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

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



SEMIANNUAL REPORT

14TH FISCAL PERIOD
ENDED OCTOBER 31, 2009

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ESSAGE TO OUR UNITHOLDERS

Dear Investor,

More than a year has passed since the “Lehman Shock” shook the world, and the effects from proactive measures of governments in many countries to stabilize financial conditions and stimulate the economy have gradually materialized, alleviating the global financial crisis and helping the real economy around the world to begin to rise from its nadir.

The Japanese economy remains in hardship. During the 14th fiscal period (May 1, 2009 – October 31, 2009), corporate earnings dropped sharply, capital investment remained low and the employment situation continued to deteriorate. The economic recession also impacted the real estate rental market, which saw a widespread downward trend in occupancy rates and rent levels.

Although extreme restrictions on fund procurement are being removed thanks to political measures to enhance the safety net, including the establishment of the Public-Private Real Estate Market Stabilization Fund, the financial and capital markets maintain a severe stance toward real estate investments, preventing dynamic procurement of capital for such investments.



Hiroshi Matsuzawa
Executive Director
Premier Investment Corporation

Under these circumstances, Premier Investment Corporation (PIC) continued to refrain from new investment in real estate for the fiscal period under review, and strived to maintain and improve occupancy rates of its properties by taking such measures as swiftly setting rents in accordance with the prevailing market rates. In addition, we endeavored to strengthen PIC's financial foundation, such as by extending loan periods (diversifying repayment dates) when refinancing existing loans.

Nevertheless, PIC's earnings decreased from the previous fiscal period due to the drop in average occupancy rates of its properties throughout the 14th fiscal period, both at office buildings (-1.9%) and residential properties (-0.1%), as well as the continued downward trend in rent levels. Financial costs also increased due to extended loan periods and other factors.



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

As a result, PIC's operating revenues totaled 5,318 million yen, a period-on-period decrease of 143 million yen. Ordinary income and net income were 1,951 million yen and 1,950 million yen, respectively, representing period-on-period decreases of 192 million yen and 193 million yen. PIC delivered a distribution per unit of 14,840 yen, a decrease of 1,472 yen from the previous fiscal period.

There are signs that the economy is moving toward recovery, but we expect the difficult business environment to continue for some time. We at PIC and Premier REIT Advisors Co., Ltd., the asset manager of PIC, will work to maximize earnings from owned properties and reduce operating costs so that we can overcome the current hardship and realize stable asset management over the medium to long term.

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TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

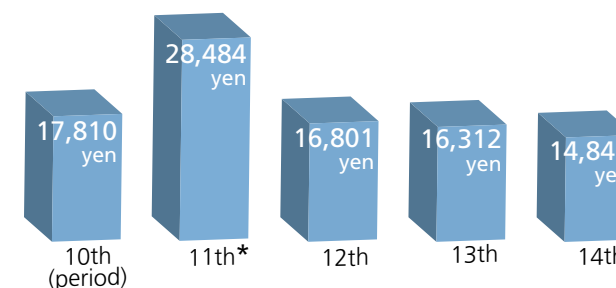
Management and Distribution Results	13th Fiscal Period (ended April 2009)	14th Fiscal Period (ended October 2009)
Operating Revenues (mm yen)	5,462	5,318
Operating Income (mm yen)	2,706	2,561
Ordinary Income (mm yen)	2,144	1,951
Net Income (mm yen)	2,143	1,950
Distribution per Unit (yen) (distribution in excess of profits not included)	16,312	14,840
Total Distributions (mm yen)	2,143	1,949
Distribution Payout Ratio ^(Note)	100.0%	99.9%
Distribution versus Net Assets ^(Note)	3.0%	2.7%

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

Financial Status	13th Fiscal Period (ended April 2009)	14th Fiscal Period (ended October 2009)
Total Assets (mm yen)	147,430	146,906
Net Assets (mm yen)	71,088	70,895
Net Assets Ratio	48.2%	48.3%
Net Assets per Unit (yen) ^(Note)	541,010	539,538

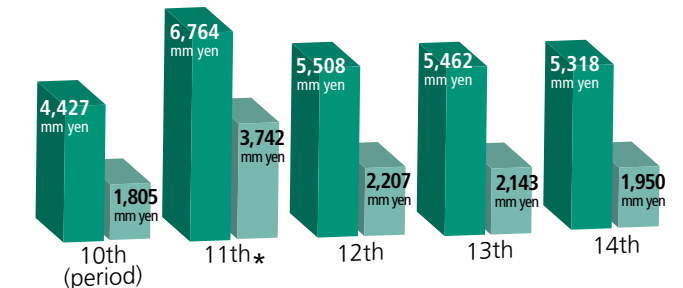
(Note) The number of outstanding investment units at the end of both the 13th and 14th fiscal periods was 131,400 units.

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.

ASSET MANAGEMENT RESULTS

Given the severe market environment, PIC avoided new property acquisitions during the 14th fiscal period. Instead, we focused on achieving maximum earnings from the portfolio by endeavoring to maintain and increase occupancy rates of existing properties through promptly setting rents in accordance with actual market levels, as well as focusing on reducing operational costs.

Nevertheless, the global economic recession, which was arguably dubbed as “once-in-a-century,” had a full-scale impact on the real estate rental market. As a result, PIC also saw the occupancy rate of its entire portfolio decrease (from 94.5% at the end of the 13th fiscal period to 94.1% at the end of the 14th fiscal period), and its rental income dropped from both office buildings and residential properties.

Office Buildings

In the office building rental market, an increasing number of tenants transferred

their offices to properties that offered lower rents, especially in the five central wards of Tokyo, causing a notable rise in the vacancy rates of primarily large-scale, newly-built properties. In contrast, since all of the office buildings owned by PIC are small and medium-sized class B buildings (for comparisons with class A buildings, please refer to the descriptions on page 11 of this report), and partly due to their relatively economical rents, there were cases in which tenants vacating class A buildings moved into PIC properties.

These aspects helped PIC to promote leasing of its office buildings to a certain degree, and its average occupancy rate during the 14th fiscal period was 96.4%, surpassing the 95.1% assumed for the beginning-of-period budget. However, operating revenues surpassed the beginning-of-period budgets by only 22 million yen, failing to fully reflect the positive leasing results achieved during the period due to increased lease contracts with rent-free periods as additional conditions, and other factors.

Moreover, compared with the 13th fiscal period, the average occupancy rate dropped by 1.9 percentage points and operating revenues from office buildings were down by 57 million yen.

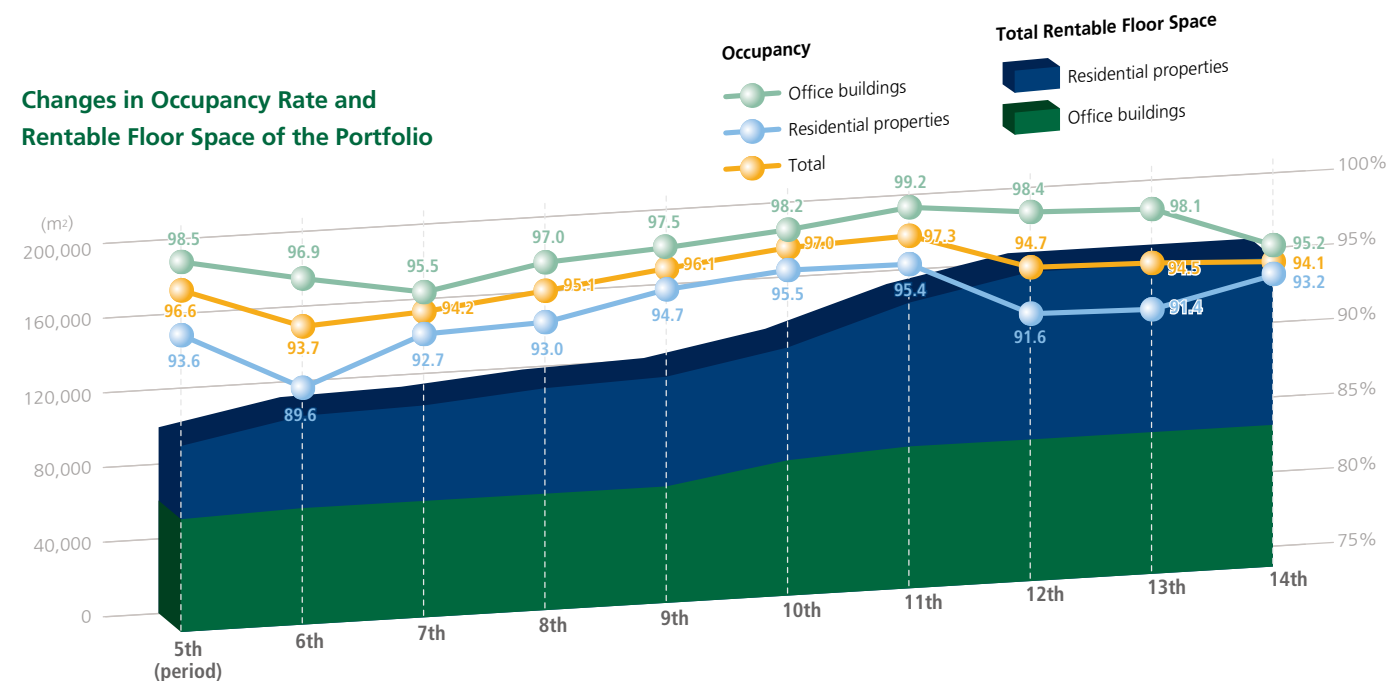
The trend of tenants moving out due to a reduction of used space and integration or abolishment of their offices still continues, and competition over tenants is intensifying, even at small and medium-sized properties. Under these circumstances, it has become unavoidable to reduce offered rents.

