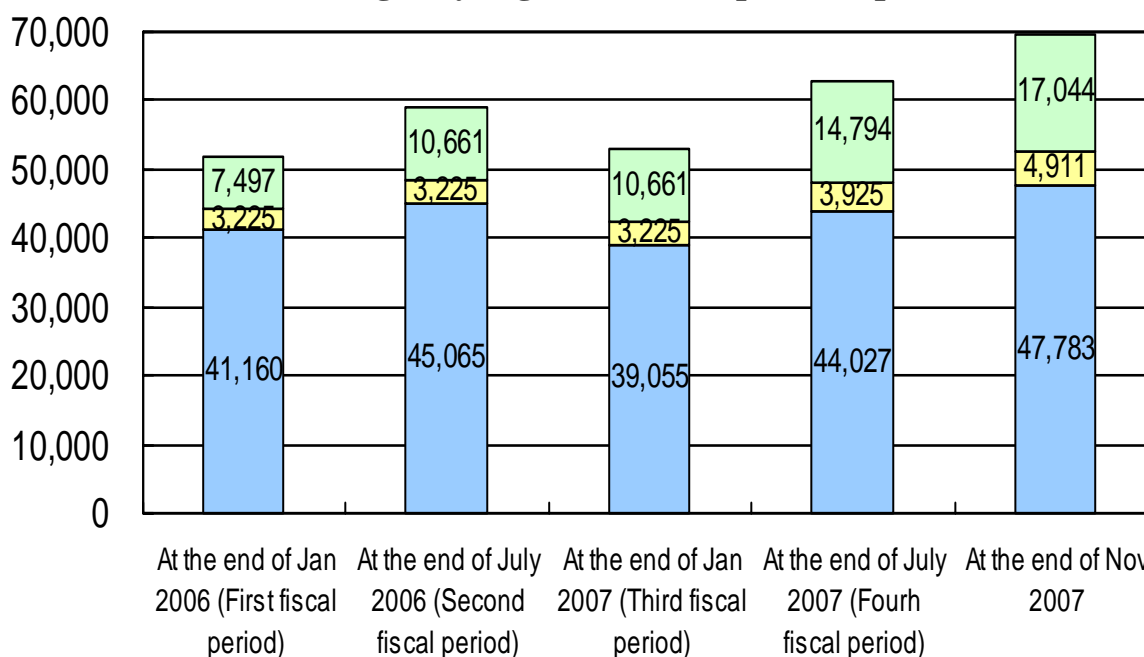


## Geographic diversification

(As of November 30, 2007)



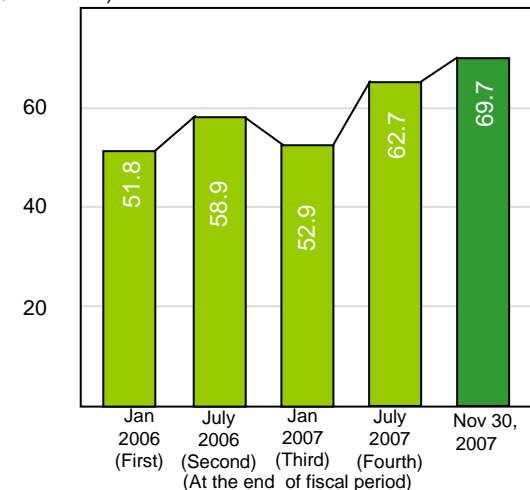
**Portfolio changes by region on an acquisition price basis** (JPY million)



■ Tokyo's 23 Wards 
 ■ Tokyo Metropolitan Area (excluding Tokyo's 23 Wards) 
 ■ Other Regions

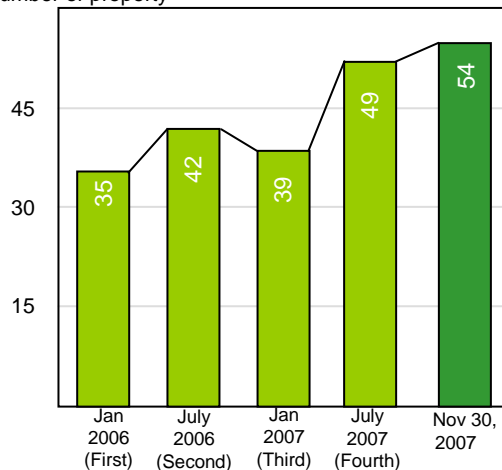
## Portfolio growth on an acquisition-price basis

(JPY billion)

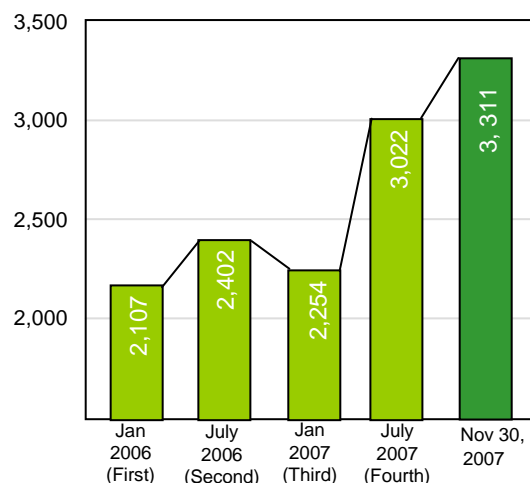


## Number of properties in the portfolio

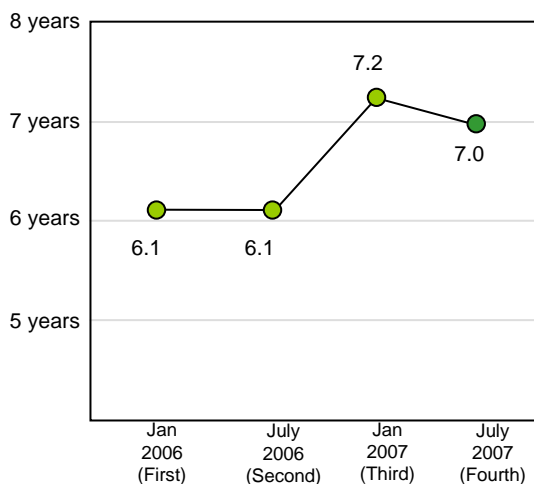
Number of property



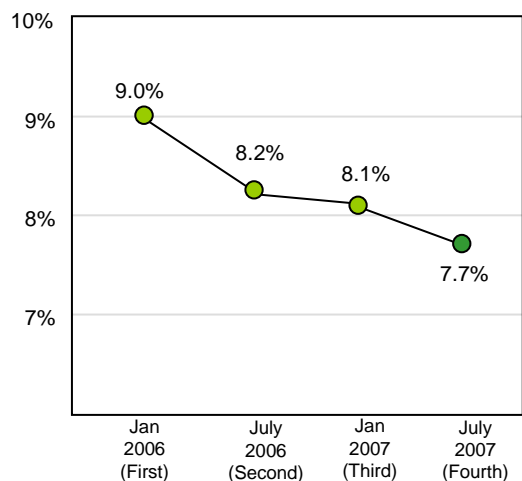
## Total No. of leased residential units



