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SEMIANNUAL REPORT

FISCAL PERIOD ENDED APRIL 30, 2009

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)

MESSAGE TO OUR UNITHOLDERS

Dear Investor,

During the 13th fiscal period (November 1, 2008 – April 30, 2009), the global financial crisis had a profound and broad impact on the real economy. The Japanese economy was no exception, and quickly fell into a recession with a sharp drop in exports, stagnant personal spending and a significant decrease in capital investment.

In addition, virtually no transactions at fair value were seen in the domestic real estate market due to declining demand for properties. In addition, financial institutions took an increasingly stringent lending attitude toward real estate companies or projects involving real estate. As these factors show, the environment surrounding the J-REIT market became more and more difficult.

Given these severe economic circumstances and in consideration of the credit crunch prevailing in the financial sector, Premier Investment Corporation (PIC) endeavored to achieve internal growth (maintaining and enhancing property values) during the fiscal period while avoiding new investment in property acquisitions, and worked to reinforce its financial standing through decreasing interest-bearing liabilities and other measures.

Office buildings owned by PIC operated at an occupancy rate higher than that assumed at the beginning of the fiscal period, and achieved rental revenues exceeding the initial budget as PIC successfully raised rents to some degree upon tenant replacement. In contrast, residential properties operated at an occupancy rate lower than that assumed at the beginning of the period, despite our efforts to raise the ratio by decreasing advertised rents. The effects of this measure turned out to be insufficient.

As a result, the occupancy rate of the entire portfolio decreased slightly, from 94.7% at the end of the previous fiscal period to 94.5% at the end of the 13th fiscal period, and real estate rental income produced by the entire portfolio decreased by 46 million yen from the previous fiscal period.

Increased financial costs contributed to these decreases, and PIC's operating revenues totaled 5,462 million yen, a period-on-period decrease of 46 million yen. Ordinary income and net income were 2,144 million yen and 2,143 million yen, respectively, representing a period-on-period decrease of 64 million yen for each. PIC delivered a distribution per unit of 16,312 yen, a decrease of 489 yen from the previous fiscal period.

The present difficult business environment is expected to continue for some time, and we have conservatively estimated our performance forecasts for the 14th and 15th fiscal periods. We will continue to avoid new property acquisitions until the time becomes appropriate, and will endeavor to raise occupancy rates of residential properties, decrease rental business costs and reinforce our financial foundation. As we strive to secure stable revenues and profits, we humbly ask for your continued support.



H. Matsuzawa

Hiroshi Matsuzawa
Executive Director
Premier Investment Corporation

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13TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

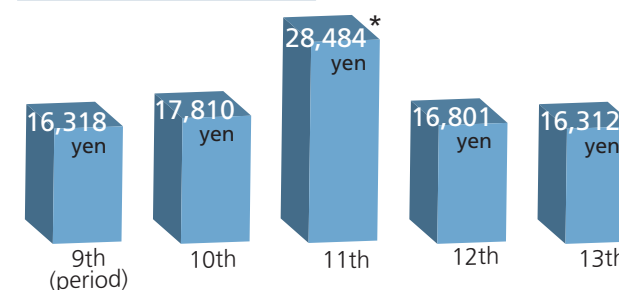
Management and Distribution Results	12th Fiscal Period (ended October 2008)	13th Fiscal Period (ended April 2009)
Operating Revenues (mm yen)	5,508	5,462
Operating Income (mm yen)	2,745	2,706
Ordinary Income (mm yen)	2,209	2,144
Net Income (mm yen)	2,207	2,143
Distribution per Unit (yen) (distribution in excess of profits not included)	16,801	16,312
Total Distributions (mm yen)	2,207	2,143
Distribution Payout Ratio ^(Note)	99.9%	100.0%
Distribution versus Net Assets ^(Note)	3.1%	3.0%

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

Financial Status	12th Fiscal Period (ended October 2008)	13th Fiscal Period (ended April 2008)
Total Assets (mm yen)	149,485	147,430
Net Assets (mm yen)	71,153	71,088
Net Assets Ratio	47.6%	48.2%
Net Assets per Unit (yen) ^(Note)	541,499	541,010

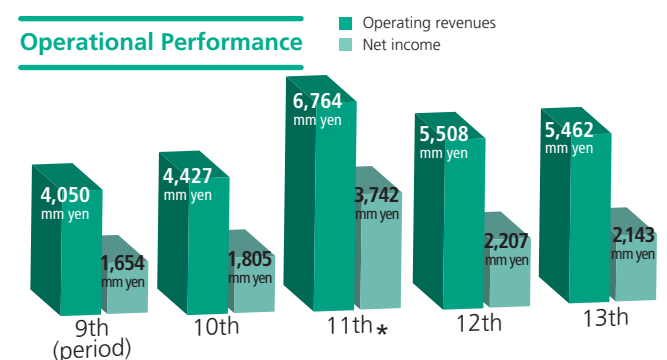
(Note) The number of outstanding investment units at the end of both the 12th and 13th fiscal periods was 131,400 units.

Cash Distribution per Unit



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

Operational Performance



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



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

The J-REIT market is facing the greatest turning point it has experienced since its establishment in 2001. Given the situation, how should the asset management of PIC be conducted and how should PIC be operated? Fumihiko Yasutake, President and CEO of Premier REIT Advisors Co., Ltd., the asset manager of PIC, addresses these questions.

Status of the Market and PIC's Performance

Q1 During PIC's 13th fiscal period, the Japanese economy experienced a sharp slowdown. Did the drop also affect the real estate rental market, which is directly connected to the revenues and profits of J-REITs?

[Yasutake] Yes, the impact of the recession is also quite apparent in the real estate market. Among office buildings, class A buildings saw both a significant rise in vacancy rates and a conspicuous drop in rent levels. Class B buildings have also started to follow this trend. In residential properties, vacancy rates have risen at properties with high rent levels. This probably reflects the fact that companies have reduced budgets for housing subsidies

to their employees in line with their deteriorating business results, and that personal income has been reduced due to the worsening employment situation.

Q2 How have such circumstances affected the management of properties owned by PIC?

[Yasutake] Among office buildings, PIC invests in class B buildings (as a rule, PIC does not invest in class A buildings). Class B buildings had maintained relatively stable occupancy rates compared to class A buildings but, entering 2009, gradually started to receive vacating notices from tenants. However, this has not had any significant impact on revenues for the 13th fiscal period, as vacating notices for offices are made six months in advance.

As for residential properties, contract cancellations began to occur for properties with high rents (250,000 yen or more and less than 500,000 yen per month) around July 2008, slightly before the "Lehman Shock," and there were cancellations for properties in the ultra-high rent levels (500,000 yen or more per month) since the end of last year. Furthermore, the cancellation pressure at these properties in high rent levels is becoming increasingly

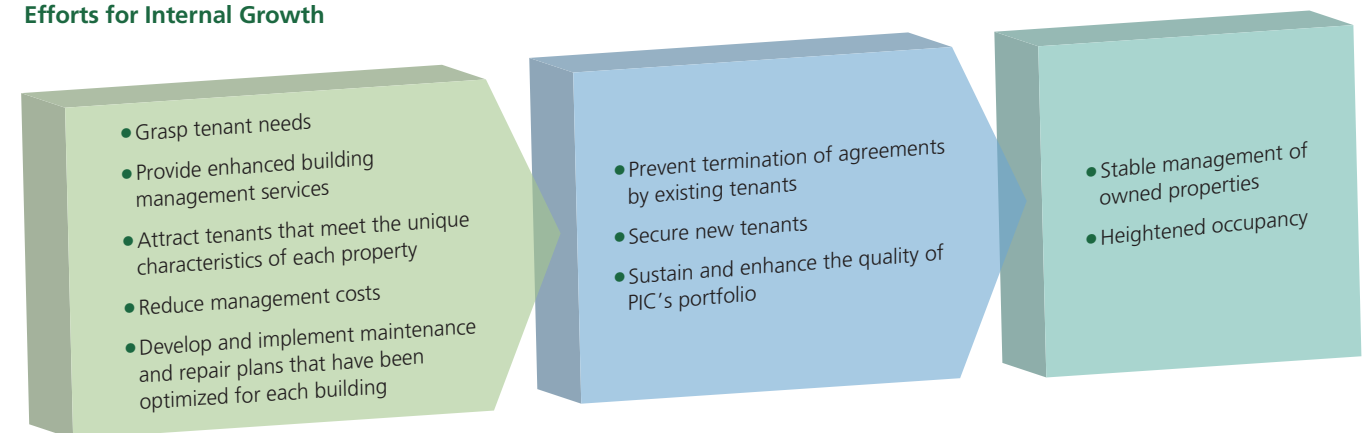
strong. On the other hand, most residential properties with Single type units and Family type units in lower rent levels have performed relatively well.

Immediate Policies on Asset Management

Q3 How do you intend to tackle the issue of decreasing occupancy rates at residential properties?

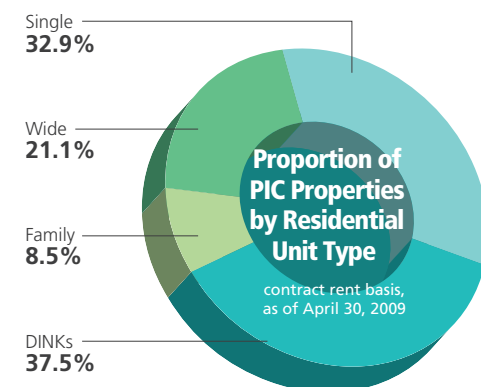
[Yasutake] It is conspicuous that demand for properties with high rents has weakened. Accordingly, if we excessively stick to maintaining rent levels, we may rather leave rooms unoccupied for a longer period and thereby obtain reduced rental income. Thus, we will endeavor to maintain and improve occupancy rates by flexibly setting rents. We did reduce advertised rents during the 13th fiscal period, and this measure has proven to