Residential Properties

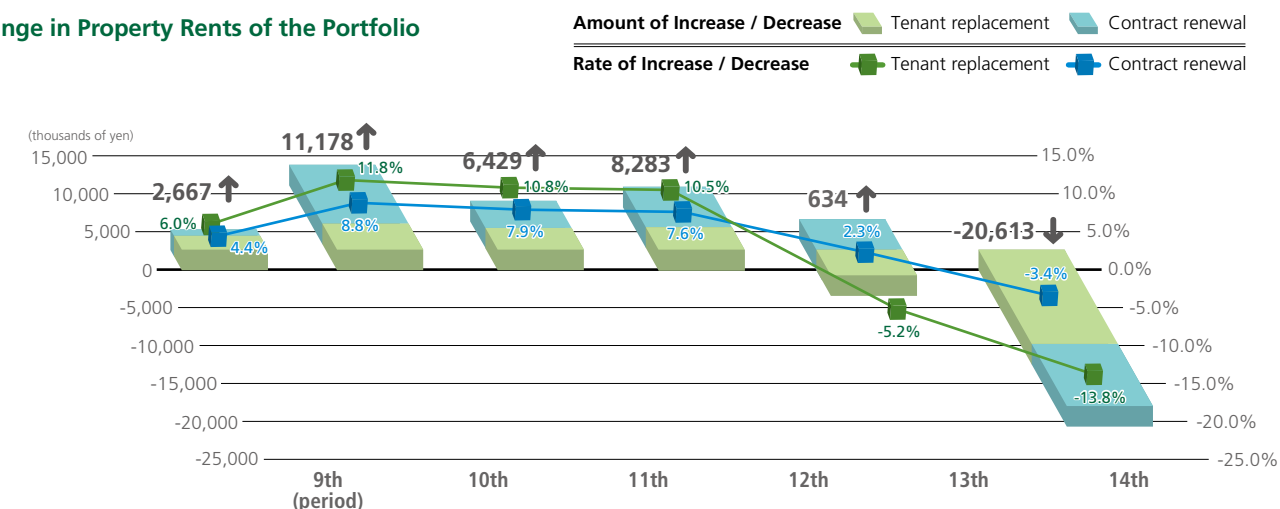
The occupancy rates of PIC’s residential properties varied in accordance with the rent levels offered. (For rent levels and residential unit types, please refer to the explanations given on page 11 of this report.)

For residences with monthly rent levels of 300,000 yen or more (mainly Wide-

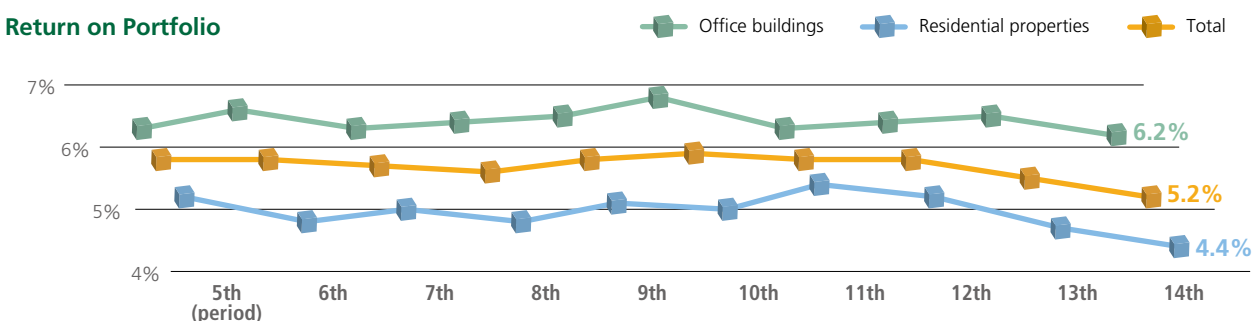
Changes in Occupancy Rate and Rentable Floor Space of the Portfolio



Change in Property Rents of the Portfolio



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

type and Family-type units corresponding to this category), the central sources of demand are foreign companies (corporate contracts as housing for their employees), foreign expatriates living in Japan on business and high net worth individuals inside and outside Japan. As such, there is a strong correlation between the demand trend and the status of the economy.

During the 14th fiscal period, there were many tenants moving out because of such reasons as reduced housing allowances as well as repatriation of foreign business persons due to worsened corporate results.

On the other hand, occupancy rates were relatively stable at residences with monthly rent levels of 150,000 yen or more and less than 300,000 yen (mainly DINKs-type units corresponding to this category), partly

due to tenants moving from properties commanding higher rents.

For residences with monthly rent levels of less than 150,000 yen (mainly Single-type units corresponding to this category), demand was stable even amid the economic recession and their occupancy rates remained fairly high.

These circumstances helped PIC to maintain nearly the same occupancy rate as the previous fiscal period at 91.3% (a period-on-period decrease of 0.1 percentage point) for all residential properties it owned. However, operating revenues from residential properties decreased by 86 million yen from the 13th fiscal period as intensified competition over tenants caused general rent levels to decline.

Cost Reduction Measures

As measures to reduce expenses, PIC conducted a review of building management expenses and property management fees it paid in accordance with the management status of respective properties. The table below shows cost reduction results for the 14th fiscal period.

- Resulted** in reductions of approximately 3.3 million yen per month (approximately 40 million yen when annualized) for total building management expenses
- Reviewed** management specifications and unit prices for orders for 12 properties
- Resulted** in reductions of approximately 0.5 million yen per month (approximately 6.5 million yen when annualized) for total property management fees
- Reviewed** property management fees at 5 properties

FINANCIAL STRATEGY AND PERFORMANCE

Status of Financial Environment

During the 14th fiscal period, proactive financial and fiscal policies by governments and authorities around the world successfully alleviated the global financial crisis. In Japan, partly due to the enforcement of government measures to stabilize the real estate market, financial institutions are becoming more composed in their attitude toward the J-REIT market.

In particular, while redemption of the principal on corporate bonds was regarded as a major risk factor for the REIT industry, the government-led Public-Private Real Estate Market Stabilization Fund was established to deal with this issue. Financing services to cope with the financial crisis were also implemented, with Development Bank of Japan Inc. serving as the designated financial institution. These and other government-led safety nets were prepared, helping to gradually remove the extreme restrictions on fund procurement, which have been an issue of concern to date.

However, the situation is still far from allowing dynamic procurement of investment funds, and it will take time for the fund procurement environment to recover.

Financial Strategy

Given these circumstances, PIC endeavored to strengthen its financial foundation based on the following financial strategy.

Pursue extension of loan periods and diversification of repayment dates when refinancing loans, despite the fact that they would lead to increased costs.

- ➔ Target 80% for both the long-term interest-bearing liabilities ratio and the fixed interest rate liabilities ratio based on the following priorities: (1) Long-term loans and (2) Borrowings with fixed interest rates
- ➔ Procure interest-bearing debt with no collateral and no guarantee

Furthermore, PIC's unsecured bond No. 1 (totaling 15 billion yen) will mature in September 2010. For this redemption, PIC will basically procure funds through negotiations with financial institutions, but

may also examine the sale of properties. The maximum target amount of proceeds to be procured through property sales, if any, would be half of the funds needed for the redemption.

Financial Measures Taken in the 14th Fiscal Period

■ In May 2009, loans totaling 9.6 billion yen were refinanced through three separate loans (term loans), with diversified loan periods of one year, two years and five years, respectively. This arrangement raised the ratio of long-term loans and further diversified repayment dates of borrowings, helping to reduce refinancing risks in the future.

■ Considering the present need for funds, PIC reduced the commitment amount in its Commitment Line Agreement with Aozora Bank, Ltd. by 1 billion yen to 1 billion yen in order to reduce costs related to financing and for other purposes (commitment period: July 1, 2009 to June 30, 2010).

Status of Interest-Bearing Liabilities

Loans

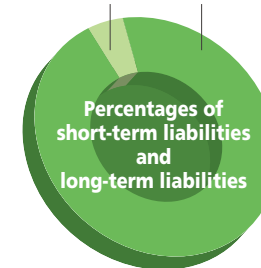
(as of October 31, 2009)						
No.	Lender	Drawdown date	Repayment date	Amount (mm yen)	Fixed/Floating	Average rate of interest
1	Sumitomo Trust & Banking, etc	2008/9/9	2010/3/9	600.0	Fixed	1.61875%
2	Sumitomo Trust & Banking, etc	2009/5/22	2010/5/21	3,480.0	Floating	1.60051% (3T+1.00%)
3	Chuo Mitsui Trust & Banking, etc	2009/5/22	2011/5/20	3,120.0	Floating	1.70051% (3T+1.10%)
4	Chuo Mitsui Trust & Banking, etc	2007/7/31	2011/7/29	10,500.0	Fixed	1.89375%
5	Sumitomo Mitsui Banking Corp., etc	2007/2/28	2012/2/29	3,650.0	Fixed	1.82505%
6	Aozora Bank, etc	2008/9/9	2012/3/9	5,400.0	Fixed	1.91375%
7	Resona Bank, etc	2007/2/28	2013/2/28	2,850.0	Fixed	2.08000%
8	Chuo Mitsui Trust & Banking, etc	2008/3/27	2013/3/27	7,900.0	Fixed	1.60500%
9	Development Bank of Japan	2008/5/22	2013/5/22	3,000.0	Fixed	2.08125%
10	Development Bank of Japan	2007/7/31	2013/7/31	1,000.0	Fixed	2.23875%
11	Development Bank of Japan	2009/5/22	2014/5/22	2,962.5	Floating	2.20051% (3T+1.60%)
Total				44,462.5		