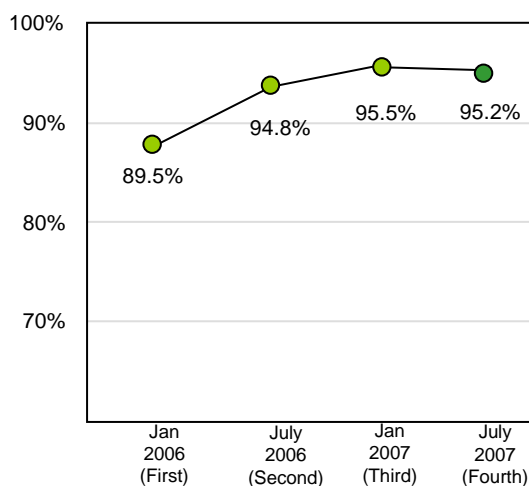
## Average age of property since completion on a weighted-average basis



## Portfolio PML



## Occupancy rate by space



## Planned large-scale renovations to raise property values

### U House Gokiso

Before large-scale renovations



- ◆ Waterproofing work on building roofs
- ◆ Renovation work and exterior painting
- ◆ Installment of large dividers on balconies and in open corridors
- ◆ Color coordination design

After large-scale renovations



May 2007	July 2007	September 2007
88.3%	86.8%	<b>93.6%</b>

Completion of Renovation Works

As of September, 2007, the occupancy rate rose by five percentage points compared with May, 2007.

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

Property Name	Purpose	Planned period	Planned work amount (millions of yen)
SK Residence	Large-scale repair work	Late November 2007	29.0
Deim-Hashimoto	Painting of steel parts and replacement of a large sheet at the RC staircase and corridors	Early November 2007	10.5
BELNOS 34	Water-supply, sewerage, and sanitation facilities	Late September 2007	8.5
Dome Yotsuya	Large-scale repair work	Early October 2007	6.0
Takasagoseki Nibankan	Replacement of waterproofing material	Mid-October 2007	5.2
Abreast Shin-Osaka	Replacement of water-supply meters and water-heater meters	Mid-November 2007	5.2

## 4. Internal Growth Strategy

### Cost reduction efforts under way

#### Reduction of building management fees      Reduction of common area maintenance fees and utility rates

Maison de Ville Takanawa Gyozanzaka  
 Maison de Ville Azabudai  
 Park Terrace Ebisu  
 Prospect Kiyosumi-Teien  
 Prospect Omori-Kaigan  
 Angel Heim Nishi-Rokugo No.2  
 Prospect Dogenzaka  
 Roppongi Rise House  
 TK Flats Shibuya  
 Prospect Shinonomebashi  
 Fragrance Kawasaki  
 TK Flats Denenchofu Annex  
 Deim-Hashimoto  
 O Fort Nishi-Kasai  
 Living Stage Minami-Sendai  
 Living Stage Higashi-Sendai  
 Takasagoseki Nibankan  
 Prospect Glarsa Hiroo  
 SK Residence  
 Prospect Onshi-Koen

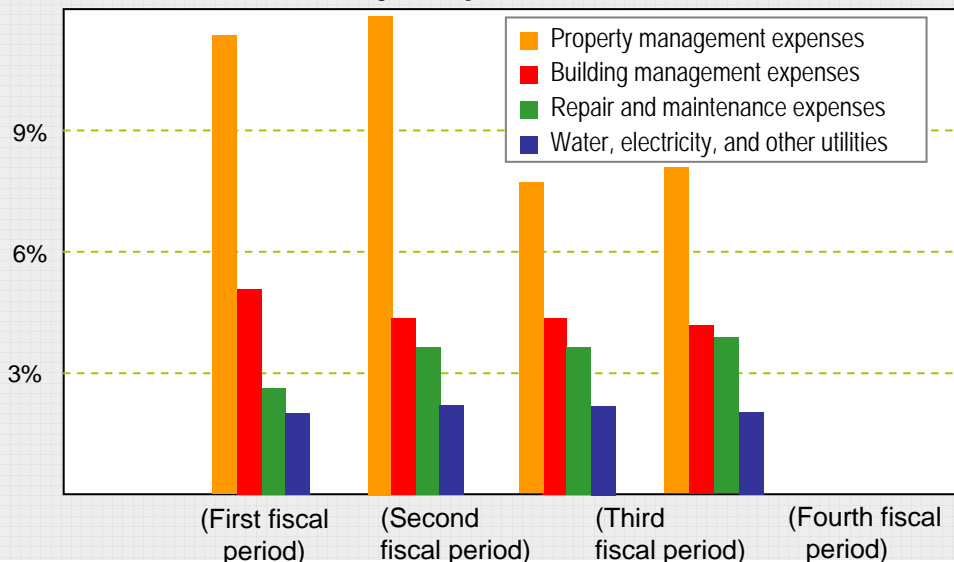
Achieved reduction of approximately JPY 13 million on an annual basis

Takasagoseki Nibankan  
 U House Daikan-Cho  
 U House Tsurumai II  
 U House Gokiso  
 Abreast Sakuragawa  
 Abreast Nagase  
 Prospect Shinonomebashi  
 Maison de Ville Azabudai  
 Prospect Omori-Kaigan  
 Maison de Ville Naka-Meguro  
 Prospect Kiyosumi-Teien  
 Park Terrace Ebisu  
 BELNOS 34  
 Prospect Dogenzaka  
 Garden City Kita-Toda  
 Prospect Glarsa Hiroo

Achieved reduction of approximately JPY 2.4 million on an annual basis

(Percent of shares\*)

#### Major expense items



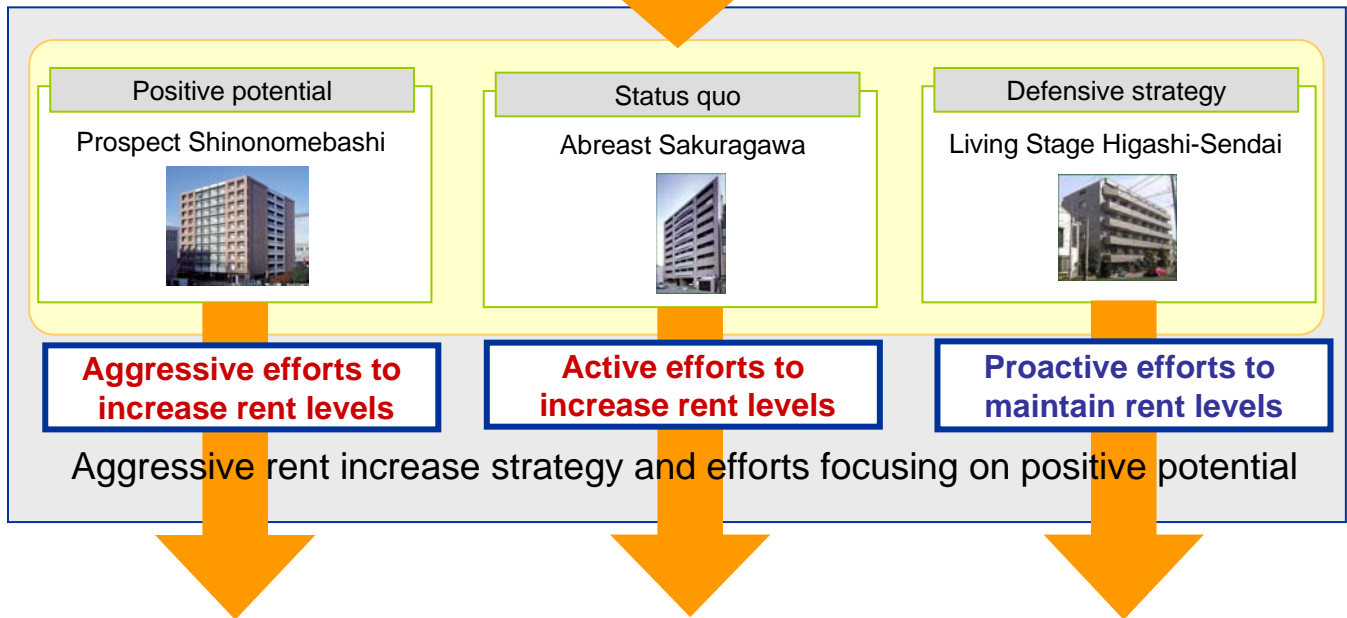
\* Percent of shares to total leasing revenues, excluding capital gains on sales of real estate.