Efforts for Internal Growth

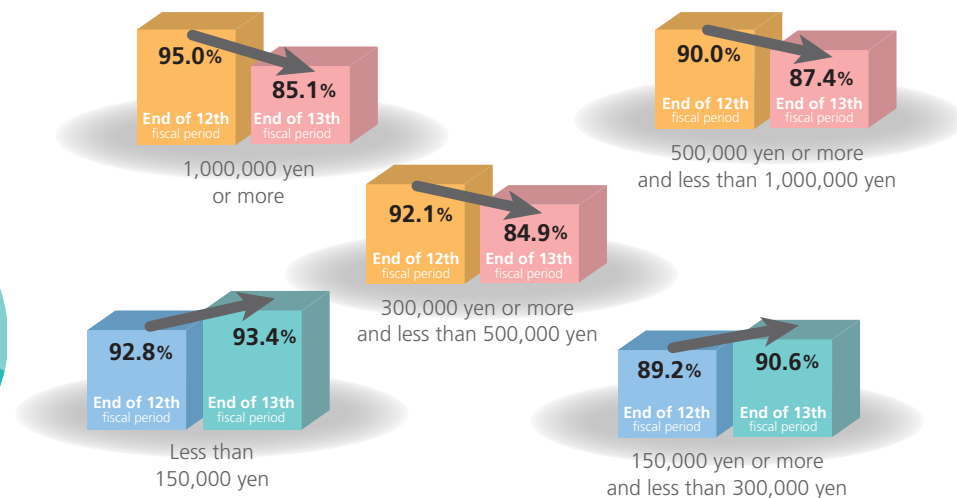


Proportion of PIC Properties by Residential Unit Type

(contract rent basis, as of April 30, 2009)

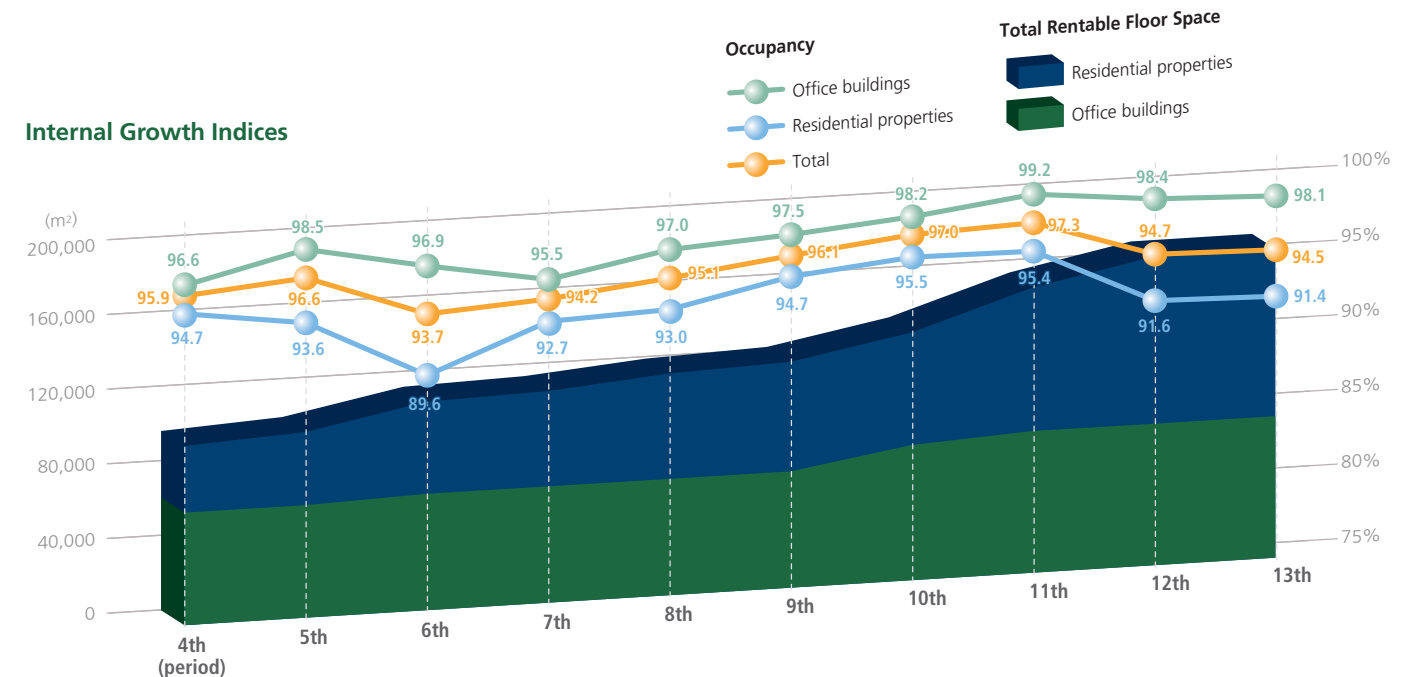


Occupancy Rates of Residential Properties by Rent Level



(Note) Occupancy rates based on rents are figures calculated by the following formula: Contract rents from occupied properties / (Contract rents from occupied properties + Advertised rents for vacant rooms).

Internal Growth Indices



be somewhat effective. For the future, we will continue to prioritize securing occupancy rates by adjusting lease terms and conditions without delay for properties that require reduced rent levels.

Q4 What are your thoughts concerning PIC's external growth?

[Yasutake] There are large restrictions for procuring funds in the current financial environment, and we cannot help being cautious about acquiring assets that would require new fund-raising. Thus, our policy is to refrain from pursuing external growth – namely, expanding asset size through proactive investment activities – and to put

central weight on internal growth – that is, maintaining and improving the occupancy rates, competitiveness and values of the existing properties PIC owns. In particular, we will continue our efforts in raising the occupancy rates of residential properties and reducing real estate rental business expenses. By doing so, we will endeavor to maintain cash flows and secure stable revenues and profits.

Financial Status and Strategy

Q5 Within the very difficult financial environment, are there any particular issues with regard to fund procurement?

[Yasutake] PIC has no trouble with fund procurement at present, as PIC has no forward commitment properties (properties for which purchase agreements have been concluded but have not yet been acquired) or other large scheduled payments. As for refinancing of existing loans and corporate bonds, PIC sees no particular obstacle to refinancing loans, though interest rates and other borrowing terms have become increasingly stringent (also see Q6.)

With regard to corporate bonds, however, the market in Japan is not functioning and it is practically difficult to issue new corporate bonds in order to refinance

existing ones. Moreover, financial institutions are extremely negative toward lending funds to redeem corporate bonds. However, the Bank of Japan has strong concerns regarding this situation, and is taking measures that include the establishment of a fund sponsored by the public and private sectors that will lend funds for corporate bond redemptions.

PIC will have to redeem 15 billion yen in corporate bonds on September 8, 2010. While utilizing possible support systems as necessary, we are committed to doing our utmost on our own, which could include

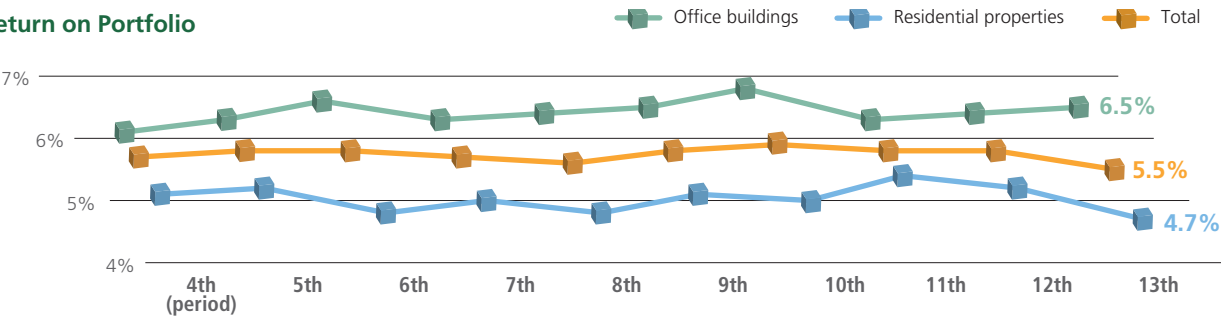
procuring funds through the sale of some properties.

Q6 Tell us about PIC's financial performance in the 13th fiscal period.

[Yasutake] PIC repaid 1,000 million yen in long-term loans on November 18, 2008 and 1,000 million yen in short-term loans on March 27, 2009 using cash on hand. These were both repayments upon maturity. As a result, PIC's interest-bearing liabilities totaled 69,500 million yen as of April 30, 2009, and its long-term interest-bearing loans accounted for 86.2% of total interest-bearing liabilities.

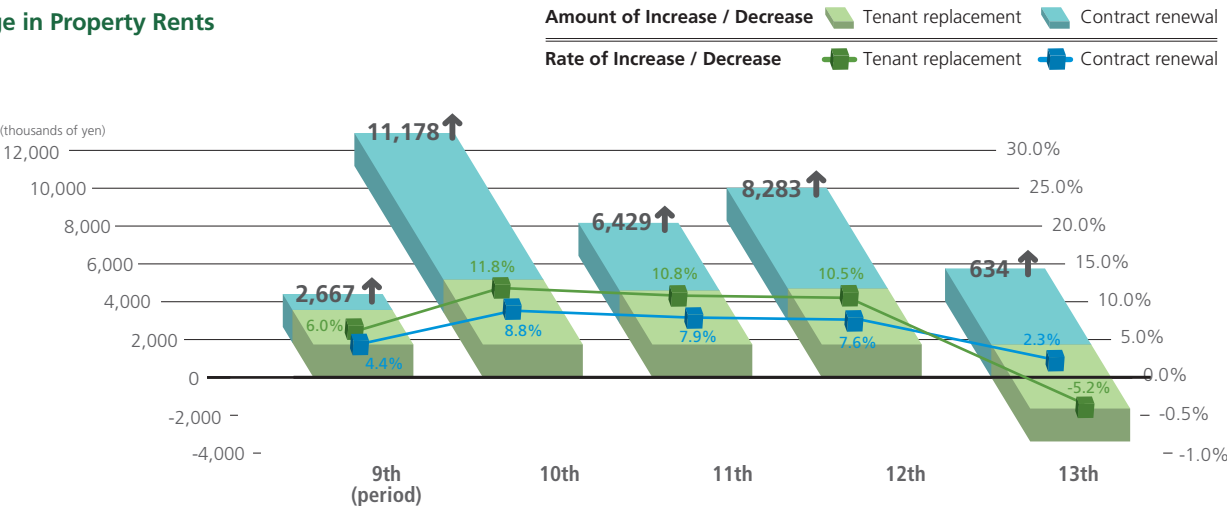
In accordance with PIC's financial strategy, we are focusing on diversifying repayment periods and raising the proportions of long-term loans and fixed-rate interest loans. As part of these efforts, in May 2009 (entering the 14th fiscal period), we refinanced a total of 9,600 million yen of PIC's loans by borrowing three separate loans (each approximately one-third of the total) with diversified loan periods of one year, two years and five years. As a result, the ratio of long-term interest-bearing loans rose to 95%, while the ratio of fixed-rate interest loans increased to 86%.