Corporate Bond

No.	Lender	Issue date	Repayment date	Amount (mm yen)	Fixed/Floating	Average rate of interest
1	Unsecured bond No. 1	2005/9/8	2010/9/8	15,000.0	Fixed	0.94%
2	Unsecured bond No. 2	2005/9/8	2012/9/7	10,000.0	Fixed	1.41%
Total				25,000.0		

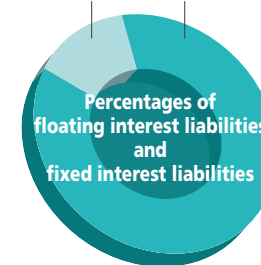
Interest-Bearing Liabilities Ratio (as of the end of the 14th fiscal period)

Short-term interest-bearing loans 5.0% Long-term interest-bearing loans 95.0%

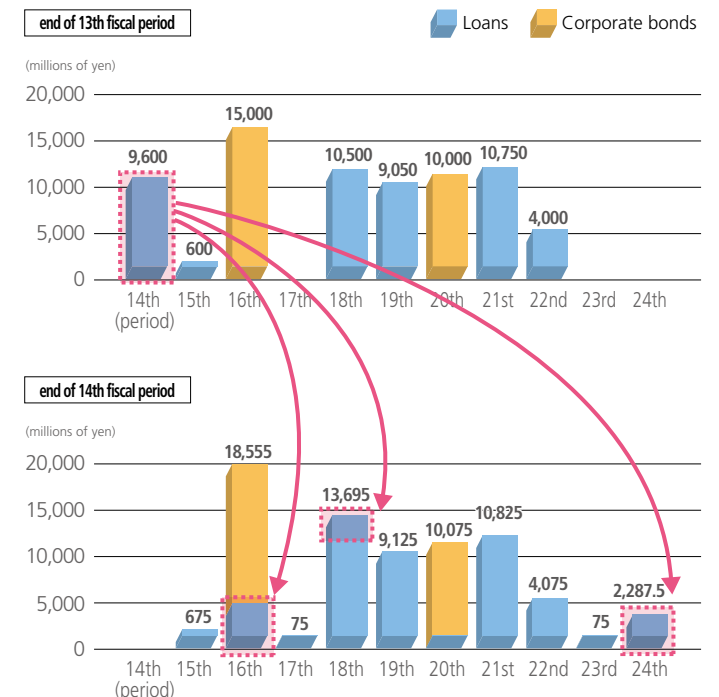


(Note) Borrowing periods used are those as of the drawdown dates for loans and the date of issuance for corporate bonds.

Floating interest loans 13.8% Fixed interest loans 86.2%

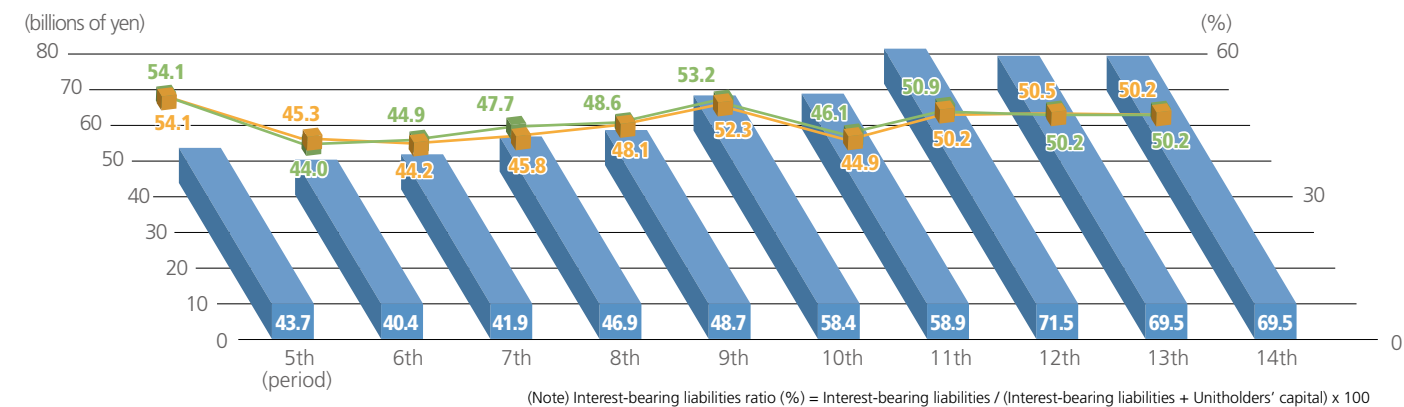


Repayment Schedule of Interest-Bearing Liabilities



Changes in Interest-Bearing Liabilities Ratio

■ Average LTV throughout period (%) ■ LTV at end of period (%) ■ Interest-bearing liabilities at end of period (billions of yen)



Status of Ratings

	Issuer Rating	Rating Outlook
R&I	A+	Stable
Moody's	Baa1	Stable

MARKET ENVIRONMENT AND PERFORMANCE FORECASTS

Impacted by the economic recession, the real estate transaction market continued to show only restricted activity during the 14th fiscal period, and occupancy rates and rent levels were on a downward path in the real estate lease market. While the global financial turmoil settled down in the financial market, the fund procurement conditions were not yet at a full recovery. On the other hand, reorganization of the industry started to take place in the REIT market. Under such conditions, PIC conducted asset management based on the following policies.

Real Estate Transaction Market

Summary

- The stage has shifted from sales of individual properties to selection of new sponsors for bankrupt companies and funds
- Despite efforts to form new funds, procurement of equity capital remained difficult due to concerns over the market outlook. Transactions were conducted only on a limited scale

Office Buildings

- Supply of high-grade office space remained scarce
- Transactions of blue-chip properties were virtually limited to sales of properties for the disposal of CMBS loans or club deals between parent companies and their subsidiaries

Residential Properties

- Demand remained strong, even compared with office buildings, primarily for residential properties with Single-type units and stable operations in the center of Tokyo
 - ➡ Properties in good locations in the center of Tokyo with reasonable set rents were already traded at prices providing yields in the upper 5% level

- Start full-fledged activities to sell owned properties to partly fund the redemption of corporate bonds (with the intention of redeeming the remainder of the bonds through borrowings from financial institutions)
- Keep the decrease in LTV levels to a minimum, and take the selling of properties as an opportunity to examine possible new investments

- Continue to lower rents significantly and put priority on securing earning opportunities, even if profit margins are reduced
- Continue efforts to decrease real estate rental expenses with a focus on reducing outsourcing fees

REIT Market

- Systematic revisions in a variety of aspects helped to accelerate reorganization of the industry through various means
 - ➡ Change of sponsors of asset management companies
 - ➡ Consolidation among REITs through REIT mergers
 - ➡ Acquisition of a REIT by another REIT
- Public offerings were conducted for the first time in 15 months in the industry, giving momentum to the procurement of equity capital
- Preparations progressed for government-led safety nets, including establishment of the Public-Private Real Estate Market Stabilization Fund
 - ➡ Extreme restrictions on fund procurement were removed

Finance and Operations

- Procure funds through a more balanced approach, taking into account the ability to quickly respond to changes in procurement costs and the financial environment
- Create and propose a new scenario for growth, with equity financing as a possible option
- Need to explore the possibility of issuing bonds because of the decreasing number of lenders as a result of integration of financial institutions and the limitations on the amount of loans available through a single lender
- Enhance checks on antisocial transactions and ensure thorough compliance

External Growth

Internal Growth

Real Estate Rental Market

Office Buildings

- Vacancy rate and rent levels rose in the center of Tokyo for both class A and class B office buildings
 - ➡ Existing tenants increasingly requested discounts of rents, even in the middle of contract periods
 - ➡ A rent-free period of more than 3 months has become the norm for new tenants, in addition to severe rent levels

Residential Properties

- Demand volume from foreign expatriates remained unchanged from last year, but rent levels were reduced due to decreases in new demand
 - ➡ Expenses for restorations of rooms to their original conditions, leasing fees and other costs associated with the high rate of tenant turnover depressed profits
 - ➡ Residences with rent levels of less than 300,000 yen per month operated steadily without significant drops in rent levels

Financial Market

- Concerns for worsening national finance temporarily caused a rising trend in long-term interest rates, but neither the apparent bottoming out of corporate performance nor recovery of the economy showed strength. Confirmation of deflation by the government and the Bank of Japan is expected to keep short-term and long-term interest rates at low levels
- Large-scale implementations of fiscal and monetary policies by the government put the brakes on the economic slowdown to a certain degree. Turmoil in the securities market abated
- Large financial institutions worked to reinforce their equity
 - ➡ Financial institutions tended to adopt more relaxed attitudes toward refinancing, allowing expectations that they would take such vitalization measures as providing new fund procurement options

Performance Forecasts

Currently, the Japanese economy not only embraces expectations for recovery in personal spending thanks to stimulating measures by the government and for an upturn in business due to increased exports, but also shows uneasiness towards risks that might push the economy downward, such as further deterioration in employment rates and concerns over a downturn in the world economy.