**Actively pursuing rent increase strategy**

PRI carried out rent increases at properties mainly in the Tokyo Metropolitan area, including Prospect Shinonomebashi and Prospect Glarsa Hiroo

**Rent increases: 121 contracts** primarily in city centers  
 Rent decreases: 61 contracts mainly in regional areas

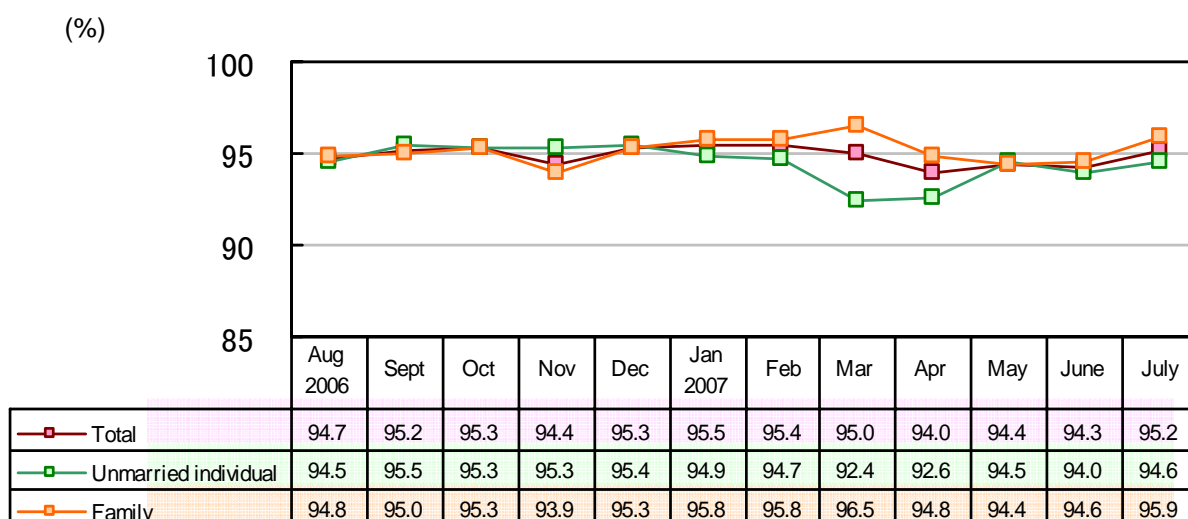
Analyzing local leasing market and property characteristics



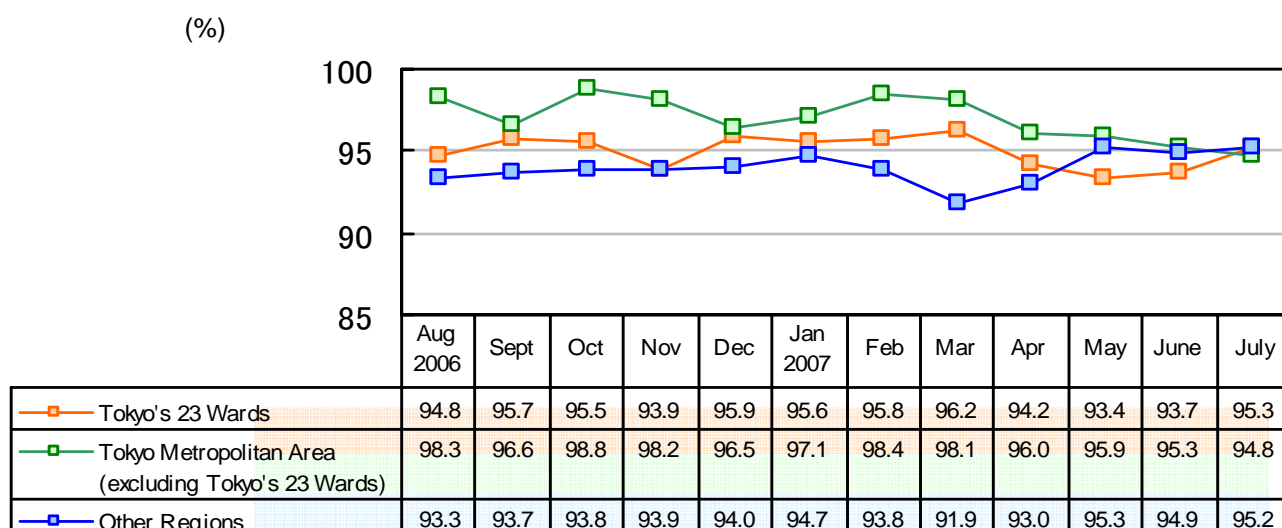
PRI will endeavor to raise average rent levels.

## Occupancy rate

### Occupancy rate by type of unit (floor-space basis)



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



### Received a long-term issuer credit rating of A–

In July 2007, PRI received a long-term issuer credit rating of A– for long-term senior debt from Japan Credit Rating Agency, Ltd. PRI aims to diversify repayment periods of debts, obtain fixed-interest rates, and issue unsecured investment corporation bonds.

Long-term issuer credit rating for long-term senior debt	<b>A– (single A minus)</b>	Outlook: Stable
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- The rating of long-term senior debts represents an assessment of an obligor's financial capacity to pay their overall financial obligations.
- This rating differs from ratings concerning specific financial obligations, which take into account the nature and provisions of the obligation and its senior/subordinate status, as well as the obligor's standing in terms of bankruptcy or liquidation. (Source: JCR's English Web site)
- For further details of the rating, please refer to JCR's Web sites: <http://www.jcr.co.jp/english/> (English); <http://www.jcr.co.jp/> (Japanese) .

### Issuance of the First Series Unsecured Investment Corporation Bonds

In September 2007, PRI submitted a registration for issuance of investment corporation bonds to the Kanto Finance Office of the Financial Services Agency, applying for approval to a maximum issuance of JPY 50,000 million up to the period ending September 2009

Following this, in October 2007 PRI issued its **First Series Unsecured Investment Corporation Bonds totaling JPY 5,000 million, a two-year bond issue** with a floating interest rate (six-month LIBOR plus 100 bps).