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

Change in Property Rents



Strategic Focuses of Finance

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

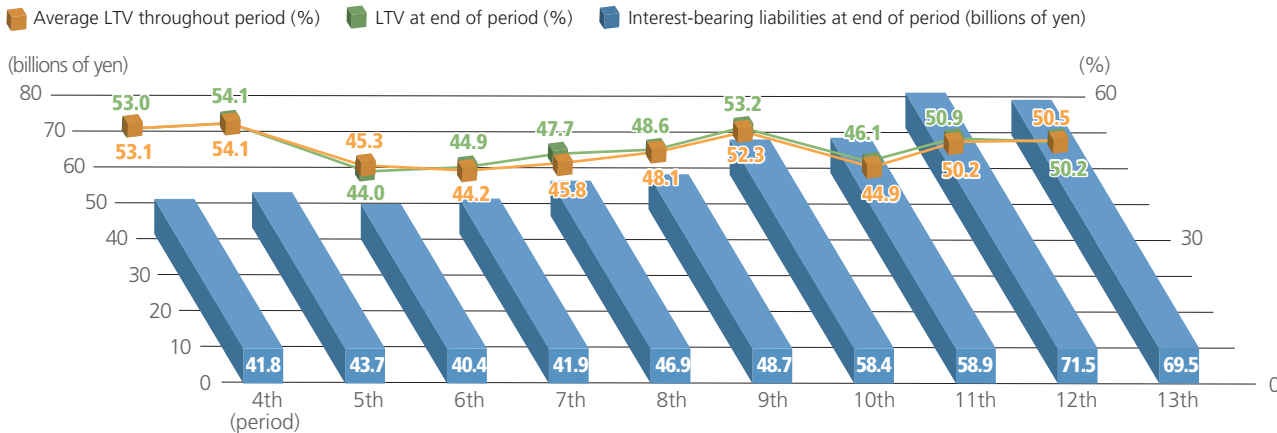
- Diversify repayment dates of loans
- Put first priority on securing long-term loans and second priority on fixed-rate interest loans, and aim to keep the respective ratios to total interest-bearing liabilities at 80%
- Procure interest-bearing liabilities with no collateral and no guarantee

Operate in a manner that increases cash on hand in consideration of the redemption dates of corporate bonds

Avoid the dilution of investment value for existing unitholders

Changes in Interest-Bearing Liabilities Ratio

PIC controls the financial balance, keeping the interest-bearing liabilities ratio^(Note) within the range of 40 to 50%. The ratio was 50.2% as of the end of the 13th fiscal period. We will work to lower this level as much as possible, since the figure is slightly higher than the targeted range.



(Note) Interest-bearing liabilities ratio (%) = Interest-bearing liabilities / (Interest-bearing liabilities + Unitholders' capital) x 100

Furthermore, PIC refinanced 9,600 million yen in short-term loans by borrowing short-term loans and long-term loans on May 22, 2009. For the repayment schedule after this refinancing, please see Other Financial Information on pages 43-45.

Future Outlook and PIC's Strength

Q7 How do you foresee PIC's performance in the 14th and 15th fiscal periods?

[Yasutake] PIC has disclosed forecasts of its management performance for the 14th and 15th fiscal periods, as well as the major assumptions taken in preparing these forecasts, as follows.

Q8 Within the unprecedented difficult situation that J-REITs are currently

engulfed, what are the strengths that PIC has and is executing?

[Yasutake] Compared with other listed REITs, PIC has the following four characteristics and strengths. First, the sponsors of the asset manager comprise entities from multiple industries with the know-how needed to operate REITs. When the market environment is favorable and external growth is sought, sponsors such as Ken Corporation Ltd. and SOHGOH REAL ESTATE CO., LTD provide pipeline support. In a recessional period, as we are currently experiencing, when concerns for fund procurement are heightened, The Chuo Mitsui Trust & Banking Co., Ltd. supports PIC as its main bank.

Second, PIC specializes its investment in the Tokyo Economic Bloc, which has an overwhelming volume of real estate compared to other areas in Japan, as well as strong latent demand, both in transactions and leasing. This concentration enables the relatively securing of greater asset liquidity, even in a market phase such as today's where real estate transactions remain stagnant.

Third, PIC began to invest in 2002 when the transaction market for income-generating properties was immature, and thus it owns many properties that were bought at inexpensive prices before competition over acquisitions intensified, as it has tended to do over the past

several years. This helps to maintain the soundness of the owned properties. Finally, such sound properties constitute the core assets of PIC's portfolio from the viewpoint of revenues and profits, which makes it possible to realize stable

distributions without relying on gains from selling properties. As the asset manager, we will take full advantage of these characteristics and strengths of PIC, endeavoring to maintain the soundness of assets that support the

long-term development of PIC, as well as to realize maximum distributions to unitholders. We humbly ask for your continued support of PIC.

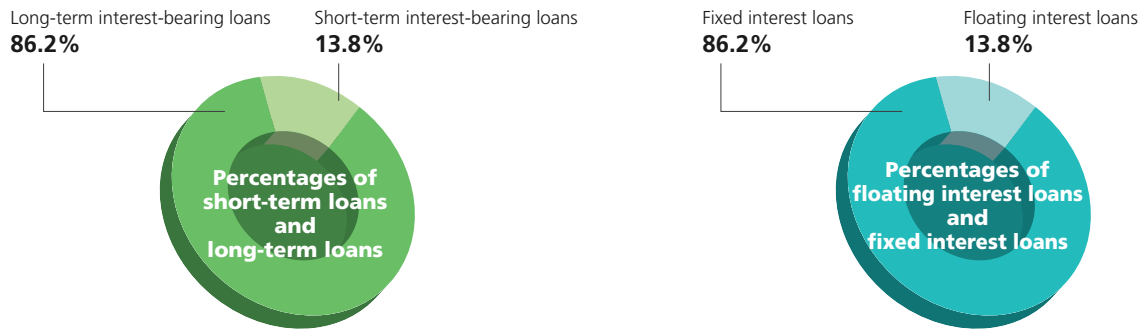
Forecasts for the 14th and 15th Fiscal Periods (as of June 15, 2009)

	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)
Operating revenues	5,328 million yen	5,189 million yen
Operating income	2,521 million yen	2,396 million yen
Ordinary income	1,909 million yen	1,783 million yen
Net income	1,908 million yen	1,782 million yen
Distribution per unit	14,520 yen	13,560 yen
No. of properties	45	45

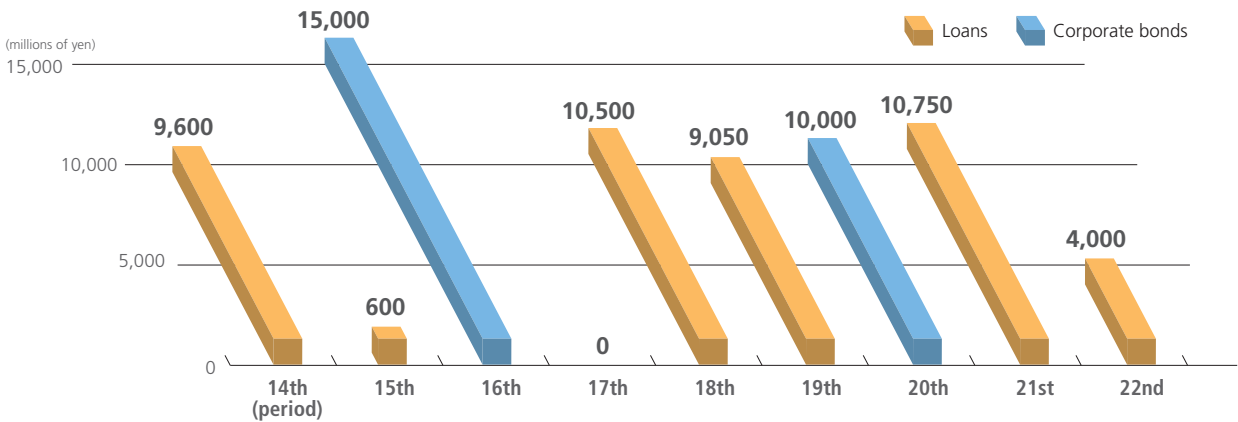
Assumptions for the 14th and 15th Fiscal Period Forecasts

	14th Fiscal Period	15th Fiscal Period
No. of assets in operation	45 properties (no change from the end of the 13th fiscal period)	
No. of investment units outstanding	131,400 units (no change from the end of the 13th fiscal period)	
Interest-bearing liabilities	Of the balance of interest-bearing liabilities, which was 69.5 billion yen as of the end of the 13th fiscal period, repayment dates are arriving in the 14th fiscal period for loans totaling 9,600 million yen (8,050 million yen due May 22, 2009 and 1,550 million yen due June 30, 2009). However, a lump-sum refinancing of the entire amount of 9,600 million yen was implemented on May 22, 2009, and this arrangement has been reflected in the forecast assumptions. Furthermore, interest-bearing liabilities will decrease by 37 million yen during the 14th fiscal period through the agreed repayment of long-term loans. (The scheduled balance of interest-bearing liabilities at the end of the fiscal period will be 69,462 million yen.)	With regard to the balance of interest-bearing liabilities totaling 69,462 million yen at the end of the 14th fiscal period, it is assumed that the agreed repayment of 75 million yen for long-term loans and the repayment of 600 million yen for long-term loans maturing on March 9, 2010 will be made, while roll-over refinancing will be implemented for 3,480 million yen maturing on May 21, 2010. (The scheduled balance of interest-bearing liabilities at the end of the fiscal period will be 68,787 million yen.)
Occupancy Rates	<ul style="list-style-type: none">Office buildings: 95.1%Residential properties: 92.0%Total: 93.4%	N/A
Tax and public dues	"Ueno TH Building," "Gotanda NT Building," "Storia Akasaka," "Renai Shinjuku-Gyoen Tower" and "Premier Stage Ryogoku" will accrue expenses in the 14th fiscal period.	It is assumed that tax and public dues will be 294 million yen, with no property newly accruing expenses in the 15th fiscal period.
Others	<ul style="list-style-type: none">Outsourcing fees: 562 million yenDepreciation expenses: 906 million yenCapital expenditures: 168 million yenOperating expenses (excluding rental expenses): 427 million yenInterest expenses: 616 million yen	<ul style="list-style-type: none">Outsourcing fees: 551 million yenDepreciation expenses: 910 million yenCapital expenditures: 169 million yenOperating expenses (excluding rental expenses): 440 million yenInterest expenses: 618 million yen

Interest-Bearing Liabilities (as of the end of the 13th fiscal period)



Repayment Schedule of Interest-Bearing Liabilities (as of the end of the 13th fiscal period)



M ARKET ENVIRONMENT AND PIC'S MANAGEMENT POLICY

Since its listing in September 2002, PIC has achieved steady growth, with its asset size expanding to approximately 140 billion yen (on an acquisition price basis) as of the end of the 13th fiscal period, or 2.7 times larger than that at the time of listing. With regard to management performance, PIC has continued to realize a stable distribution of profits at a high level.