In terms of office buildings, there is the view that the market has bottomed out

for class S and class A buildings, which undertook a rapid adjustment in demand and supply in 2009. Meanwhile, all the offices PIC owns are class B buildings, which tend to be impacted by economic conditions after class S and class A buildings. In addition, since cost reductions still remain a major management target in the business activities of corporate tenants, it is expected that such buildings will continue to have unstable occupancy rates and falling rents for a while longer (please refer to the descriptions on page 11 of the class categorizations for office buildings).

As for residential properties, the generally difficult conditions will remain for a time as there is a growing demand for reduced rent burdens due to decreased income, although the Tokyo Economic Bloc poses firm latent demand. Accordingly, PIC has made extremely conservative estimates for its performance forecasts for the 15th and 16th fiscal periods, based on the premise that both occupancy rates and rent levels will drop especially for office buildings.

Forecasts for the 15th and 16th Fiscal Periods (as of December 14, 2009)

	15th Fiscal Period	16th Fiscal Period
Operating revenues	5,078 million yen	4,882 million yen
Operating income	2,333 million yen	2,138 million yen
Ordinary income	1,730 million yen	1,486 million yen
Rental NOI	3,663 million yen	N/A
Net income	1,729 million yen	1,485 million yen
Distribution per unit	13,160 yen	11,300 yen
No. of properties	45	45

Assumptions for the Forecasts

	15th Fiscal Period	16th Fiscal Period
No. of assets in operation	45 properties (no change from the end of the 14th fiscal period)	
No. of investment units outstanding	131,400 units (no change from the end of the 14th fiscal period)	
Interest-bearing liabilities	Of the balance of interest-bearing liabilities, which was 69,462.5 million yen as of the end of the 14th fiscal period, it is assumed that divided repayment of 75 million yen of a long-term loan and repayment of 600 million yen in long-term loans maturing on March 9, 2010 will be made. Other than these, no repayment dates will arrive in the fiscal period and PIC has no plans to make new borrowings, etc. (The scheduled balance of interest-bearing liabilities at the end of the fiscal period will be 68,787.5 million yen.)	Of the balance of interest-bearing liabilities, which will be 68,787.5 million yen as of the end of the 15th fiscal period, it is assumed that 3,480 million yen in short-term loans maturing on May 21, 2010 and 15,000 million yen for Unsecured Bond No. 1 with a maturity date on September 8, 2010 will be refinanced for the same amount, respectively. In addition, interest-bearing liabilities will be reduced by 75 million yen during the fiscal period in accordance with divided repayments of a long-term loan as agreed. Other than these, no repayment dates will arrive in the fiscal period and PIC has no plans to make new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 68,712.5 million yen.)
Occupancy rate	Office buildings: 93.1%; Residential properties: 92.9%; Total: 93.0%	N/A
Tax and public dues	It is assumed that tax and public dues will be 296 million yen, with no property newly accruing expenses in the 15th fiscal period.	It is assumed that tax and public dues will be 307 million yen, with no property newly accruing expenses in the 16th fiscal period.
Others	Outsourcing fees: 546 million yen; Depreciation expenses: 903 million yen; Capital expenditures: 134 million yen; Operating expenses (excluding rental expenses): 427 million yen; Interest expenses: 600 million yen	Outsourcing fees: 537 million yen; Depreciation expenses: 901 million yen; Capital expenditures: 151 million yen; Operating expenses (excluding rental expenses): 397 million yen; Interest expenses: 649 million yen

(Note) Amounts of less than one million appearing in the table are disregarded.

Basic Policy for Constructing the Portfolio

PIC invests in real estate primarily used for office buildings and residential properties in the Tokyo Economic Bloc, and works to construct a well-balanced portfolio by rigorously selecting blue-chip properties and conducting prudent management of its owned assets, in order to secure stable earnings over the medium to long term.

(1) The target investment ratio of properties by use is 60% in office buildings and 40% in residential properties.

(2) PIC will, in principle, invest in real estate that provides or promises stable rental income*, and does not intend to acquire land and construct buildings thereon.

*PIC may invest in a property yet to be constructed by a third-party if such a property to be constructed is likely to attract sufficient tenants after completion, and risks regarding completion and delivery have been minimized.

(3) PIC will make it a basic policy to maintain the interest-bearing liabilities ratio (interest-bearing liabilities/total assets) at 60% or less.

Concentration on the Tokyo Economic Bloc

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.

Investment Areas

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.

Investment Area



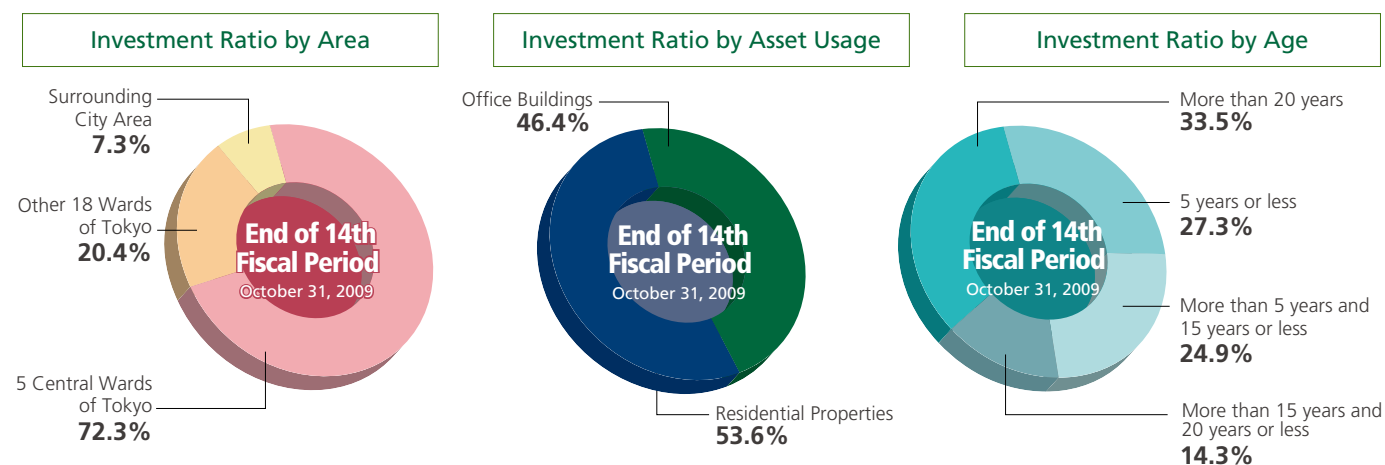
5 Central Wards of Tokyo	Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards. Chiyoda, Chuo and Minato Wards have long played a central role as business areas, while Shinjuku and Shibuya Wards have recently established themselves as new business areas.
Other 18 Wards of Tokyo	The remaining 18 wards of 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).

Status of PIC's Portfolio

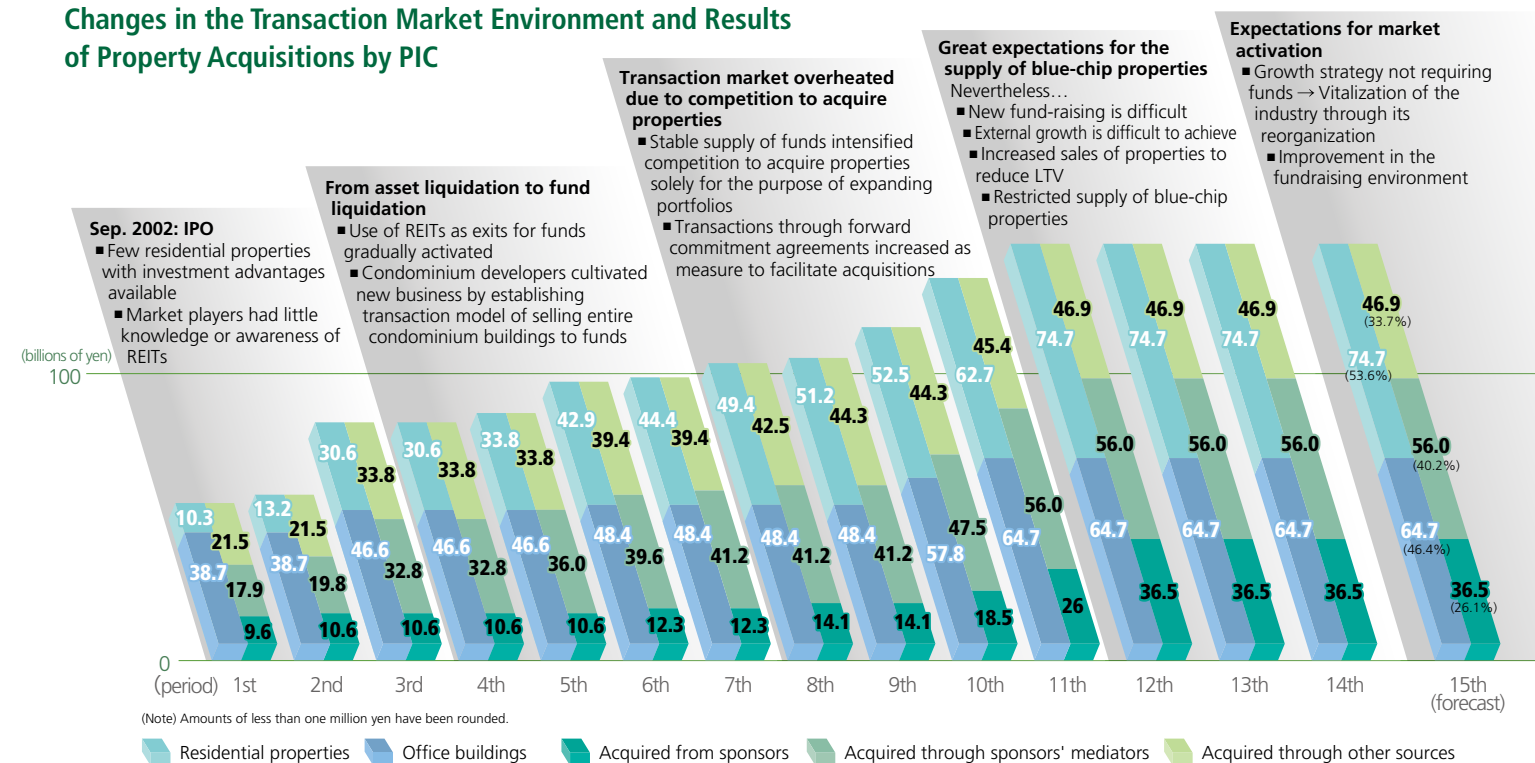
PIC did not acquire any additional properties in the 14th fiscal period. The assets PIC owned as of October 31, 2009, were as follows.