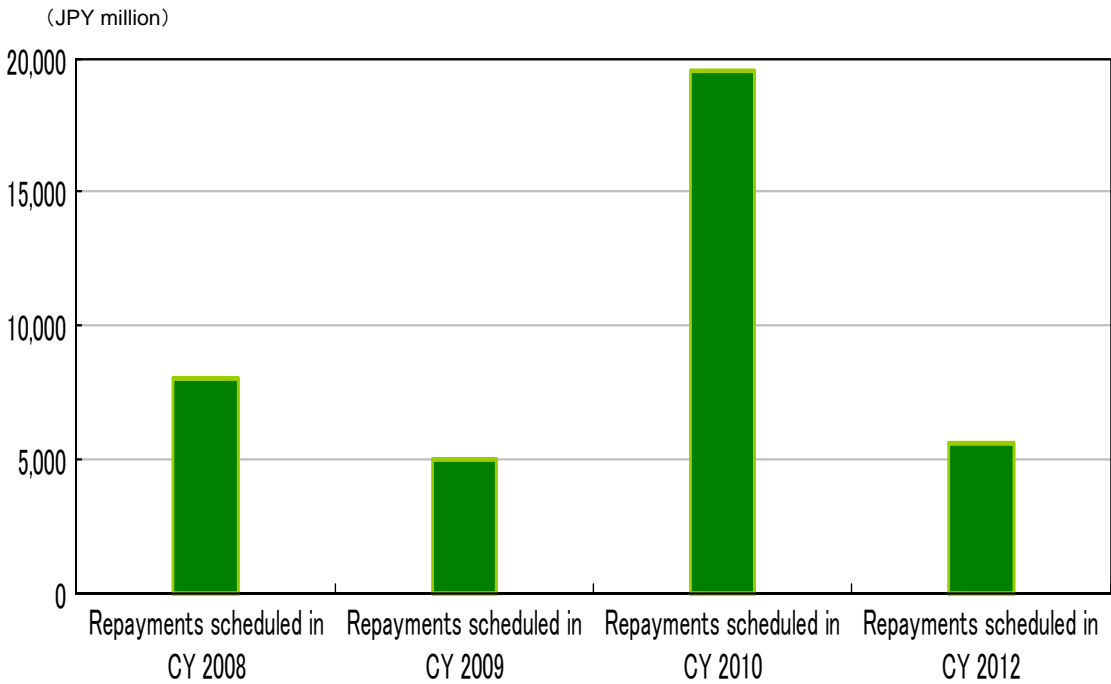
Subsequently, PRI concluded an interest swap contract covering the entire investment corporation bonds issue totaling JPY 5,000 million.

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

### Contracts for the purchase of yen interest rate caps

In July and August 2007, PRI concluded four contracts for the purchase of yen interest rate caps covering a total of JPY 20,000 million in debt financing (bank borrowings), with the goal of hedging against the risk of increases in interest rates. The strike rate for three of the contracts (totaling JPY 15,000 million) is 1.0%, with the remaining corridor-type contract (totaling JPY 5,000 million) having a first strike of 1.0% and second strike of 2.0%.

**Diversification of repayment periods (maturity ladder chart)**





## 6. APPENDIX

## Fourth Fiscal Period (February 1, 2007 to July 31, 2007)

(Thousand of yen)	Fourth Fiscal Period		Third Fiscal Period		Change	
Operating revenues	2,148,292	100.0	2,231,175	100.0	△82,883	△3.7
Real estate rental revenues	1,884,684		1,809,251			
Other rental revenues	146,548		326,161			
Gain on sale of real estate	117,059		95,762			
Operating expenses	1,176,267	54.8	1,227,234	55.0	△50,967	△4.2
Real estate rental expenses	918,295		852,118			
Loss on sale of real estate	—		130,567			
Asset management fees	132,273		115,738			
Custodian fees	3,181		2,962			
Administrative service fees	20,249		16,978			
Directors' fees	4,800		3,600			
Bad debt loss	97,467		105,268			
Operating income	972,025	45.2	1,003,941	45.0	△31,915	△3.2
Non-operating income	900	0.0	407	0.0	493	121.1
Interest income	883		245			
Other non-operating income	16		162			
Non-operating expenses	262,190	12.2	259,773	11.6	2,416	0.9
Interest expense	172,163		121,319			
Debt-related expenses	87,332		137,244			
Other non-operating expenses	2,693		1,209			
Ordinary income	710,735	33.0	744,574	33.4	△33,839	△4.5
Income before income taxes	710,735	33.0	744,574	33.4	△33,839	△4.5
Income taxes	1,182	0.0	1,002	0.0	180	18.0
Net income	709,552	33.0	743,572	33.3	△34,019	△4.6
Retained earnings brought forward	11		4		7	177.3
Retained earnings at the end of period	709,564		743,576		△34,012	△4.6

## Fourth Fiscal Period (As of July 31, 2007)

(Thousand of yen)		Fourth Fiscal Period		Third Fiscal Period		Change	
ASSETS	Current assets	3,559,271	5.3	3,006,108	5.3	553,162	18.4
	Cash and deposits	1,671,760		1,375,115			
	Entrusted cash and deposits	1,652,851		1,498,817			
	Derivative assets	3,258		2,962			
	Other current assets	231,401		129,212			
	Fixed assets	64,030,194	94.7	53,749,749	94.7	10,280,399	19.1
	Property and equipment	63,810,145		53,732,698			
	Buildings	794,683		807,663			
	Land	794,545		794,545			
	Entrusted buildings	27,280,777		23,008,657			
	Entrusted land	34,940,138		29,121,832			
	Intangible assets	5,168	0.0	5,889	0.0	△721	△12.2
	Other intangible assets	5,168		5,889			
Investments and other assets	214,879	0.3	11,206	0.0	203,673	—	
Total assets	67,589,465	100.0	56,755,902	100.0	10,833,562	19.1	
LIABILITIES	Current liabilities	9,333,141	13.8	20,654,822	36.4	△11,321,681	△54.8
	Operating payables	308,354		417,212			
	Short-term debt	8,800,000		7,279,306			
	Current portion of long-term debt	—		12,747,125			
	Advances received	224,786		211,177			
	Fixed liabilities	22,939,398	33.9	732,702	1.3	22,206,695	—
	Long-term debt	805,398		732,702			
Leasehold and security deposits	22,134,000		—				
Total liabilities	32,272,539	47.7	21,387,525	37.7	10,885,013	50.9	
NET ASSETS	Unitholders' capital	35,331,402	52.3	35,365,414	62.3	△34,012	△0.1
	Unitholders' capital	34,621,838		34,621,838			
	Retained earnings	709,564		743,576			
	Evaluation and conversions	△14,476	△0.0	2,962	0.0	△17,438	—
	Earnings on differed hedge transactions	△14,476		2,962			
Total net assets	35,316,925	52.3	35,368,377	62.3	△51,451	△0.1	
Total liabilities and net assets		67,589,465	100.0	56,755,902	100.0	10,833,562	19.1

## Interest-bearing debt balance (at the end of the Fourth Fiscal Period as of July 31, 2007)

(Millions of yen unless otherwise stated)