At present, however, the market for trading revenue-producing properties, a target investment area for PIC, is seeing very few actual transactions made. Financial institutions remain extremely cautious

about lending related to real estate investments, preventing those who want to invest in real estate from procuring funds easily. On the other hand, a prevalence of fire sales has allowed virtually no deals at fair prices.

Given these circumstances, PIC will work to manage its assets in line with the policies to the right, assuming that 1) restrictions on fund procurement will continue and 2) the economic recession will last for some time.

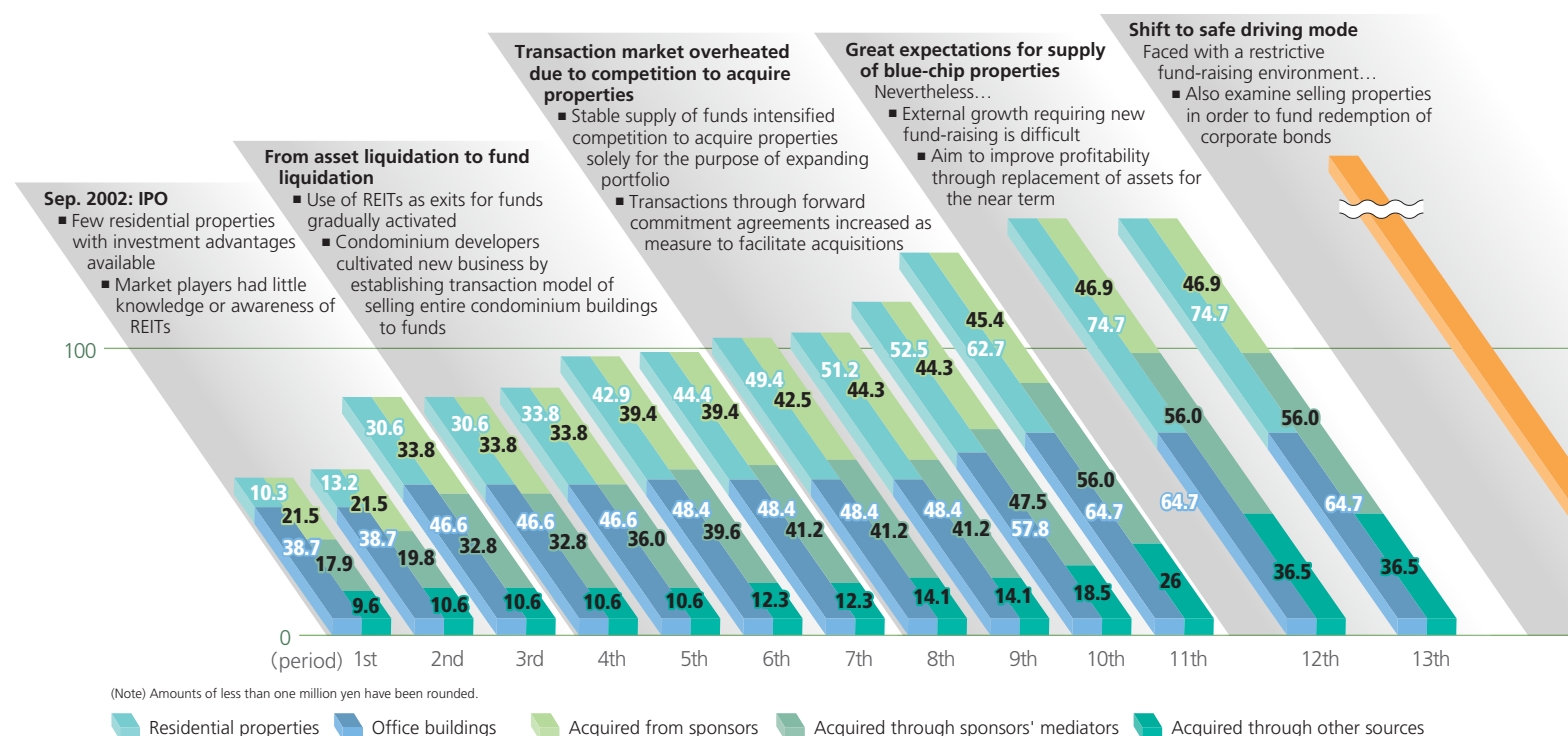
PIC neither acquired any new real estate properties nor sold any of its existing properties during the 13th fiscal period.

- The present supply and demand balance is facilitating property acquisitions at low prices, but PIC will avoid acquisition of new properties for some time given the difficult fund-raising environment.
- On the other hand, PIC will look into a temporary reduction of portfolio size by selling owned properties to fund the redemption of corporate bonds.
- PIC will work to enhance the quality of its portfolio through the replacement of properties without use of external funds.

Overview of PIC's Owned Assets (as of April 30, 2009)

No. of properties	14 office buildings and 31 residential properties (45 properties in total)
Total acquisition price	139,374 million yen
Total rentable floor space	165,543.69m ²
No. of tenants	2,288

Changes in the Transaction Market Environment and Results of Property Acquisitions by PIC



P ROPERTY PORTFOLIO

Area	Property Number	Property Name	Location	Acquisition Price (mm yen)	Share (%)	PML Value (%)(Note 1)	13th 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	181	100.0	262	80	181
	A2	Landic Shimbashi 2 Building	Minato Ward, Tokyo	7,045	5.1	12.9	181	100.0	302	89	212
	A3	Fuji Building No.37	Shibuya Ward, Tokyo	1,727	1.2	5.5	181	82.8	97	36	61
	A4	KN Shibuya No.3	Shibuya Ward, Tokyo	5,348	3.8	10.6	181	100.0	272	94	178
	A5	Takadanobaba Center Building	Shinjuku Ward, Tokyo	5,118	3.7	2.0	181	100.0	265	127	138
	A6	Rokubancho Building	Chiyoda Ward, Tokyo	7,860	5.6	10.8	181	100.0	(Note 2)	(Note 2)	237
	A7	Ougaku Building	Chiyoda Ward, Tokyo	1,796	1.3	14.2	181	85.3	60	31	28
	A8	YS Kaigan Building	Minato Ward, Tokyo	5,100	3.7	10.6	181	90.7	177	81	96
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	Bunkyo Ward, Tokyo	1,456	1.0	8.7	181	100.0	66	26	40
	B2	Premier Toyocho Building	Koto Ward, Tokyo	4,310	3.1	16.2	181	100.0	157	66	91
	B3	Ueno TH Building	Bunkyo Ward, Tokyo	4,380	3.1	12.8	181	100.0	147	50	97
	B4	Gotanda NT Building	Shinagawa Ward, Tokyo	4,100	2.9	14.3	181	100.0	123	33	90
Surrounding City Area	C1	Nisso No.3 Building	Yokohama, Kanagawa	3,558	2.6	10.2	181	95.9	191	70	121
	C2	The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	6,556	4.7	10.4	181	99.9	522	269	253
SUBTOTAL				64,695	46.4	-		98.1	3,007	1,178	1,829
Residential Properties											
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	Shinjuku Ward, Tokyo	5,208	3.7	7.4	181	95.8	167	78	88
	D2	Park Axis Meiji-Jingumae	Shibuya Ward, Tokyo	2,604	1.9	9.9	181	80.7	54	20	33
	D3	Sun Palace Minami-Azabu	Minato Ward, Tokyo	1,150	0.8	5.3	181	77.9	39	21	17
	D4	Cabin Arena Akasaka	Minato Ward, Tokyo	1,330	1.0	10.1	181	86.6	45	19	26
	D5	Cabin Arena Minami-Aoyama	Minato Ward, Tokyo	1,070	0.8	11.2	181	95.3	36	19	16
	D6	Bureau Kioicho	Chiyoda Ward, Tokyo	1,840	1.3	11.6	181	100.0	62	14	47
	D7	Homat Woodville	Minato Ward, Tokyo	5,090	3.7	7.4	181	95.9	162	80	82
	D8	Roppongi Green Terrace	Minato Ward, Tokyo	4,678	3.4	10.3	181	81.0	150	75	75
	D9	B-Site Shibakoen	Minato Ward, Tokyo	2,181	1.6	11.5	181	100.0	74	20	54
	D10	Premier Stage Nihonbashi Kayabacho	Chuo Ward, Tokyo	2,430	1.7	11.7	181	93.0	93	43	49
	D11	Langue Tower Kyobashi	Chuo Ward, Tokyo	927	0.7	12.5	181	93.3	34	18	15
	D12	Premier Stage MitaKeidaimae	Minato Ward, Tokyo	1,580	1.1	14.3	181	96.8	54	20	33
	D13	Premier Rosso	Shibuya Ward, Tokyo	1,662	1.2	14.0	181	91.9	52	26	25
	D14	Premier Blanc Yoyogikouen	Shibuya Ward, Tokyo	2,330	1.7	13.1	181	96.5	68	28	39
	D15	Premier Stage Uchikanda	Chiyoda Ward, Tokyo	1,723	1.2	13.8	181	88.5	60	23	37
	D16	Premier Stage Ichigayakawadacho	Shinjuku Ward, Tokyo	1,460	1.0	13.1	181	96.5	47	18	28
	D17	Walk Akasaka	Minato Ward, Tokyo	2,043	1.5	13.9	181	100.0	56	37	18
	D18	Premier Stage Shibakoen	Minato Ward, Tokyo	1,585	1.1	16.1	181	91.1	46	18	28
	D19	MEW	Minato Ward, Tokyo	1,556	1.1	13.9	181	94.6	39	20	19
	D20	Shibaura Island Air Tower	Minato Ward, Tokyo	7,590	5.4	11.2	181	87.4	349	212	137
	D21	Storia Akasaka	Minato Ward, Tokyo	3,930	2.8	11.7	181	82.8	103	39	63
	D22	Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	6,500	4.7	7.2	181	93.2	205	102	102
Other 18 Wards of Tokyo	E1	B-Site Osaki	Shinagawa Ward, Tokyo	1,072	0.8	12.1	181	100.0	39	10	29
	E2	Premier Garden Hongo	Bunkyo Ward, Tokyo	975	0.7	12.1	181	86.9	33	13	20
	E3	Premier Grande Magome	Ota Ward, Tokyo	1,560	1.1	15.7	181	93.4	46	19	27
	E4	Premier Nozze Yutenji	Setagaya Ward, Tokyo	1,525	1.1	13.6	181	89.7	45	18	26
	E5	Across Yushima	Bunkyo Ward, Tokyo	1,803	1.3	17.2	181	97.1	53	27	26
	E6	Premier Stage Komagome	Toshima Ward, Tokyo	1,830	1.3	18.0	181	95.8	60	28	32
	E7	Premier Stage Otsuka	Toshima Ward, Tokyo	1,310	0.9	22.5	181	92.4	44	18	25
	E8	Premier Stage Honjo-Azumabashi	Sumida Ward, Tokyo	2,640	1.9	14.7	181	90.8	82	35	46
	E9	Premier Stage Ryogoku	Sumida Ward, Tokyo	1,496	1.1	12.8	181	94.4	43	26	16
SUBTOTAL				74,679	53.6	-		91.4	2,454	1,158	1,295
TOTAL				139,374	100.0	8.6		94.5	5,462	2,337	3,125