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	165,532.15m ²
No. of tenants	2,356

Diversification of Portfolio (as of end of the 14th fiscal period)



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



PIC’s portfolio currently consists of 45 properties in total, with 14 office buildings and 31 residential properties located in the Tokyo metropolitan area. Characteristically, PIC invests exclusively in class B office buildings (please refer to the following table for class categorizations), while diversifying investment in residential properties primarily into four types (please refer to the table below showing residential types).

Office Buildings

All of the office buildings owned by PIC are class B buildings, primarily comprised of mid-sized buildings located in Tokyo and neighboring Kanagawa Prefecture and boasting excellent access to mass transit.

Class Categories of Office Buildings

	Class S Buildings	Class A Buildings	Class B Buildings (owned by PIC)
Location	Located in districts for class A buildings, shown on the right, but especially in districts that are highly recognized specifically as office areas	Located in highly mature districts as office areas or districts with high future prospects, primarily in the 5 Central Wards of Tokyo	Located in highly mature districts as office areas or districts where strong office demand is expected, both in the 23 Wards of Tokyo
Floor space	Approx. 66,000m² and more	Approx. 33,000m² and more	Approx. 3,300m² and more
Standard floor size	Approx. 1,650m² and more	Approx. 660m² and more	Approx. 300m² and more
Building age	Less than 11 years since completion	Less than 21 years since completion	

Source: Prepared by Premier REIT Advisors Co., Ltd. based on the “Office Market Report” and “Preliminary Report on Vacancy and Average Rents of Offices in 3 Major Cities” by CB Richard Ellis Research Institute K.K.

Residential Properties

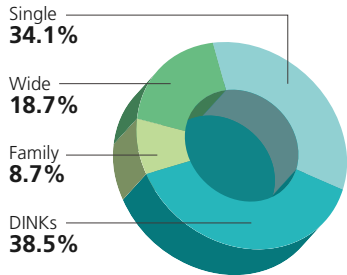
PIC owns four types of residential properties as indicated below.

Types of Residential Properties

Type	Single	DINKS	Family	Wide
Geographical area for Investment	5 Central Wards of Tokyo and other surrounding wards	5 Central Wards of Tokyo and other surrounding wards	23 Wards of Tokyo and other suburban areas	5 Central Wards of Tokyo and other surrounding wards
Main rent level	Less than 150,000 yen per month	150,000 yen or more and less than 30,000 yen per month	300,000 yen or more and less than 500,000 yen per month	500,000 yen or more per month
Definition	Residence intended for persons living alone, and designed to meet their lifestyles	Residence intended for young households (without children) where both partners work, and designed to meet their lifestyles	Residence intended for average-income Japanese families (especially families with three or more members, including children) and designed in a manner that meets their lifestyles	Residence primarily intended for foreigners (i.e., businessmen dispatched or assigned by Western and multinational companies from overseas), and designed specifically to meet their lifestyles (including living customs) under selected locational conditions

Source: Prepared by Premier REIT Advisors Co., Ltd. based on the “Office Market Report” and “Preliminary Report on Vacancy and Average Rents of Offices in 3 Major Cities” by CB Richard Ellis Research Institute K.K.

Investment Ratio of Residential Properties by Unit Type (as of October 31, 2009, on a rentable floor space basis)



OFFICE BUILDINGS

A6 Rokubancho Building



The property is an office building located in Rokubancho, Chiyoda Ward (one of the five central wards of Tokyo) and situated a four-minute walk from Yotsuya Station on the JR Chuo Line. PIC leases the entire property to a TSE-listed company as its head office.

B2 Premier Toyochko Building



Located in Koto Ward (one of the 23 wards of Tokyo), the property faces Eitaidori Street, a major street in the area. It is situated about a three-minute walk from Toyochko Station on the Tokyo Metro Tozai Line, from which it takes approximately nine minutes to Otemachi, a CBD in Tokyo. The property is a new building completed in October 2006, and features excellent compatibility with office automation systems.

A8 YS Kaigan Building



The property is located in Minato Ward (one of the five central wards of Tokyo) and situated along Tokyo Bay, featuring excellent traffic access to CBDs, Haneda Airport and other major locations. It is an office building with annexed residences on the upper three floors (10F~12F). The office sections are highly functional and shaped in a way that is easy to use, with a standard office floor area of approx. 550m² (2F~9F).

D10 Premier Stage Nihonbashi Kayabacho SINGLE



The residence is located in Nihonbashi Kayabacho in Chuo Ward (one of the five central wards of Tokyo) and enjoys strong demand from businesspersons who commute to their offices in the Tokyo CBDs, as the property is near Tokyo Station and features good traffic convenience. Of its 135 units, 132 units claim monthly rents of less than 150,000 yen (as of the end of the 14th fiscal period), and the property operates at a stable occupancy rate, even in a recession like the present one, with few reductions in rents.

RESIDENTIAL PROPERTIES

D14 Premier Blanc Yoyogikouen DINKs



Located in Shibuya Ward (one of the five central wards of Tokyo), the property is situated close to Yoyogi-Koen Station on the Tokyo Metro Chiyoda Line and Yoyogi-Hachiman Station on the Odakyu Odawara Line, each within a mere three-minute walk. There is a rich array of shops between the residence and stations, offering high living convenience, while the proximity to Yoyogi-Koen Park enables residents to enjoy a good natural environment full of greenery.

E3 Premier Grande Magome FAMILY



The property is located in Ota Ward (one of the 23 wards of Tokyo) and is situated a ten-minute walk from Magome Station on the Toei Asakusa Line. It enjoys not only good accessibility to central Tokyo but also a tranquil living environment full of facilities offering convenience. All of its 33 units claim monthly rents of less than 250,000 yen (as of the end of the 14th fiscal period), and operate at a stable occupancy rate despite the recent market conditions.

D7 Homat Woodville Wide



Located in Minato Ward (one of the five central wards of Tokyo), the property is situated about a ten-minute walk from Hiroo Station on the Tokyo Metro Hibiya Line. The surrounding area is a tranquil, high-grade residential district with a concentration of embassies, residences, luxury condominiums, kindergartens, etc., and offers excellent convenience for living. The property features 28 Wide-type units and is leased primarily to high net-worth individuals and foreign business people.

D20 Shibaura Island Air Tower



Located in a redevelopment zone in the bay area of Minato Ward, Tokyo, the property is a condominium tower with 48 stories above ground that offer superb views. A shop building that houses a club house, a supermarket and other stores is annexed to the rental residence building. The residence tower features units that can meet a wide variety of tenant needs, ranging from studio type units to 3LDK units, and has common areas that are characteristic of a hotel as well as excellent facilities utilizing information technologies. The property is co-owned by PIC and three other entities.