	Lender	Drawdown Date	Debt Financing / Repayment	Average Interest Rate (%)	Interest Rate	Maturity / Repayment Date	Remarks
Short-term borrowings	Aozora Bank, Ltd., The Norinchukin Bank	April 16, 2007	1,700	1.649	Floating	September 28, 2007	Secured
	Aozora Bank, Ltd., The Norinchukin Bank	May 31, 2007	1,600	1.850	Floating	May 30, 2008	Secured
	Aozora Bank, Ltd., The Norinchukin Bank	June 28, 2007	2,000	1.850	Floating	June 27, 2008	Secured
	Mitsubishi UFJ Trust and Banking Corporation	March 30, 2007	1,500	1.354	Floating	September 28, 2007	Secured
	The Tokyo Star Bank, Ltd.	May 31, 2007	2,000	1.550	Floating	May 30, 2008	Secured
Long-term borrowings	Aozora Bank, Ltd.	March 15, 2007	4,875	1.600	Floating	March 15, 2010	Secured
	Sumitomo Mitsui Banking Corporation		2,925		Floating		
	The Sumitomo Trust & Banking Corporation		975		Floating		
	The Musashino Bank, Ltd.		975		Floating		
	The Norinchukin Trust & Banking Corporation		9,262		Floating		
	NTT Finance Corp.		487		Floating		
	The Norinchukin Trust & Banking Corporation	June 28, 2007	2,634	1.800	Floating	July 31, 2012	Secured
			30,934				

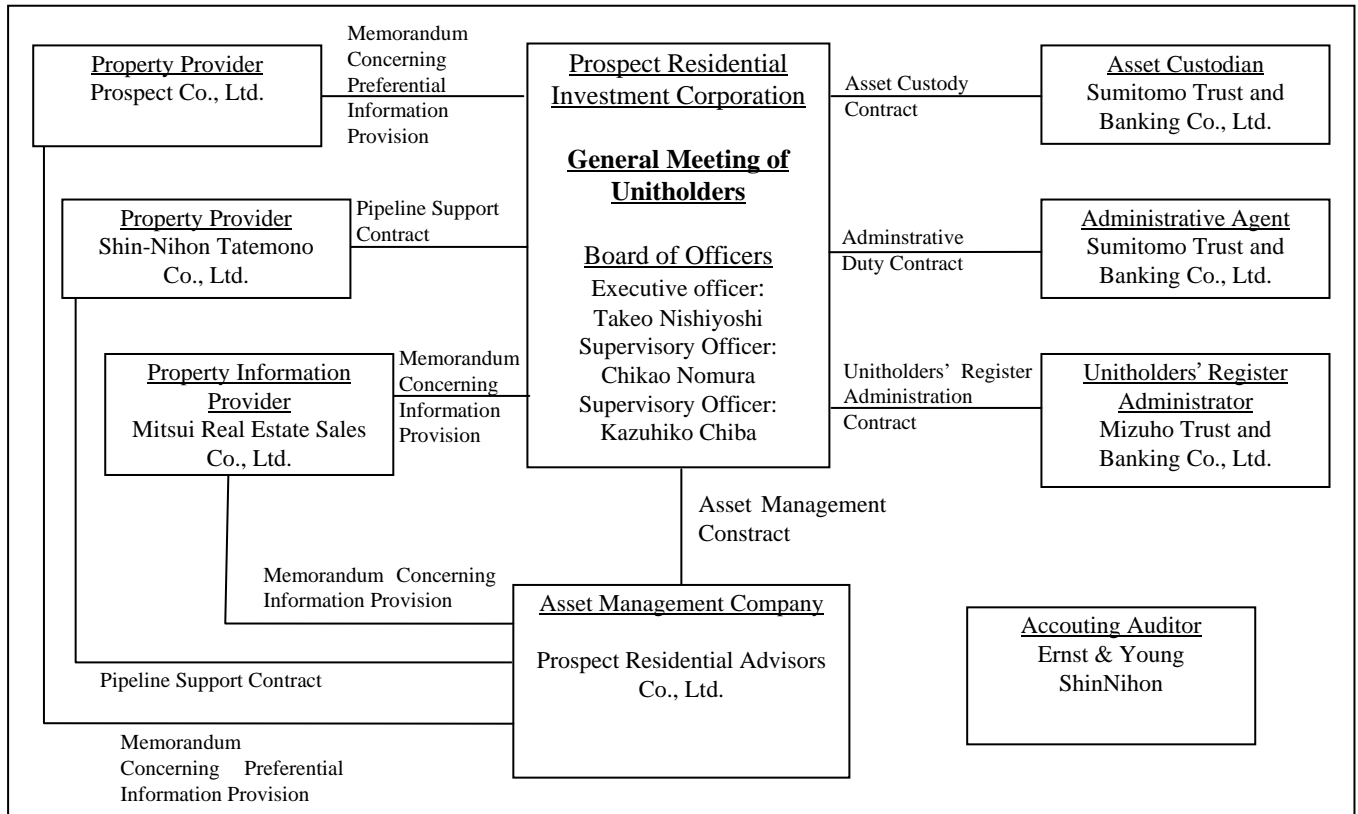
## Debt financing, repayment, and issuance of bonds (up to November 30, 2007)

(Millions of yen unless otherwise stated)

	Lender	Drawdown Date	Debt Financing / Repayment	Interest Rate	Maturity / Repayment Date	Remarks
Debt Financing	Lehman Brothers Japan Inc.	September 7, 2007	2,924	Floating	October 31, 2012	Secured
	Aozora Bank, Ltd., The Norinchukin Bank	September 7, 2007	2,400	Floating	September 5, 2008	Secured
Repayment	Mitsubishi UFJ Trust and Banking Corporation	March 30, 2007	1,500	Floating	September 7, 2007	Secured
	Aozora Bank, Ltd., The Norinchukin Bank	April 16, 2007	1,700	Floating	September 7, 2007	Secured
	The Norinchukin Trust & Banking Corporation Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation The Sumitomo Trust & Banking Corporation The Musashino Bank, Ltd. NTT Finance Corp.	March 15, 2007	500	Floating	August 31, 2007	Secured
Issuance	First Series Unsecured Investment Corporation Bonds	October 12, 2007	5,000	Six-month LIBOR plus 100 bps	October 9, 2009	Unsecured