(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 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

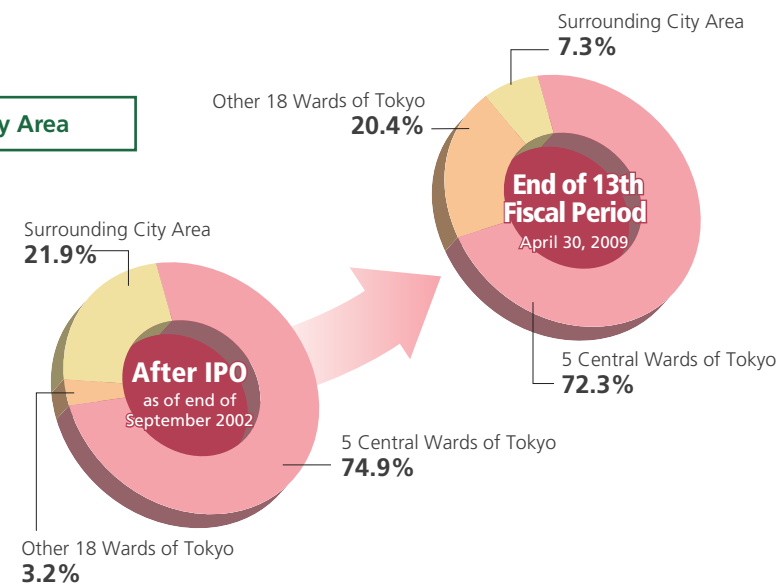
Creation of Stable Cash Flows

Management Specialized in Tokyo Economic Bloc Properties

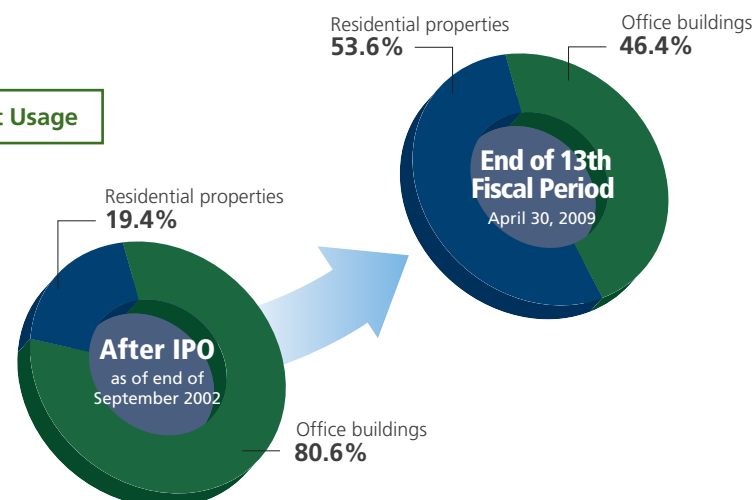
Investment Area



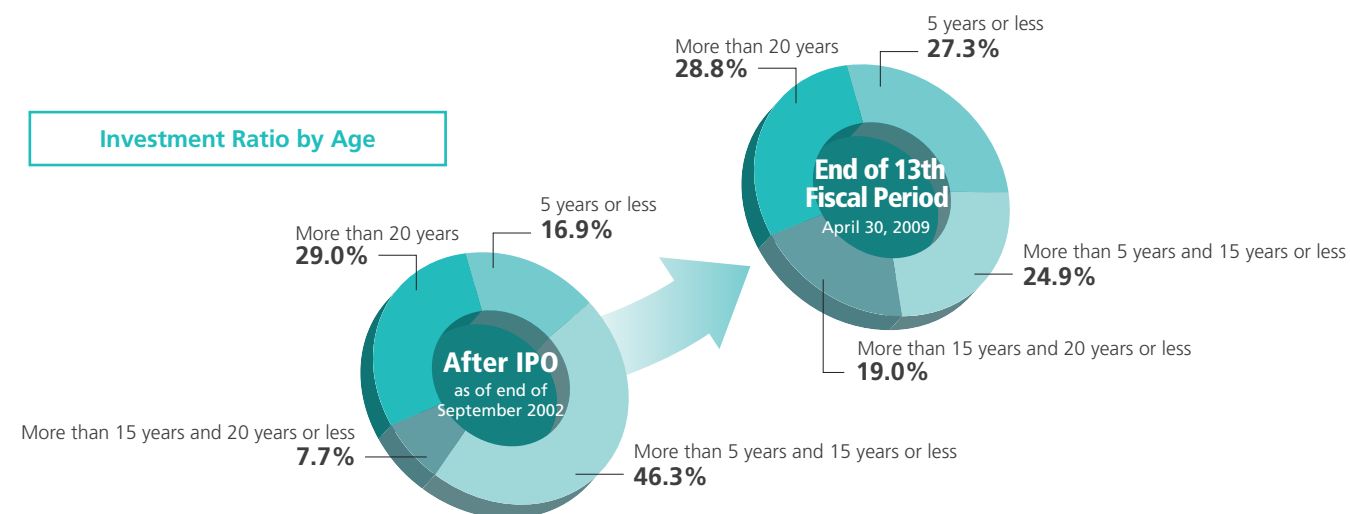
Investment Ratio by Area



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.