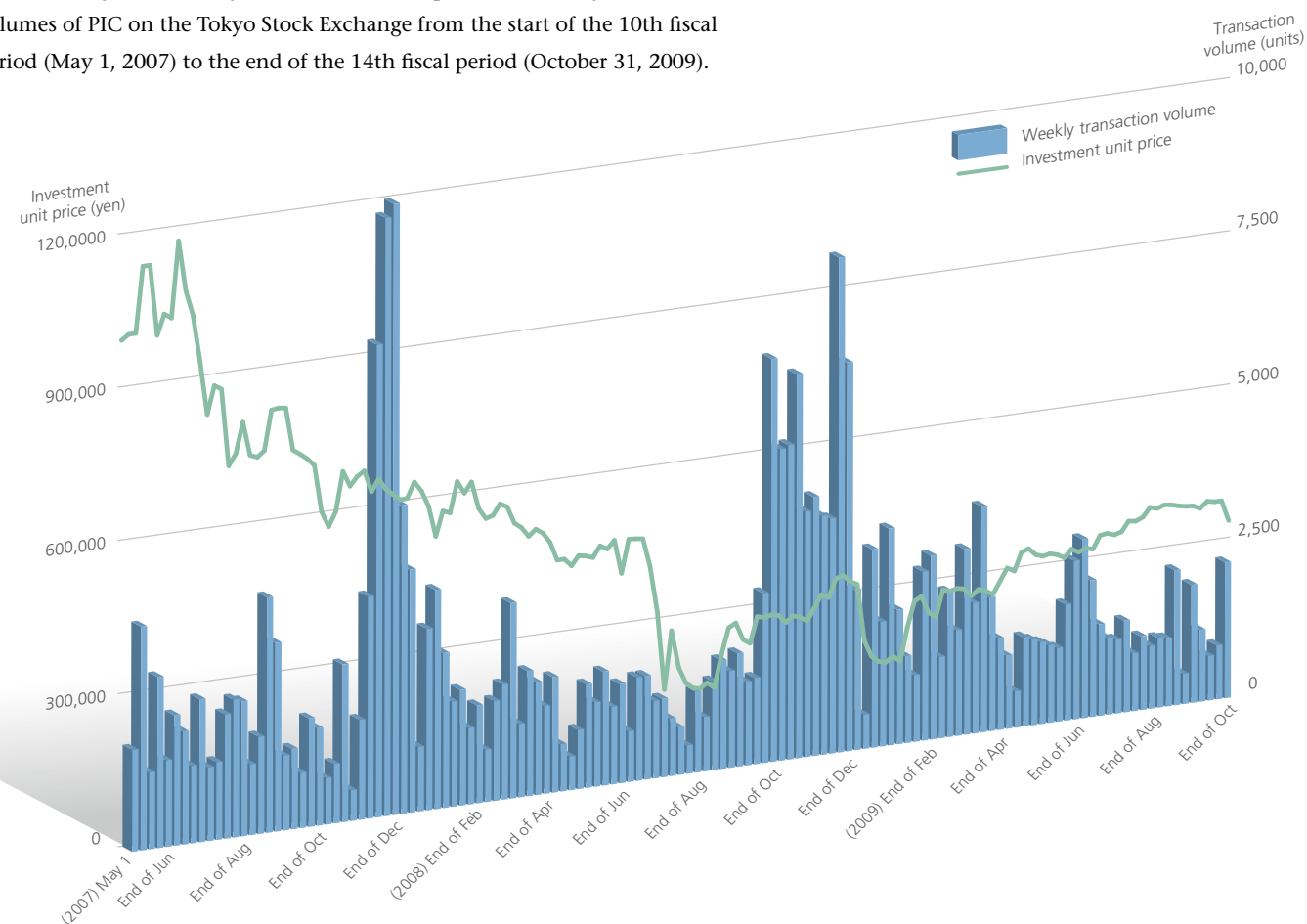
INVESTMENT UNIT STATUS

Investment Unit Status

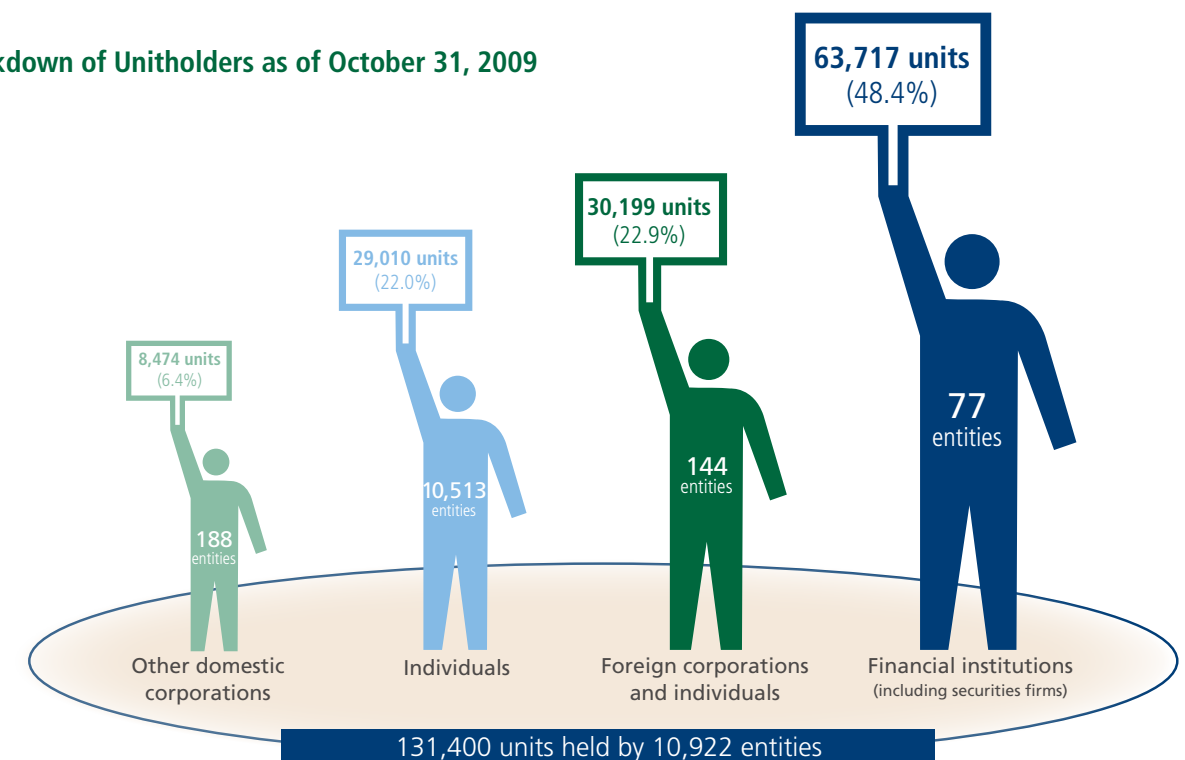
Item	Period	10th Fiscal Period (as of October 31, 2007)	11th Fiscal Period (as of April 30, 2008)	12th Fiscal Period (as of October 31, 2008)	13th Fiscal Period (as of April 30, 2009)	14th Fiscal Period (as of October 31, 2009)
Total number of authorized units		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding		101,400	131,400	131,400	131,400	131,400
Unitholders' capital		51,434 mm yen	68,945 mm yen	68,945 mm yen	68,945 mm yen	68,945 mm yen
Total number of unitholders		7,555	10,305	10,252	10,713	10,922

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 10th fiscal period (May 1, 2007) to the end of the 14th fiscal period (October 31, 2009).



Breakdown of Unitholders as of October 31, 2009



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

Top 10 Unitholders as of October 31, 2009

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	12,265	9.33
2	NikkoCiti Trust and Banking Corporation (Investment Trust Account)	10,329	7.86
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,921	4.50
4	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	5,517	4.19
5	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	5,428	4.13
6	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,375	3.32
7	Trust & Custody Service Bank, Ltd. (Money Trust Tax Account)	2,374	1.80
8	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.56
9	AIU INSURANCE COMPANY	1,765	1.34
10	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,761	1.34
	Total	51,785	39.41

The Chuo Mitsui Trust Group

The Chuo Mitsui Trust and Banking Company, Limited, the core company of the Group, claims achievements in structured finance operations that are of the highest level among Japanese banks, and boasts brokerage results at the forefront of the real estate industry.

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



Overview

Premier REIT Advisors Co., Ltd. (PRA), the asset manager of PIC, enjoys strong support for its asset management services from its core sponsors – a team that includes a major trust bank (The Chuo Mitsui Trust and Banking Company, Limited) and two professional real estate businesses (Ken Corporation and SOHGOH REAL ESTATE CO., LTD.) that fully leverage their versatile strengths.

The Sohgo Real Estate Group

A total solution provider in real estate that provides prime living spaces by taking advantage of the Group's comprehensive capabilities centering on condominium development services

- The Group provides strong support in supplying high-quality properties through development and management of residential properties and office buildings.

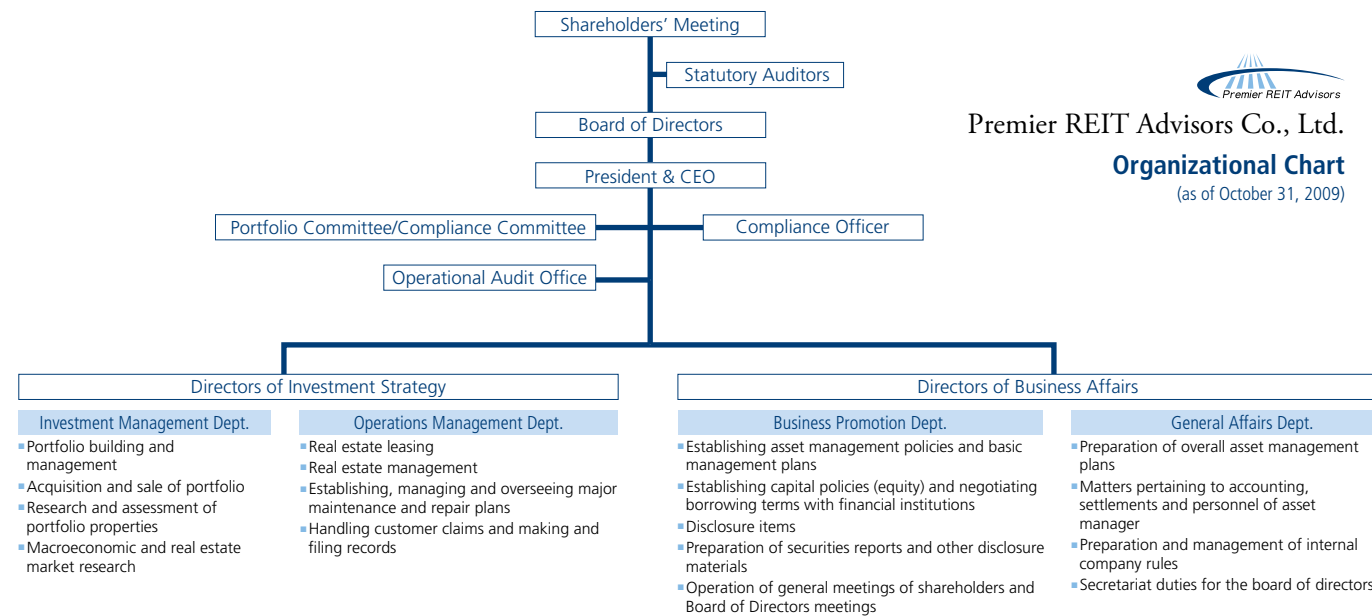
Ken Corporation Group

An integrated real estate think tank with strong expertise in brokerage, planning and management of high-grade rental residences primarily in Tokyo

- The Group features high skills in leasing and property management, and offers abundant support in providing property information.