# Prospect Residential Investment Corporation

## Structure of the Investment Corporation

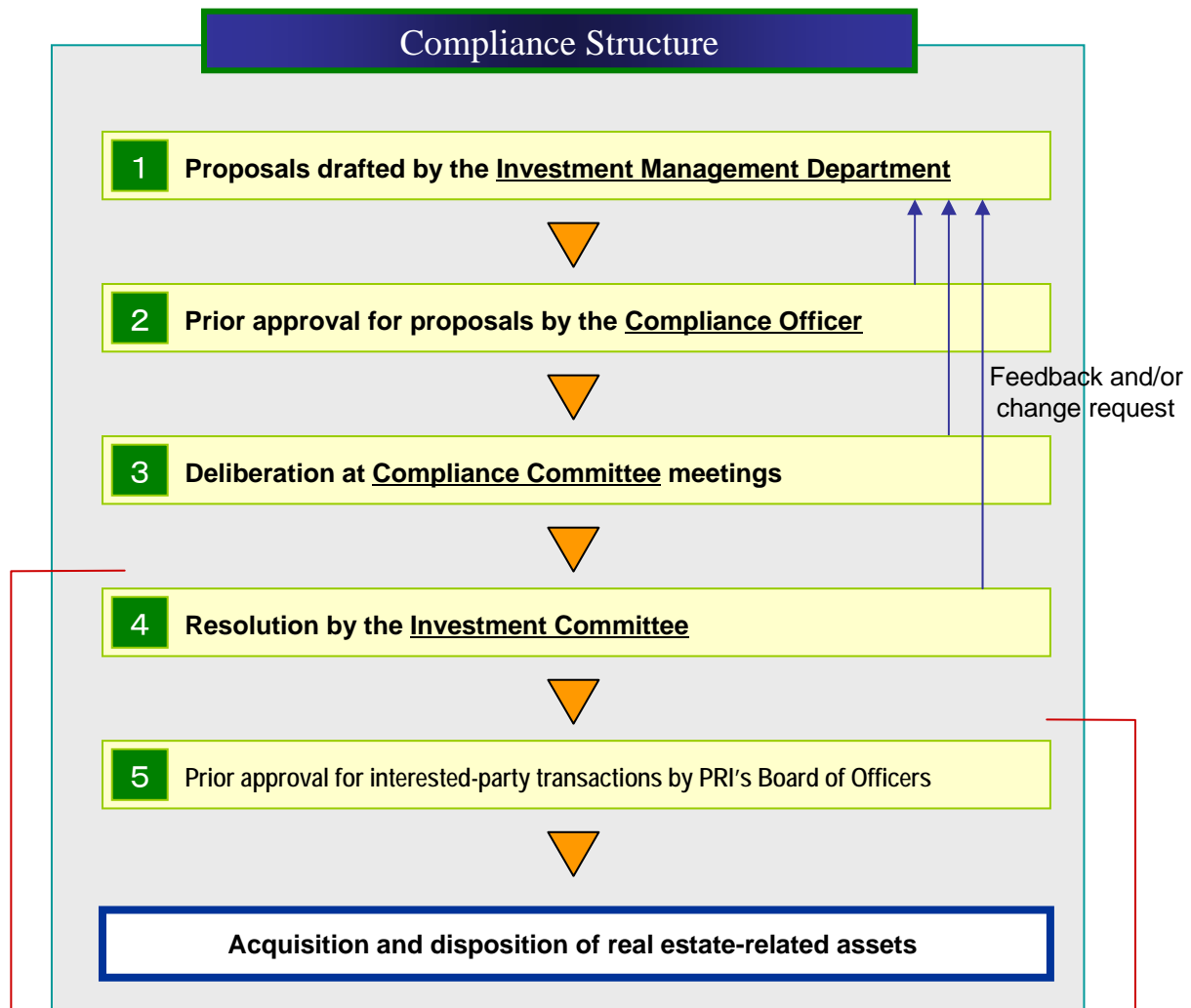


At the Third Meeting of Unitholders held on April 11, 2007, Executive Officer Takeo Okada resigned and was replaced by Takeo Nishiyoshi.

Title	Name	Career Summary		Number of Investment Units Held
Executive Officer	Takeo Nishiyoshi	Apr. 1988	Entered the Supreme Court Legal Training and Research Institute of Japan	0
		Apr. 1990	Admission to the Bar (The Daini Tokyo Bar Association) Entered the law firm Saruyama & Fujimaki	
		Jun. 2004	Opened the law firm Saruyama, Nishiyoshi & Sasaki (present post)	
		Apr. 2007	Appointed Executive Officer, Prospect Residential Investment Corporation (present post)	

## 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.

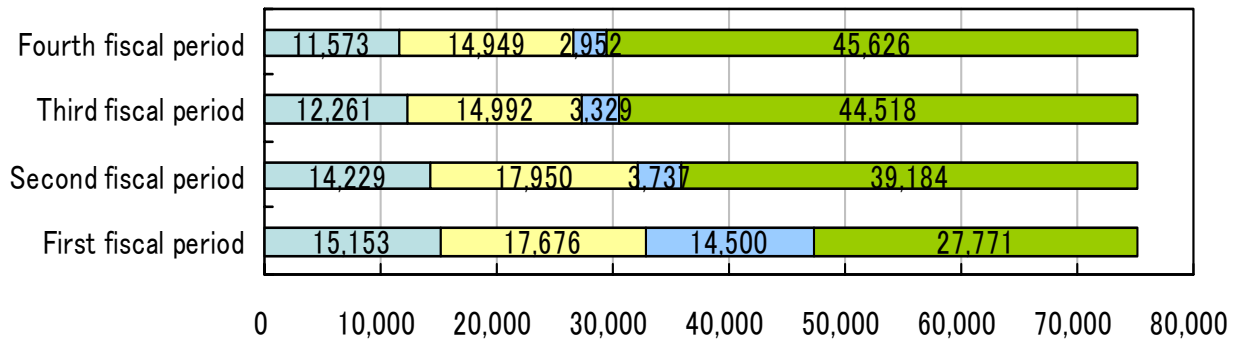
### **Investment Committee Members**

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

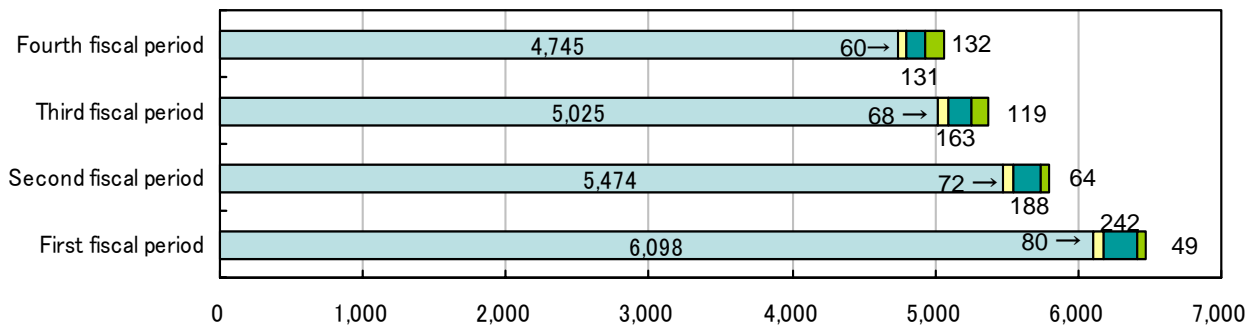
## Unitholder Composition

- Individuals and others
- Japanese corporations
- Financial institutions (including securities companies)
- Foreign investors (individuals and corporations)

**Number of investment units held by type of unitholders**



**Number of unitholders by type of unitholders**



## Major Unitholders

(As of July 31, 2007)

Name of unitholder	Number of investment units held	Percentage share of total number of outstanding investment units
Morgan Stanley & Co. Incorporated	10,809	14.4%
State Street Bank and Trust Company 506155	7,173	9.6%
NikkoCiti Trust and Banking Corporation (Investment trust account)	4,613	6.1%
CGML-IPB Customer Collateral account	3,346	4.5%
HSBC Bank Plc, Clients Non-tax Treaty	2,881	3.8%
Deutsche Bank AG London PB Non-Treaty Clients 613	2,115	2.8%
Japan Trustee Services Bank, Ltd. (Trust account)	1,708	2.3%
The Bank of New York, Treaty JASDEC Account	1,574	2.1%
HSBC Fund Services Account 006 JF	1,424	1.9%
Goldman Sachs International	1,379	1.8%
<b>Total</b>	<b>37,022</b>	<b>49.3%</b>



S001	TK Flats Shibuya
Acquisition Price	JPY 6,399 million
Acquisition Date	July, 2005
Completion Date	November, 2002
Total Leasable Floor Space	6,903.54 sq m
NOI (fourth period)	141,517 thousand