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





B-Site
Shibakoen

Premier Stage
Nihonbashi Kayabacho

Langue Tower
Kyobashi

Premier Stage
MitaKeidaimae

Storia
Akasaka

Renai
Shinjuku-Gyoen Tower

B-Site
Osaki

Premier Garden
Hongo

Premier
Rosso

Premier Blanc
Yoyogikouen

Premier Stage
Uchikanda

Premier Stage
Ichigayakawadacho

Premier Grande
Magome

Premier Nozze
Yutenji

Across
Yushima

Premier Stage
Komagome

Walk
Akasaka

Premier Stage
Shibakoen

MEW

Shibaura Island Air
Tower

Premier Stage
Otsuka

Premier Stage
Honjo-Azumabashi

Premier Stage
Ryogoku

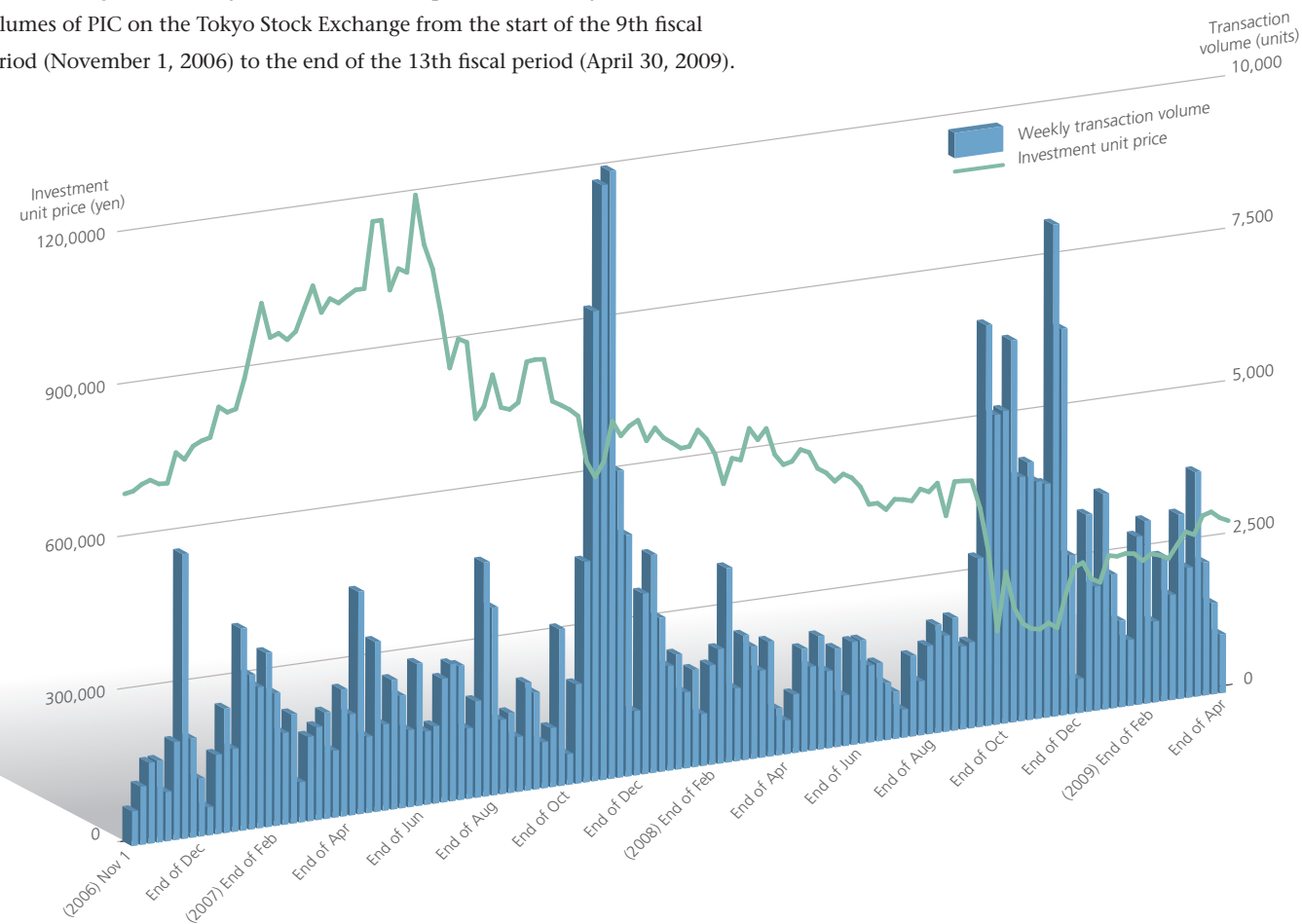
INVESTMENT UNIT STATUS

Investment Unit Status

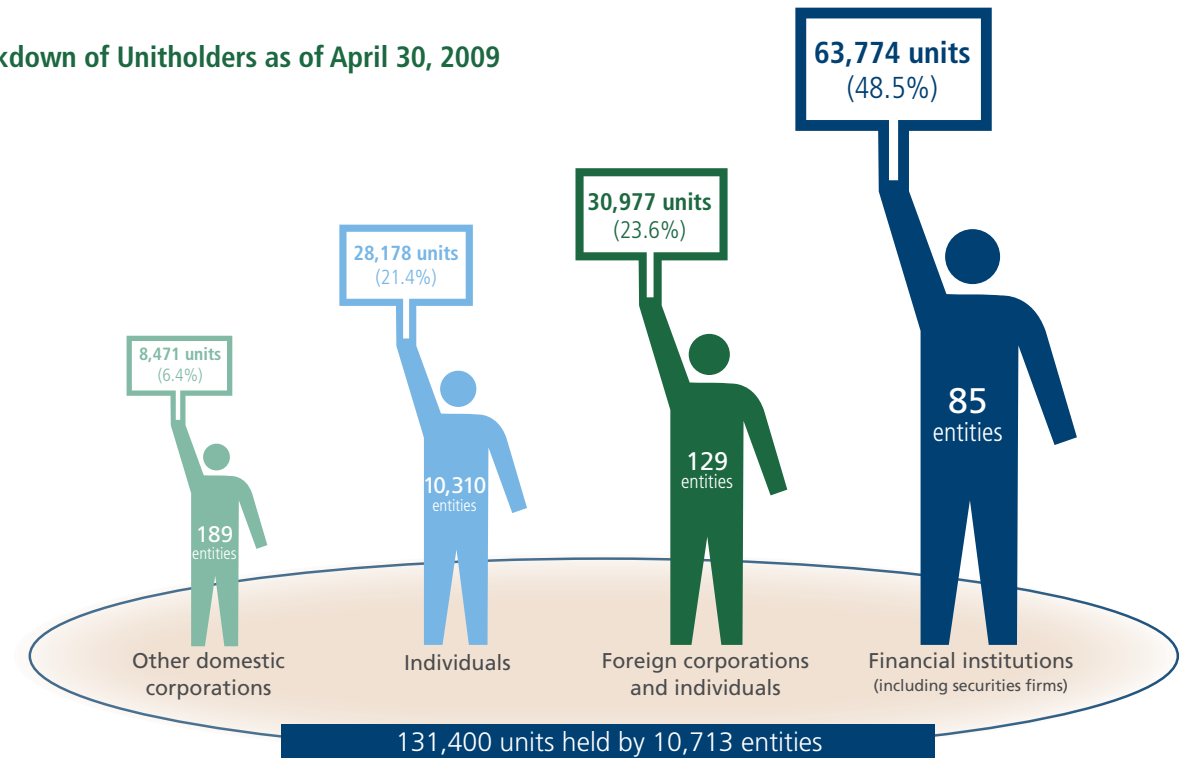
Item \ Period	9th Fiscal Period (as of April 30, 2007)	10th Fiscal Period (as of October 31, 2007)	11th Fiscal Period (as of April 30, 2008)	12th Fiscal Period (as of October 31, 2008)	13th Fiscal Period (as of April 30, 2009)
Total number of authorized units	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding	101,400	101,400	131,400	131,400	131,400
Unitholders' capital	51,434 mm yen	51,434 mm yen	68,945 mm yen	68,945 mm yen	68,945 mm yen
Total number of unitholders	8,031	7,555	10,305	10,252	10,713

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 9th fiscal period (November 1, 2006) to the end of the 13th fiscal period (April 30, 2009).



Breakdown of Unitholders as of April 30, 2009



(Note) Ratios have been rounded down to the tenth place.

Top 10 Unitholders as of April 30, 2009

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	12,212	9.29
2	NikkoCiti Trust and Banking Corporation (Investment Trust Account)	11,069	8.42
3	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	5,517	4.19
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	4,417	3.36
5	North Pacific Bank, Ltd.	4,369	3.32
6	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	4,339	3.30
7	Trust & Custody Service Bank, Ltd. (Money Trust Tax Account)	3,664	2.78
8	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	3,082	2.34
9	MORGAN STANLEY & CO. INC	2,136	1.62
10	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.56
Total		52,855	40.22%

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 SOHGOH REAL ESTATE CO., LTD.

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 SOHGOH REAL ESTATE CO., LTD., which has an

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

This 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.

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 company 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.

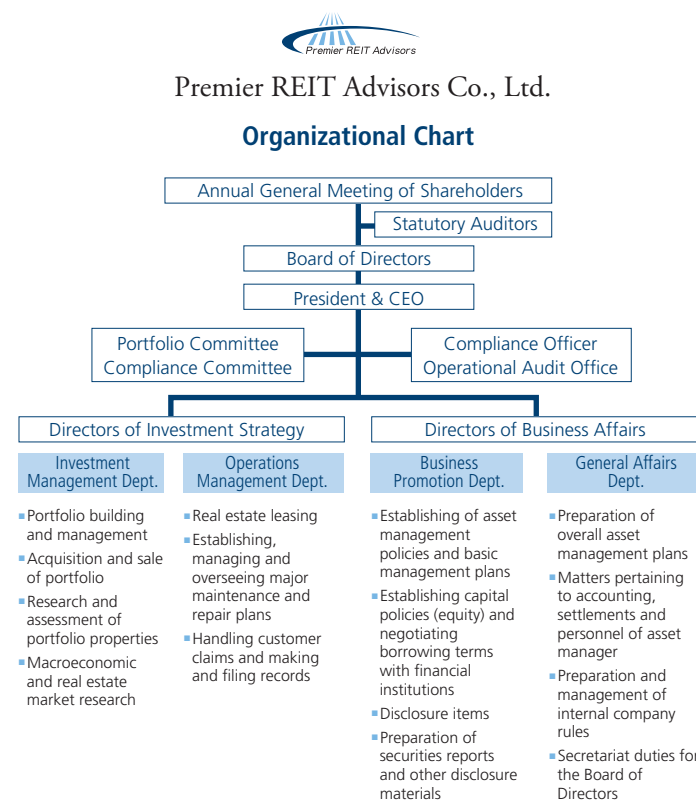


Trade Name	Premier REIT Advisors Co., Ltd.
Line of Business	Asset management for the investment corporation
President & CEO	Fumihiro Yasutake
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo (moved on September 16, 2008)
Paid-in Capital	300 million yen (as of March 31, 2009)
Major Shareholders	Ken Corporation Ltd. (35.0%) The Chuo Mitsui Trust Group (14.9%) SOHGOH REAL ESTATE CO., LTD. (35.0%) Others (15.1%)

(Note) Total Housing Corporation, which had owned 300 shares of PRA, merged with SOHGOH REAL ESTATE CO., LTD., its parent company, as of June 1, 2009 (SOHGOH REAL ESTATE being the remaining company after absorbing Total Housing). In accordance with this merger, SOHGOH REAL ESTATE succeeded all of the PRA shares owned by Total Housing.

Premier REIT Advisors Co., Ltd.

Organizational Chart



	Unit	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)	13th Fiscal Period (November 1, 2008 – April 30, 2009)
Business Results						
Operating Revenues	Thousands of yen	4,050,380	4,427,815	6,764,587	5,508,964	5,462,513
(Real estate rental revenues)	Thousands of yen	(4,050,380)	(4,427,815)	(4,918,656)	(5,508,964)	(5,462,513)
Operating Expenses	Thousands of yen	2,070,236	2,198,239	2,579,153	2,763,803	2,756,267
(Real estate rental expenses)	Thousands of yen	(1,749,871)	(1,851,646)	(2,110,087)	(2,337,063)	(2,337,182)
Operating Income	Thousands of yen	1,980,144	2,229,575	4,185,434	2,745,161	2,706,245
Ordinary Income	Thousands of yen	1,655,707	1,807,433	3,743,755	2,209,054	2,144,429
Net Income	(a) Thousands of yen	1,654,668	1,805,946	3,742,755	2,207,687	2,143,393
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	107,017,911	117,374,309	138,160,716	149,485,112	147,430,632
(Period-on-period variation)	%	(+2.0)	(+9.7)	(+17.7)	(+8.2)	(-1.4)
Interest-bearing Liabilities	Thousands of yen	48,700,000	58,400,000	58,900,000	71,500,000	69,500,000
Net Assets	(c) Thousands of yen	53,089,538	53,240,839	72,688,121	71,153,011	71,088,753
(Period-on-period variation)	%	(+0.2)	(+0.3)	(+36.5)	(-2.1)	(-0.1)
Unitholders' Capital	Thousands of yen	51,434,852	51,434,852	68,945,312	68,945,312	68,945,312
Distribution						
Total Distributions	(d) Thousands of yen	1,654,645	1,805,934	3,742,797	2,207,651	2,143,396
Distribution Payout Ratio (Note 1)	(d)/(a) %	99.9	99.9	100.0	99.9	100.0
Per Unit Information						
Number of Units Outstanding	(e) Units	101,400	101,400	131,400	131,400	131,400
Net Assets per Unit	(c)/(e) Yen	523,565	525,057	553,182	541,499	541,010
Distribution per Unit	(d)/(e) Yen	16,318	17,810	28,484	16,801	16,312
(Earnings distribution per unit)	Yen	(16,318)	(17,810)	(28,484)	(16,801)	(16,312)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	1.6 (3.2)	1.6 (3.2)	2.9 (5.9)	1.5 (3.0)	1.4 (2.9)
Return on Unitholders' Equity (Note 3)	%	3.1 (6.3)	3.4 (6.7)	5.9 (11.9)	3.1 (6.1)	3.0 (6.1)
Net Assets Ratio	(c)/(b) %	49.6	45.4	52.6	47.6	48.2
(Period-on-period variation)		(-0.9)	(-4.2)	(+7.2)	(-5.0)	(+0.6)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	2,958,049	3,294,650	3,633,286	4,086,140	4,034,434

(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 unitholders' equity: 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 181 days for the 9th fiscal period, 184 days for the 10th fiscal period, 182 days for the 11th fiscal period, 184 days for the 12th fiscal period and 181 days for the 13th 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.

Use

Use	Key Investment Points
Office Buildings	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.
	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.
	c. PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.
Residential Properties	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.
	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.
	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.
	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.
(Classification by type of residential properties)	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	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.
	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.
	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.
Wide	a. Targeted investment area: The Other 18 Wards of Tokyo and Surrounding City Area.
	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.
	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.
DINKs	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	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.")
	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.
Singles	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	b. This refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.
	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.
	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.

(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.

b. Residential properties

In principle, residential properties of the sizes and numbers of rooms indicated in the table below are the investment targets (in accordance with the classifications by type of use).