Trade Name	Premier REIT Advisors Co., Ltd.
Line of Business	Asset management business in accordance with the Financial Instruments and Exchange Act
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%) SOHGOH REAL ESTATE CO., LTD. (35.0%) The Chuo Mitsui Trust Group (14.9%) 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.



	Unit	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)	14th Fiscal Period (May 1, 2009 – October 31, 2009)
Business Results						
Operating Revenues	Thousands of yen	4,427,815	6,764,587	5,508,964	5,462,513	5,318,986
(Real estate rental revenues)	Thousands of yen	(4,427,815)	(4,918,656)	(5,508,964)	(5,462,513)	(5,318,986)
Operating Expenses	Thousands of yen	2,198,239	2,579,153	2,763,803	2,756,267	2,757,242
(Real estate rental expenses)	Thousands of yen	(1,851,646)	(2,110,087)	(2,337,063)	(2,337,182)	(2,350,247)
Operating Income	Thousands of yen	2,229,575	4,185,434	2,745,161	2,706,245	2,561,743
Ordinary Income	Thousands of yen	1,807,433	3,743,755	2,209,054	2,144,429	1,951,725
Net Income	(a) Thousands of yen	1,805,946	3,742,755	2,207,687	2,143,393	1,950,036
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	117,374,309	138,160,716	149,485,112	147,430,632	146,906,094
(Period-on-period variation)	%	(+9.7)	(+17.7)	(+8.2)	(-1.4)	(-0.4)
Interest-bearing Liabilities	Thousands of yen	58,400,000	58,900,000	71,500,000	69,500,000	69,462,500
Net Assets	(c) Thousands of yen	53,240,839	72,688,121	71,153,011	71,088,753	70,895,392
(Period-on-period variation)	%	(+0.3)	(+36.5)	(-2.1)	(-0.1)	(-0.3)
Unitholders' Capital	Thousands of yen	51,434,852	68,945,312	68,945,312	68,945,312	68,945,312
Distribution						
Total Distributions	(d) Thousands of yen	1,805,934	3,742,797	2,207,651	2,143,396	1,949,976
Distribution Payout Ratio (Note 1)	(d)/(a) %	99.9	100.0	99.9	100.0	99.9
Per Unit Information						
Number of Units Outstanding	(e) Units	101,400	131,400	131,400	131,400	131,400
Net Assets per Unit	(c)/(e) Yen	525,057	553,182	541,499	541,010	539,538
Distribution per Unit	(d)/(e) Yen	17,810	28,484	16,801	16,312	14,840
(Earnings distribution per unit)	Yen	(17,810)	(28,484)	(16,801)	(16,312)	(14,840)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	1.6 (3.2)	2.9 (5.9)	1.5 (3.0)	1.4 (2.9)	1.3 (2.6)
Return on Unitholders' Equity (Note 3)	%	3.4 (6.7)	5.9 (11.9)	3.1 (6.1)	3.0 (6.1)	2.7 (5.4)
Net Assets Ratio	(c)/(b) %	45.4	52.6	47.6	48.2	48.3
(Period-on-period variation)		(-4.2)	(+7.2)	(-5.0)	(+0.6)	(+0.1)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	3,294,650	3,633,286	4,086,140	4,034,434	3,872,198

(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 184 days for the 10th fiscal period, 182 days for the 11th fiscal period, 184 days for the 12th fiscal period, 181 days for the 13th fiscal period and 184 days for the 14th 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 19 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) Wide	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.
Family	a. Targeted investment area: The 23 Wards of Tokyo and surrounding city area.
	b. This type 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 type 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 type 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 20](#)

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	1. Compliance with applicable laws and regulations (specifically, the Fire Service Law, City Planning Law and other laws and regulations in relation to structure), etc. 2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 3. 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.	Matters relating to rights in a property, including the following items, will be carefully investigated, considering the titles of former owners and other parties. Particularly careful investigations are required with regard to properties with complex title arrangements such as those for which PIC does not hold the building ownership or the said rights independently (e.g., properties which are owned with the arrangement of tenancy in common, compartmentalized or leased, by PIC). 1. Completion or incompleteness of the perfection of a leasehold interest and review of other interests or rights superseding the leasehold interest 2. Existence or non-existence of registration of rights for a site where the building is located, existence or non-existence of (i) restrictions on separate disposition of a building and the right for a site where a property is located and (ii) registrations thereof, and (iii) proportions of ownership shares 3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term renovation plans 4. Existence or non-existence of (i) special agreements prohibiting separation of co-ownership interest and (ii) registration thereof, appropriate measures concerning such matters as requests for separation of co-ownership interest and sales of said co-ownership interests, and obligations and rights between such owners 5. Compartmentalization of a property 6. Status of collateral established before acquisition of the property by PIC, terms of such collateral agreement, and whether any such collateral agreement is to be succeeded 7. Terms of agreements, special agreements, etc. which are executed with a lessor of a co-owner, compartmentalized owners, co-owner and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of a lessor of a leasehold interest, compartmentalized owners, co-owner and other related parties (either corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
	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 of the amount of cash distributions paid to unitholders by PIC under certain conditions, PIC shall pay cash distributions to unitholders in a manner that satisfies the conditions provided by such tax laws and regulations to permit such inclusion in expenses.

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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



FINANCIAL SECTION

BALANCE SHEETS

AS OF OCTOBER 31, 2009 AND APRIL 30, 2009

	Thousands of yen	
	October 31, 2009	April 30, 2009
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3)	¥ 1,313,518	¥ 888,608
Cash and deposits held in trust (Note-3)	8,331,737	8,626,290
Tenant receivables	56,161	61,944
Prepaid expenses	129,975	96,028
Deferred tax assets (Note-9)	1,223	2,307
Other current assets	66	632
TOTAL CURRENT ASSETS	9,832,681	9,675,811
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	59,664,154	59,519,213
Structures held in trust (Note-4)	1,185,247	1,170,697
Tools, furniture and fixtures held in trust (Note-4)	152,752	148,687
Less accumulated depreciation	(9,123,935)	(8,220,499)
Land held in trust (Note-4)	82,903,948	82,903,948
Property and equipment, net	134,782,313	135,522,193
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	1,544	1,567
Intangible fixed assets	9,374	117
Total intangible fixed assets	1,788,521	1,779,287
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	150,798	102,252
Other deposits held in trust	332,060	326,509
New investment unit issuance costs	9,718	14,577
Total investment and other assets	502,577	453,340
TOTAL LONG-TERM ASSETS	137,073,412	137,754,820
TOTAL ASSETS	¥ 146,906,094	¥ 147,430,632

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 471,518	¥ 491,061
Short-term loans payable (Note-7)	3,480,000	9,600,000
Long-term loans payable due within one year (Note-7)	750,000	600,000
Corporate bonds payable due within one year	15,000,000	-
Accrued expenses	178,125	150,925
Distributions payable	17,084	17,343
Income taxes payable	510	885
Business office taxes payable	3,110	5,637
Consumption taxes payable	27,093	108,881
Rents received in advance	761,054	828,670
Deposits received	56,499	42,145
Total current liabilities	20,744,997	11,845,550
LONG-TERM LIABILITIES		
Corporate bonds (Note-6)	10,000,000	25,000,000
Long-term loans payable (Note-7)	40,232,500	34,300,000
Tenant security deposits held in trust	5,033,203	5,196,328
Total long-term liabilities	55,265,703	64,496,328
TOTAL LIABILITIES	76,010,701	76,341,879
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	68,945,312	68,945,312
Units authorized - 2,000,000 units		
Units issued and outstanding - 131,400 units as of October 31, 2009 and April 30, 2009		
Retained earnings		
Unappropriated income	1,950,080	2,143,441
Total unitholders' equity	70,895,392	71,088,753
TOTAL NET ASSETS	70,895,392	71,088,753
TOTAL LIABILITIES AND NET ASSETS	¥ 146,906,094	¥ 147,430,632

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

P

ROFIT AND LOSS STATEMENTS

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 4,789,378	¥ 4,926,767
Other revenue (Note-8)	529,607	535,746
Operating expenses		
Property-operating expenses (Note-8)	2,350,247	2,337,182
Asset management fees	213,699	224,632
Directors' compensation	9,000	9,000
Custodian fees	13,686	13,762
Administration fees	67,279	70,751
Audit fees	8,500	8,500
Other expenses	94,829	92,438
Operating income	2,561,743	2,706,245
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	1,892	6,402
Refund of unpaid distributions	940	1,237
Other non-operating income	4	256
Non-operating expenses		
Interest expense	465,734	423,939
Interest expenses on corporate bonds	141,673	140,326
Amortization of new investment unit issuance costs	4,859	4,859
Other non-operating expenses	587	587
Ordinary income	1,951,725	2,144,429
Income before income taxes	1,951,725	2,144,429
Income taxes (Note-9)		
Current	605	2,165
Deferred	1,084	(1,129)
Net income	1,950,036	2,143,393
Income carried forward	44	47
UNAPPROPRIATED INCOME	¥ 1,950,080	¥ 2,143,441