F019	Prospect Glarsa Hiroo
Acquisition Price	JPY 3,905 million
Acquisition Date	February, 2006
Completion Date	November, 2005
Total Leasable Floor Space	3,846.27 sq m
NOI (fourth period)	JPY 109,559 thousand



S002	Prospect Shinonomebashi
Acquisition Price	JPY 3,353 million
Acquisition Date	July, 2005
Completion Date	March, 2004
Total Leasable Floor Space	4,849.20 sq m
NOI (fourth period)	JPY 93,800 thousand



F001	Prospect Kiyosumi-Teien
Acquisition Price	JPY 2,780 million
Acquisition Date	July, 2005
Completion Date	February, 2002
Total Leasable Floor Space	5,556.73 sq m
NOI (fourth period)	JPY 77,752 thousand



S003	Maison de Ville Azabudai
Acquisition Price	JPY 2,720 million
Acquisition Date	July, 2005
Completion Date	May, 2001
Total Leasable Floor Space	2,567.09 sq m
NOI (fourth period)	JPY 53,111 thousand



F002	Park Terrace Ebisu
Acquisition Price	JPY 2,712 million
Acquisition Date	July, 2005
Completion Date	October, 2000
Total Leasable Floor Space	2,705.09 sq m
NOI (fourth period)	JPY 63,735 thousand



F003	BELNOS 34
Acquisition Price	JPY 2,534 million
Acquisition Date	July, 2005
Completion Date	May, 1991
Total Leasable Floor Space	5,321.89 sq m
NOI (fourth period)	JPY 65,830 thousand



F004	Prospect Dogenzaka
Acquisition Price	JPY 2,294 million
Acquisition Date	July, 2005
Completion Date	February, 2005
Total Leasable Floor Space	2,058.53 sq m
NOI (fourth period)	JPY 50,028 thousand



S006	Abreast Shin-Osaka
Acquisition Price	JPY 1,826 million
Acquisition Date	July, 2005
Completion Date	March, 1996
Total Leasable Floor Space	2,984.64 sq m
NOI (fourth period)	JPY 56,474 thousand



Code	Property Name	Acquisition Price (Millions of Yen)	Percentage Share of Total (%)	Appraisal Value (Millions of Yen)	Acquisition Date
S001	TK Flats Shibuya	6,399	10.2	6,450	July 12, 2005
S002	Prospect Shinonomebashi	3,353	5.3	3,490	July 12, 2005
S003	Maison de Ville Azabudai	2,720	4.3	2,720	July 14, 2005
S004	Maison de Ville Takanawa Gyoranzaka	1,768	2.8	1,820	July 14, 2005
S005	Prospect Omori-Kaigan	1,807	2.9	1,830	July 14, 2005
S006	Abreast Shin-Osaka	1,826	2.9	1,934	July 12, 2005
S007	Maison de Ville Naka-Meguro	1,189	1.9	1,220	July 14, 2005
S008	Roppongi Rise House	1,184	1.9	1,140	July 12, 2005
S009	Prospect Nihonbashi-Honcho	1,070	1.7	1,030	July 12, 2005
S011	Fragrance Kawasaki	624	1.0	610	July 12, 2005
S012	Abreast Sakuragawa	516	0.8	486	July 12, 2005
S013	Dome Takamine	322	0.5	269	July 12, 2005
S014	Dome Yotsuya	275	0.4	232	July 12, 2005
S015	TK Flats Denenchofu Annex	249	0.4	216	July 12, 2005
S016	Abreast Nagase	209	0.3	183	July 12, 2005
S017	Living Stage Higashi-Sendai	435	0.7	419	August 31, 2005
S018	Prospect Toyonaka Hattori	396	0.6	452	February 10, 2006
S019	Prospect Bishoen	376	0.6	385	February 15, 2006
S020	Prospect Shimogamo	411	0.7	388	March 15, 2006
S021	Prospect Kawaramachi-Gojo	803	1.3	804	March 15, 2007
S022	Prospect Chuo-Rinkan	700	1.1	700	March 15, 2007
S023	Sky Hills N15	932	1.5	950	May 31, 2007
S024	Sky Hills Sakaimachi	1,115	1.8	1,120	May 31, 2007
S025	Domy Chitose	592	0.9	598	May 31, 2007
S026	Sky Hills Takaodai I	691	1.1	694	May 31, 2007
S027	Exceria Ikebukuro West II	1,020	1.6	996	June 28, 2007
S028	Prospect Monzennakacho	1,250	2.0	1,220	June 28, 2007
F001	Prospect Kiyosumi-Teien	2,780	4.4	2,930	July 14, 2005
F002	Park Terrace Ebisu	2,712	4.3	2,680	July 14, 2005
F003	BELNOS34	2,534	4.0	2,380	July 12, 2005
F004	Prospect Dogenzaka	2,294	3.7	2,170	July 12, 2005
F005	U House Daikan-Cho	1,548	2.5	1,427	July 12, 2005
F006	U House Gokiso	1,406	2.2	1,344	July 12, 2005
F007	Angel Heim Nishi-Rokugo No.2	1,401	2.2	1,344	July 14, 2005
F008	Prospect Onshi-Koen	1,196	1.9	1,260	July 12, 2005
F009	Deim-Hashimoto	992	1.6	1,030	July 14, 2005
F010	SK Residence	1,020	1.6	976	July 12, 2005
F012	Garden City Urawa	878	1.4	868	July 12, 2005
F013	Garden City Kita-Toda	731	1.2	724	July 12, 2005
F014	U House Tsurumai II	685	1.1	560	July 12, 2005
F017	Living Stage Minami-Sendai	275	0.4	279	August 31, 2005
F019	Prospect Glarsa Hiroo	3,905	6.2	4,500	February 15, 2006
F020	Prospect Katsura	570	0.9	565	March 3, 2006
F021	Crown Heim Nishi-Tanabe	601	1.0	598	March 3, 2006
F022	Takasagoseki Nibankan	810	1.3	810	March 15, 2006
F023	Prospect Machiya	547	0.9	557	November 7, 2006
F024	Prospect Hatsudai	730	1.2	732	March 15, 2007
F025	Prospect Morishita	1,480	2.4	1,510	March 15, 2007
F026	Prospect Nishi-Sugamo	1,419	2.3	1,420	March 30, 2007
Total		62,746	100.0	63,025	

(Fourth fiscal period results)