Based on the standards above and additionally considering the regional characteristics of the location and the compatibility of asset size with the location for each property, PIC will determine the appropriate size with respect to both office buildings and residential properties.

E) Due Diligence [▶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

Use \ Area	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	80m ² or more	10 or more
Family	60m ² or more	20 or more
DINKs	40-80m ²	20 or more
Singles	25-40m ²	30 or more

Due Diligence

	Item	Details
Economic Inspection	Tenant inspection	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.
- Aside from the above, there may be cases in which PIC conducts sale of properties from the perspective of its financial strategy. For example, PIC may raise funds through selling some of its owned properties in a policy to prepare for repayment of interest-bearing liabilities, including redemption of corporate bonds, while taking care to minimize losses from the sale.

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. ■ 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.

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

■ 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 APRIL 30, 2009 AND OCTOBER 31, 2008

	Thousands of yen	
	April 30, 2009	October 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3)	¥ 888,608	¥ 2,025,377
Cash and deposits held in trust (Note-3)	8,626,290	8,665,388
Tenant receivables	61,944	62,417
Prepaid expenses	96,028	91,667
Consumption taxes refund receivables	-	52,700
Deferred tax assets (Note-9)	2,307	1,177
Other current assets	632	872
TOTAL CURRENT ASSETS	9,675,811	10,899,602
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	59,519,213	59,415,881
Structures held in trust (Note-4)	1,170,697	1,167,605
Tools, furniture and fixtures held in trust (Note-4)	148,687	145,214
Less accumulated depreciation	(8,220,499)	(7,311,418)
Land held in trust (Note-4)	82,903,948	82,903,948
Property and equipment, net	135,522,193	136,321,376
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	1,567	1,590
Intangible fixed assets	117	469
Total intangible fixed assets	1,779,287	1,779,662
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	102,252	128,524
Other deposits held in trust	326,509	326,509
New investment unit issuance costs	14,577	19,437
Total investment and other assets	453,340	484,471
TOTAL LONG-TERM ASSETS	137,754,820	138,585,510
TOTAL ASSETS	¥ 147,430,632	¥ 149,485,112

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

	Thousands of yen	
	April 30, 2009	October 31, 2008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 491,061	¥ 558,446
Short-term loans payable (Note-7)	9,600,000	10,600,000
Long-term loans payable due within one year (Note-7)	600,000	1,000,000
Accrued expenses	150,925	179,673
Distributions payable	17,343	19,722
Income taxes payable	885	82
Business office taxes payable	5,637	2,995
Consumption taxes payable	108,881	-
Rents received in advance	828,670	852,231
Deposits received	42,145	55,173
Total current liabilities	11,845,550	13,268,326
LONG-TERM LIABILITIES		
Corporate bonds (Note-6)	25,000,000	25,000,000
Long-term loans payable (Note-7)	34,300,000	34,900,000
Tenant security deposits held in trust	5,196,328	5,163,774
Total long-term liabilities	64,496,328	65,063,774
TOTAL LIABILITIES	76,341,879	78,332,101
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 April 30, 2009 and as of October 31, 2008		
Retained earnings		
Unappropriated income	2,143,441	2,207,699
Total unitholders' equity	71,088,753	71,153,011
TOTAL NET ASSETS	71,088,753	71,153,011
TOTAL LIABILITIES AND NET ASSETS	¥ 147,430,632	¥ 149,485,112

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND OCTOBER 31, 2008

	Thousands of yen	
	April 30, 2009	October 31, 2008
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 4,926,767	¥ 4,920,670
Other revenue (Note-8)	535,746	588,293
Operating expenses		
Property-operating expenses (Note-8)	2,337,182	2,337,063
Asset management fees	224,632	226,617
Directors' compensation	9,000	9,000
Custodian fees	13,762	13,814
Administration fees	70,751	71,002
Audit fees	8,500	7,750
Other expenses	92,438	98,554
Operating income	2,706,245	2,745,161
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	6,402	10,444
Refund of unpaid distributions	1,237	987
Other non-operating income	256	266
Non-operating expenses		
Interest expense	423,939	399,907
Interest expenses on corporate bonds	140,326	141,673
Amortization of new investment unit issuance costs	4,859	4,859
Other non-operating expenses	587	1,365
Ordinary income	2,144,429	2,209,054
Income before income taxes	2,144,429	2,209,054
Income taxes (Note-9)		
Current	2,165	605
Deferred	(1,129)	762
Net income	2,143,393	2,207,687
Income carried forward	47	11
UNAPPROPRIATED INCOME	¥ 2,143,441	¥ 2,207,699

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 APRIL 30, 2009 AND OCTOBER 31, 2008

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
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
Changes during the period				
Cash distributions paid	-	(2,207,651)	(2,207,651)	(2,207,651)
Net income	-	2,143,393	2,143,393	2,143,393
Total changes during the period	-	(64,258)	(64,258)	(64,258)
BALANCE AT APRIL 30, 2009	¥ 68,945,312	¥ 2,143,441	¥ 71,088,753	¥ 71,088,753

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND OCTOBER 31, 2008

	Thousands of yen	
	April 30, 2009	October 31, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,144,429	¥ 2,209,054
Depreciation	909,455	914,691
Amortization of new investment unit issuance costs	4,859	4,859
Interest income	(6,402)	(10,444)
Refund of unpaid distributions	(1,237)	(987)
Interest expenses	564,266	541,580
Increase in tenant receivables	(1,830)	(6,237)
Decrease in consumption taxes refund receivables	52,700	62,173
(Decrease) Increase in accounts payable	(10,001)	93,263
Increase in consumption taxes payable	108,881	-
Decrease in rent received in advance	(23,561)	(10,842)
Other	(17,951)	29,898
SUBTOTAL	3,723,608	3,827,009
Interest received	6,402	10,444
Interest paid	(563,297)	(584,837)
Income taxes paid	204	(2,292)
Net cash provided by operating activities	3,166,918	3,250,324
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(166,545)	(12,577,198)
Proceeds from tenant security deposits held in trust	201,072	396,703
Payments of tenant security deposits held in trust	(168,518)	(302,063)
Net cash used in investing activities	(133,991)	(12,482,557)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	100,000	9,600,000
Proceeds from long-term loans payable	-	9,000,000
Repayments of short-term loans payable	(1,100,000)	-
Repayments of long-term loans payable	(1,000,000)	(6,000,000)
Payments of distributions	(2,208,793)	(3,735,373)
Net cash (used in) provided by financing activities	(4,208,793)	8,864,626
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,175,866)	(367,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,690,765	11,058,372
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(Note-3) ¥ 9,514,899	¥ 10,690,765

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND OCTOBER 31, 2008

Note-1. Organization and basis of presentation

(a) Organization – Premier Investment Corporation (hereinafter, "PIC") is an investment corporation established in May 2002 under the Law Concerning Investment Trusts and Investment Corporations (hereinafter, "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 April 30, 2009, PIC had total unitholders' capital of 68,945,312 thousand yen with 131,400 units outstanding.

As of April 30, 2009, 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	3-15 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.

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

(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 0 yen and 24,429 thousand yen for the six months ended April 30, 2009 and October 31, 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 April 30, 2009 and October 31, 2008 consisted of the following:

	Thousands of yen	
	April 30, 2009	October 31, 2008
Cash and deposits	¥ 888,608	¥ 2,025,377
Cash and deposits held in trust	8,626,290	8,665,388
Cash and cash equivalents	9,514,899	10,690,765

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 April 30, 2009 and October 31, 2008 consisted of the following:

	Thousands of yen					
	April 30, 2009			October 31, 2008		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 59,519,213	¥ 7,850,362	¥ 51,668,850	¥ 59,415,881	¥ 6,988,477	¥ 52,427,404
Structures	1,170,697	303,492	867,204	1,167,605	267,669	899,935
Tools, furniture and fixtures	148,687	66,498	82,188	145,214	55,126	90,087
Land	82,903,948	-	82,903,948	82,903,948	-	82,903,948
SUBTOTAL	143,742,547	8,220,354	135,522,193	143,632,649	7,311,273	136,321,376
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	149	1,567	1,717	126	1,590
SUBTOTAL	1,779,319	149	1,779,169	1,779,319	126	1,779,192
TOTAL	¥ 145,521,867	¥ 8,220,504	¥ 137,301,363	¥ 145,411,969	¥ 7,311,400	¥ 138,100,569

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 April 30, 2009 and October 31, 2008 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2009 (Amount)	October 31, 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 April 30 starting 2011 were as follows:

(thousands of yen)		
2011	¥	15,000,000
2012		-
2013		10,000,000
2014		-

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

Short-term and long-term loans as of April 30, 2009 and October 31, 2008 consisted of the following:

	April 30, 2009		October 31, 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	¥ -	1.22	¥ 1,000,000	1.30
Unsecured loan due on May 22, 2009 with floating rate	8,050,000	1.39	8,050,000	1.46
Unsecured loan due on June 30, 2009 with floating rate	1,550,000	1.39	1,550,000	1.42
SUBTOTAL	9,600,000	-	10,600,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on November 18, 2008 with fixed rate	-	1.78	500,000	1.78
Unsecured loan due on November 18, 2008 with floating rate	-	1.80	500,000	1.80
Unsecured loan due on March 9, 2010 with fixed rate	600,000	1.62	-	-
SUB TOTAL	600,000	-	1,000,000	-
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	3,000,000	2.08
Unsecured loan due on March 9, 2012 with fixed rate	5,400,000	1.91	5,400,000	1.91
Unsecured loan due on March 9, 2010 with fixed rate	-	-	600,000	1.62
SUBTOTAL	34,300,000	-	34,900,000	-
TOTAL	¥ 44,500,000	-	¥ 46,500,000	-

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

The anticipated maturities of long-term loans for the following four years ended April 30 starting in 2011 are as follows:

(thousands of yen)	
2011	¥ -
2012	19,550,000
2013	10,750,000
2014	4,000,000

PIC executed a commitment-line agreement which provided credit facilities totaling 2,000,000 thousand yen with Aozora Bank Ltd. as of April 30, 2009 and October 31, 2008, respectively. No amount has been drawn down as of April 30, 2009 and October 31, 2008, respectively.

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2009 and October 31, 2008 were as follows:

	Thousands of yen	
	April 30, 2009	October 31, 2008
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,349,972	¥ 4,348,732
Common area charge	576,794	571,938
Subtotal	4,926,767	4,920,670
Other revenue		
Parking fees	132,092	135,169
Facility fees	33,087	31,603
Incidental revenue	245,128	292,395
Miscellaneous income	125,436	129,126
Subtotal	535,746	588,293
TOTAL REAL ESTATE RENTAL REVENUE	5,462,513	5,508,964
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	605,965	575,414
Utilities	272,395	290,604
Real estate taxes	249,389	249,400
Insurance	14,352	15,274
Maintenance and repairs	138,162	141,581
Trust fees	54,787	54,294
Depreciation	909,103	914,239
Miscellaneous expenses	93,026	96,254
TOTAL REAL ESTATE RENTAL EXPENSES	2,337,182	2,337,063
REAL ESTATE RENTAL INCOME	¥ 3,125,330	¥ 3,171,900

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2009 and October 31, 2008.

	April 30, 2009	October 31, 2008
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.30)	(39.29)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.05%	0.06%

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

The tax effects of significant temporary differences and tax loss carry forwards that resulted in net deferred tax assets or liabilities as of April 30, 2009 and October 31, 2008 were as follows:

	Thousands of yen	
	April 30, 2009	October 31, 2008
Deferred tax assets		
Enterprise taxes	¥ 2,307	¥ 1,177
Total of deferred tax assets	2,307	1,177
Deferred tax liabilities	-	-
NET DEFERRED TAX ASSETS	¥ 2,307	¥ 1,177

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-10. Per unit information

The following table summarizes the net assets per unit as of April 30,2009 and October 31, 2008 and the net income per unit for the six months ended April 30, 2009 and October 31, 2008:

	April 30, 2009	October 31, 2008
Net assets per unit	¥ 541,010	¥ 541,499
Net income per unit	16,311	16,801

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	
	April 30, 2009	October 31, 2008
Net income	¥ 2,143,393	¥ 2,207,687
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,143,393	2,207,687
Average number of units during the period	131,400 units	131,400 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2009 and October 31, 2008.

Note-11. Leases

PIC leases its properties to tenants under non-cancellable operating leases. As of April 30, 2009 and October 31, 2008, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2009	October 31, 2008
Due within one year	¥ 416,466	¥ 416,919
Due after one year	877,889	1,085,895
TOTAL	¥ 1,294,355	¥ 1,502,815

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-12. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC’s Articles 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 PIC’s Articles of Incorporation were made.

Based on this policy, the board of directors of PIC resolved on July 9, 2009 and January 15, 2009 to make cash distributions of 2,143,396,800 yen and 2,207,651,400 yen for 131,400 units to unitholders of record on April 30, 2009 and October 31, 2008, respectively.

Income carried forward after the distributions for the six months ended April 30, 2009 and October 31, 2008 were as follows:

	April 30, 2009	October 31, 2008
Unappropriated income	¥ 2,143,441,101	¥ 2,207,699,347
Cash distributions declared	2,143,396,800	2,207,651,400
(Cash distribution declared per unit)	(16,312)	(16,801)
INCOME CARRIED FORWARD	¥ 44,301	¥ 47,947

Note-13. Subsequent events

Loans – On May 22, 2009, PIC refinanced a total of 9,600 million yen of short-term loans (8,050 million yen was borrowed on May 22, 2008 and 1,550 million yen on June 30, 2008) as short-term and long-term loans.

The lenders and other information on these 9,600 million yen loans are as indicated below:

- Under an unsecured and unguaranteed loan agreement with The Sumitomo Trust and Banking Co., Ltd., Resona Bank, Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd. effective May 20, 2009, PIC received 3,480 million yen on May 22, 2009. The interest rate of the loan is TIBOR (for each interest calculation period) plus 1.00%, and the loan will mature on May 21, 2010.
- Under an unsecured and unguaranteed loan agreement with The Chuo Mitsui Trust and Banking Company, Limited and Sumitomo Mitsui Banking Corporation effective May 20, 2009, PIC received 3,120 million yen on May 22, 2009. The interest rate of the loan is TIBOR (for each interest calculation period) plus 1.10%, and the loan will mature on May 20, 2011.
- Under an unsecured and unguaranteed loan agreement with Development Bank of Japan Inc. effective May 20, 2009, PIC received 3,000 million yen on May 22, 2009. The interest rate of the loan is TIBOR (for each interest calculation period) plus 1.60%, and the loan will mature on May 22, 2014. Repayment of 37.5 million yen at the end of February, May, August and November each year, starting at the end of August 2009, and ending with the repayment of 2,287.5 million yen on May 22, 2014.

Amendment of the commitment-line agreement – The commitment-line agreement concluded with Aozora Bank, Ltd. was amended effective on June 30, 2009, for the purposes of reducing commitment line in response to current financing needs.

The main amendments are as outlined below:

- The commitment line has decreased to 1,000 million yen from 2,000 million yen.
- Interest rate has been changed to TIBOR plus 1.20%, which previously was TIBOR plus 0.55%.
- The period over which the commitment line is available has been extended to July 1, 2009 through June 30, 2010, from the prior period of July 1, 2008 through June 30, 2009.



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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 April 30, 2009 and October 31, 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 April 30, 2009 and October 31, 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.

As described in Note-13 to the financial statements, subsequent to April 30, 2009, the Company borrowed loans.

PricewaterhouseCoopers Aarata

August 5, 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 Construction Expenditure (thousands of yen)		
				Total	Amount Paid during the 13th Fiscal Period	Amount Paid before the 13th Fiscal Period
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	March 2009 – February 2010	139,402	–	–
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2007 – October 2010	129,041	3,536	27,995
The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Renovation of automatic fire alarm system and other equipment	July 2008 – September 2009	60,730	32,488	–

2. Capital Expenditures during the 13th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 13th fiscal period for the portfolio owned by PIC. Capital expenditures during the period totaled 109,897 thousand yen. This, combined with maintenance and repair expenditures of 138,162 thousand yen that were classified as operating expenses for the period, means a total of 248,060 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Renovation of automatic fire alarm system and other equipment	July 2008 – February 2009	32,488
Ougaku Building	Chiyoda Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2008 – December 2008	20,055
Ougaku Building	Chiyoda Ward, Tokyo	Replacement of parts for water supply and drainage pipes	December 2008 – February 2009	12,734
Other construction	–	–	–	44,619
Total				109,897

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

Item	Fiscal Period	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)	13th Fiscal Period (November 1, 2008 – April 30, 2009)
Deposits at end of the preceding period		204,158	204,608	227,868	231,563	274,445
Deposits made during the period		450	23,260	17,400	42,882	5,750
Amounts used from deposits during the period		–	–	13,705	–	–
Deposits carried forward to the next period		204,608	227,868	231,563	274,445	280,195

OVERVIEW OF FUND PROCUREMENT

During the 13th fiscal period, PIC made no public offering of additional investment units. As for borrowings, PIC repaid 1,000 million yen in long-term loans (borrowed on November 18, 2003) on November 18, 2008, and 1,000 million yen in short-term loans (borrowed on March 27, 2008) on March 27, 2009, both upon maturity.

As a result, PIC's interest-bearing liabilities totaled 69,500 million as of April 30, 2009. The breakdown is as follows: 9,600 million yen in short-term loans, 34,900 million yen in long-term loans (including long-term loans due within one year), and 25,000 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 86.2%. All of these borrowings are on a no-collateral and no-guarantee basis.

New Borrowings in the 14th Fiscal Period

Entering the 14th fiscal period, on May 22, 2009, PIC refinanced short-term loans totaling 9,600 million yen by borrowing three separate loans with diversified loan periods of one year, two years and five years, respectively. PIC intended to alleviate future refinancing risks by diversifying loan periods.

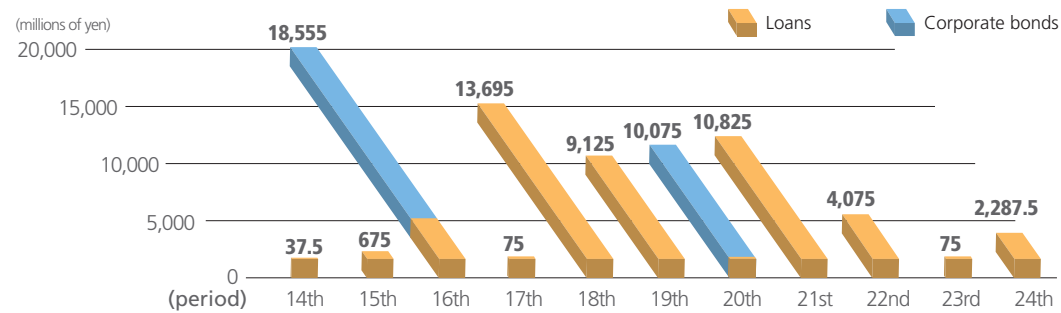
Details of the New Borrowings

	Term Loan 012	Term Loan 013	Term Loan 014
Use of Funds	Repayment of short-term loans		
Lenders	The Sumitomo Trust and Banking Co., Ltd. Resona Bank, Limited. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Chuo Mitsui Trust and Banking Company, Limited Sumitomo Mitsui Banking Corporation	Development Bank of Japan Inc.
Loan Amount	3,480 million yen	3,120 million yen	3,000 million yen
Drawdown Date	May 22, 2009	May 22, 2009	May 22, 2009
Maturity Date	May 21, 2010	May 20, 2011	May 22, 2014
Repayment Period	1 year	2 years	5 years
Repayment Method	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Repayment of 37.5 million yen at the end of February, May, August and November each year, starting at the end of August 2009 and ending with the repayment of 2,287.5 million yen on May 22, 2014 (or the business day immediately before the date if the date is not a business day)
Interest Rate (p.a.), etc.	Floating rate: TIBOR + 1.00% corresponding to the respective interest periods	Floating rate: TIBOR + 1.10% corresponding to the respective interest periods	Floating rate: Three-month TIBOR+1.60%
Collateral / Guarantee	Unsecured and non-guaranteed	Unsecured and non-guaranteed	Unsecured and non-guaranteed

Enhanced Diversification of Maturity Dates

With the refinancing conducted on May 22, 2009, the maturity dates of PIC’s borrowings have been further diversified to realize a stable base of funds.

The following graph indicates the diversification of the repayment schedule of PIC’s interest-bearing liabilities as of May 22, 2009.



Status of Corporate Bonds

Details of investment corporation bond issues as of April 30, 2009 are indicated below.

Name	Issue Date	Redemption Maturity	Issue Period	Total Issue Amount (millions of yen)	Yield	Collateral / Guarantee
Series 1 Unsecured Bond (note)	September 8, 2005	September 8, 2010	5 years	15,000	0.94% per annum (fixed)	Unsecured and non-guaranteed
Series 2 Unsecured Bond (note)	September 8, 2005	September 7, 2012	7 years	10,000	1.41% per annum (fixed)	Unsecured and non-guaranteed
Total				25,000		

(Note) Ranking pari passu with specific investment corporation bonds

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