Code	Property Name	Location	Total Leasable Floor Space	Total Leased Floor Space	Total No. of Leasable Residential Units	Total No. of Leased Residential Units	Total Monthly Rental Revenues (Thousands of Yen)	Number of tenants	Occupancy Ratio (By Space)
S001	TK Flats Shibuya	Shibuya-ku, Tokyo	6,903.54	5,926.79	194	167	26,867	85.9	86.1
S002	Prospect Shinonomebashi	Koto-ku, Tokyo	4,849.20	4,672.36	171	165	17,431	96.4	96.5
S003	Maison de Ville Azabudai	Minato-ku, Tokyo	2,567.09	2,285.77	91	82	11,342	89.0	90.1
S004	Maison de Ville Takanawa Gyoranzaka	Minato-ku, Tokyo	1,778.37	1,753.32	70	69	8,558	98.6	98.6
S005	Prospect Omori-Kaigan	Ota-ku, Tokyo	2,478.04	2,478.04	89	89	8,955	100.0	100.0
S006	Abreast Shin-Osaka	Osaka-shi, Osaka	2,984.64	2,734.32	92	84	17,152	91.6	91.3
S007	Maison de Ville Naka-Meguro	Meguro-ku, Tokyo	1,275.00	1,173.00	50	46	5,521	92.0	92.0
S008	Roppongi Rise House	Minato-ku, Tokyo	1,209.87	1,094.63	34	30	4,892	90.5	88.2
S009	Prospect Nihonbashi-Honcho	Chuo-ku, Tokyo	1,290.49	1,245.59	50	49	5,393	96.5	98.0
S011	Fragrance Kawasaki	Kawasaki-shi, Kanagawa	1,065.96	1,044.40	45	44	3,649	98.0	97.8
S012	Abreast Sakuragawa	Osaka-shi, Osaka	1,009.92	967.92	48	46	2,868	95.8	95.8
S013	Dome Takamine	Nagoya-shi, Aichi	946.04	790.28	36	30	1,642	83.5	83.3
S014	Dome Yotsuya	Nagoya-shi, Aichi	765.90	618.02	36	29	1,391	80.7	80.6
S015	TK Flats Denenchofu Annex	Ota-ku, Tokyo	429.50	429.50	14	14	1,537	100.0	100.0
S016	Abreast Nagase	Higashiosaka-shi, Osaka	532.98	532.98	26	26	1,404	100.0	100.0
S017	Living Stage Higashi-Sendai	Sendai-shi, Miyagi	1,539.41	1,187.01	52	40	2,211	77.1	76.9
S018	Prospect Toyonaka Hattori	Toyonaka-shi, Osaka	986.34	986.34	34	34	2,448	100.0	100.0
S019	Prospect Bishoen	Osaka-shi, Osaka	901.15	901.15	26	26	2,266	100.0	100.0
S020	Prospect Shimogamo	Kyoto-shi, Kyoto	675.51	675.51	31	31	1,966	100.0	100.0
S021	Prospect Kawaramachi-Gojo	Shimogyo-ku, Kyoto	1,528.12	1,250.12	52	43	3,736	81.8	82.7
S022	Prospect Chuo-Rinkan	Yamato-shi, Kanagawa	1,098.24	1,075.36	48	47	3,408	97.9	97.9
S023	Sky Hills N15	Sapporo-shi, Hokkaido	4,754.86	4,754.86	111	111	5,106	100.0	100.0
S024	Sky Hills Sakaimachi	Chitose-shi, Hokkaido	6,775.39	6,775.39	134	134	6,776	100.0	100.0
S025	Domy Chitose	Chitose-shi, Hokkaido	3,383.02	3,383.02	111	111	4,244	100.0	100.0
S026	Sky Hills Kodai I	Chitose-shi, Hokkaido	4,712.47	4,712.47	120	120	5,594	100.0	100.0
S027	Exceria Ikebukuro West II	Toshima-ku, Tokyo	1,379.52	1,126.68	48	40	4,275	81.7	83.3
S028	Prospect Monzennakacho	Koto-ku, Tokyo	1,790.56	1,790.56	62	62	5,850	100.0	100.0
F001	Prospect Kiyosumi-Teien	Koto-ku, Tokyo	5,556.73	5,517.29	77	76	14,742	99.3	98.7
F002	Park Terrace Ebisu	Shibuya-ku, Tokyo	2,705.09	2,663.77	51	50	12,140	98.5	98.0
F003	BELNOS34	Katsushika-ku, Tokyo	5,321.89	4,986.64	100	93	13,521	93.7	93.0
F004	Prospect Dogenzaka	Shibuya-ku, Tokyo	2,058.53	1,878.15	47	43	9,358	91.2	91.5
F005	U House Daikan-Cho	Nagoya-shi, Aichi	5,944.44	5,842.38	96	94	9,758	98.3	97.9
F006	U House Gokiso	Nagoya-shi, Aichi	5,127.19	4,538.67	78	74	8,005	88.5	94.9
F007	Angel Heim Nishi-Rokugo No.2	Ota-ku, Tokyo	2,776.64	2,776.64	40	40	6,716	100.0	100.0
F008	Prospect Onshi-Koen	Koto-ku, Tokyo	2,033.77	2,003.95	61	60	6,499	98.5	98.4
F009	Deim-Hashimoto	Sagamihara-shi, Kanagawa	3,170.41	2,698.57	92	76	5,691	85.1	82.6
F010	SK Residence	Toshima-ku, Tokyo	1,624.49	1,581.56	30	29	5,237	97.4	96.7
F012	Garden City Urawa	Saitama-shi, Saitama	2,468.51	2,468.51	30	30	4,965	100.0	100.0
F013	Garden City Kita-Toda	Toda-shi, Saitama	3,678.83	3,603.66	49	48	5,392	98.0	98.0
F014	U House Tsurumai II	Nagoya-shi, Aichi	2,262.63	2,191.20	34	33	3,752	96.8	97.1
F017	Living Stage Minami-Sendai	Sendai-shi, Miyagi	1,277.10	1,135.35	27	24	1,868	88.9	88.9
F019	Prospect Glarsa Hiroo	Shibuya-ku, Tokyo	3,846.27	3,820.63	112	111	19,718	99.3	99.1
F020	Prospect Katsura	Kyoto-shi, Kyoto	1,769.96	1,649.88	29	27	3,294	93.2	93.1
F021	Crown Heim Nishi-Tanabe	Osaka-shi, Osaka	1,517.86	1,453.20	22	21	2,971	95.7	95.5
F022	Takasagoseki Nibankan	Sendai-shi, Miyagi	3,336.52	3,110.73	41	38	5,284	93.2	92.7
F023	Prospect Machiya	Arakawa-ku, Tokyo	1,169.37	1,169.37	21	21	3,069	100.0	100.0
F024	Prospect Hatsudai	Shibuya-ku, Tokyo	817.71	817.71	22	22	3,423	100.0	100.0
F025	Prospect Morishita	Koto-ku, Tokyo	2,399.23	2,352.89	45	44	7,238	98.1	97.8
F026	Prospect Nishi-Sugamo	Koto-ku, Tokyo	2,023.42	2,023.42	42	42	6,610	100.0	100.0
	Total		122,497.72	116,649.56	3,021	2,865	325,742	95.2	94.8

Assumptions for Forecasts for the Fifth Fiscal Period (August 1, 2007 to January 31, 2008)

	Assumptions
Operating Period	Fifth fiscal period: From August 1, 2007 to January 31, 2008 (184 days)
Managed Assets	Forecasts are based on a property portfolio comprising 49 properties held as of July 31, 2007. This total includes one additional property acquired as well as one property sold as of the date of this report (please refer to page 7 and 8 for details). 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	The interest-bearing debt ratio as of July 31, 2007 was 47.2%. Forecasts are, however, based on an interest-bearing debt ratio of 48.5% as of January 31, 2008, taking into account an increase in debt financing to acquire additional properties as well as repayment stemming from the above sale of one property. The interest-bearing debt ratio is calculated as follows: Interest-bearing debt ratio = Interest-bearing debt ÷ (Interest-bearing debt + Unitholders' capital) × 100
Operating Expenses	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. 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. Depreciation is calculated using the straight-line method inclusive of incidental expenses.
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. Forecasts are also based on the assumption that PRI shall not undertake distribution in excess of earnings.