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

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

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
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
Changes during the period				
Cash distributions paid	-	(2,143,396)	(2,143,396)	(2,143,396)
Net income	-	1,950,036	1,950,036	1,950,036
Total changes during the period	-	(193,360)	(193,360)	(193,360)
BALANCE AT OCTOBER 31, 2009	¥ 68,945,312	¥ 1,950,080	¥ 70,895,392	¥ 70,895,392

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

CASH FLOW STATEMENTS

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 1,951,725	¥ 2,144,429
Depreciation	904,608	909,455
Amortization of new investment unit issuance costs	4,859	4,859
Interest income	(1,892)	(6,402)
Refund of unpaid distributions	(940)	(1,237)
Interest expenses	607,407	564,266
Decrease (Increase) in tenant receivables	6,168	(1,830)
Decrease in consumption taxes refund receivables	-	52,700
Decrease in accounts payable	(19,555)	(10,001)
(Decrease) Increase in consumption taxes payable	(81,787)	108,881
Decrease in rent received in advance	(67,615)	(23,561)
Other	27,411	(17,951)
SUBTOTAL	3,330,390	3,723,608
Interest received	1,892	6,402
Interest paid	(677,718)	(563,297)
Income taxes paid	(1,264)	204
Net cash provided by operating activities	2,653,299	3,166,918
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(163,645)	(166,545)
Payments for purchases of Intangible fixed assets	(10,407)	-
Proceeds from tenant security deposits held in trust	288,483	201,072
Payments of tenant security deposits held in trust	(451,607)	(168,518)
Payments of lease guarantee security deposits held in trust	(5,550)	-
Net cash used in investing activities	(342,727)	(133,991)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	3,680,000	100,000
Proceeds from long-term loans payable	6,120,000	-
Repayments of short-term loans payable	(9,800,000)	(1,100,000)
Repayments of long-term loans payable	(37,500)	(1,000,000)
Payments of distributions	(2,142,715)	(2,208,793)
Net cash used in financing activities	(2,180,215)	(4,208,793)
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,356	(1,175,866)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,514,899	10,690,765
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 9,645,255	¥ 9,514,899

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

NOTES TO FINANCIAL STATEMENTS

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

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 October 31, 2009, PIC had total unitholders' capital of 68,945,312 thousand yen with 131,400 units outstanding.

As of October 31, 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 0 yen for the six months ended October 31, 2009 and April 30, 2009, respectively.

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

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

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

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

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2009 and April 30, 2009 consisted of the following:

	Thousands of yen	
	October 31, 2009	April 30, 2009
Cash and deposits	¥ 1,313,518	¥ 888,608
Cash and deposits held in trust	8,331,737	8,626,290
Cash and cash equivalents	9,645,255	9,514,899

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2009 and April 30, 2009 consisted of the following:

	Thousands of yen					
	October 31, 2009			April 30, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 59,664,154	¥ 8,706,135	¥ 50,958,018	¥ 59,519,213	¥ 7,850,362	¥ 51,668,850
Structures	1,185,247	339,530	845,717	1,170,697	303,492	867,204
Tools, furniture and fixtures	152,752	78,124	74,628	148,687	66,498	82,188
Land	82,903,948	-	82,903,948	82,903,948	-	82,903,948
SUBTOTAL	143,906,103	9,123,790	134,782,313	143,742,547	8,220,354	135,522,193
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	173	1,544	1,717	149	1,567
SUBTOTAL	1,779,319	173	1,779,146	1,779,319	149	1,779,169
TOTAL	¥ 145,685,423	¥ 9,123,963	¥ 136,561,460	¥ 145,521,867	¥ 8,220,504	¥ 137,301,363

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

Corporate bonds for the six months ended October 31, 2009 and April 30, 2009 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2009 (Amount)	April 30, 2009 (Amount)	
Unsecured bond No. 1 (issued on September 8, 2005 and due on September 8, 2010)	¥ 15,000,000	¥ 15,000,000	0.94
Unsecured bond No. 2 (issued on September 8, 2005 and due on September 7, 2012)	10,000,000	10,000,000	1.41
TOTAL	¥ 25,000,000	¥ 25,000,000	

The anticipated maturities of corporate bonds for the following four years ended October 31 starting 2011 were as follows:

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

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

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

	October 31, 2009		April 30, 2009	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on May 22, 2009 with floating rate	¥ -	-	¥ 8,050,000	1.39
Unsecured loan due on June 30, 2009 with floating rate	-	-	1,550,000	1.39
Unsecured loan due on May 21, 2010 with floating rate	3,480,000	1.60	-	-
SUBTOTAL	3,480,000	-	9,600,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on March 9, 2010 with fixed rate	600,000	1.62	600,000	1.62
Unsecured loan due on May 22, 2014 with floating rate	*1 150,000	2.20	-	-
SUB TOTAL	750,000	-	600,000	-
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 May 20, 2011 with floating rate	3,120,000	1.70	-	-
Unsecured loan due on May 22, 2014 with floating rate	*1 *2 2,812,500	2.20	-	-
SUBTOTAL	40,232,500	-	34,300,000	-
TOTAL	¥ 44,462,500	-	¥ 44,500,000	-

*1: The loan calls for divided repayments upon arranged dates, and thus has been separated into Long-term loans payable due within one year (150,000 thousand yen) and Long-term loans (2,812,500 thousand yen) in accordance with the principal repayment conditions described in *2. The average interest rate of the loan has been entered in the relevant column for the Long-term loans.

*2: 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)

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

The anticipated maturities of long-term loans for the following four years ended October 31 starting in 2011 are as follows:

(thousands of yen)		
2011	¥	13,770,000
2012		9,200,000
2013		14,900,000
2014		2,362,500

PIC executed a commitment-line agreement which provided credit facilities totaling 1,000,000 thousand yen and 2,000,000 thousand yen with Aozora Bank Ltd. as of October 31, 2009 and April 30, 2009, respectively. No amount has been drawn down as of October 31, 2009 and April 30, 2009, respectively.

Note-8. Rental revenues and expenses

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,211,915	¥ 4,349,972
Common area charge	577,463	576,794
Subtotal	4,789,378	4,926,767
Other revenue		
Parking fees	123,688	132,092
Facility fees	30,943	33,087
Incidental revenue	269,617	245,128
Miscellaneous income	105,358	125,436
Subtotal	529,607	535,746
TOTAL REAL ESTATE RENTAL REVENUE	5,318,986	5,462,513
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	586,181	605,965
Utilities	254,027	272,395
Real estate taxes	295,845	249,389
Insurance	14,268	14,352
Maintenance and repairs	147,763	138,162
Trust fees	53,878	54,787
Depreciation	903,459	909,103
Miscellaneous expenses	94,823	93,026
TOTAL REAL ESTATE RENTAL EXPENSES	2,350,247	2,337,182
REAL ESTATE RENTAL INCOME	¥ 2,968,738	¥ 3,125,330

Note-9. Income taxes

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

	October 31, 2009	April 30, 2009
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.26)	(39.30)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.09%	0.05%

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

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
Deferred tax assets		
Enterprise taxes	¥ 1,223	¥ 2,307
Total of deferred tax assets	1,223	2,307
Deferred tax liabilities	-	-
NET DEFERRED TAX ASSETS	¥ 1,223	¥ 2,307

Note-10. Per unit information

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

	October 31, 2009	April 30, 2009
Net assets per unit	¥ 539,538	¥ 541,010
Net income per unit	14,840	16,311

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

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
Net income	¥ 1,950,036	¥ 2,143,393
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,950,036	2,143,393
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 October 31, 2009 and April 30, 2009.

Note-11. Leases

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

	Thousands of yen	
	October 31, 2009	April 30, 2009
Due within one year	¥ 381,221	¥ 416,466
Due after one year	866,524	877,889
TOTAL	¥ 1,247,745	¥ 1,294,355

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 January 14, 2010 and July 9, 2009 to make cash distributions of 1,949,976,000 yen and 2,143,396,800 yen for 131,400 units to unitholders of record on October 31, 2009 and April 30, 2009, respectively.

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

	October 31, 2009	April 30, 2009
Unappropriated income	¥ 1,950,080,697	¥ 2,143,441,101
Cash distributions declared	1,949,976,000	2,143,396,800
(Cash distribution declared per unit)	(14,840)	(16,312)
INCOME CARRIED FORWARD	¥ 104,697	¥ 44,301



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Report of Independent Auditors

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying balance sheets of Premier Investment Corporation (“the Company”) as of October 31, 2009 and April 30, 2009 and the related profit and loss statements, statements of changes in unitholders’ equity and cash flow statements for the six months then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2009 and April 30, 2009, and the results of their operations and their cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

February 12, 2010

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 Expenditures (thousands of yen)		
				Total	Amount Paid during the 14th Fiscal Period	Amount Paid before the 14th Fiscal Period
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	March 2009 – February 2010	139,402	74,893	–
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2007 – October 2010	129,041	16,171	31,531

2. Capital Expenditures during the 14th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 14th fiscal period for the portfolio owned by PIC. Capital expenditures during the period totaled 163,556 thousand yen. This, combined with maintenance and repair expenditures of 147,763 thousand yen that were classified as operating expenses for the period, means a total of 311,319 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	March 2009 – July 2009	74,893
The Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Renovation of automatic fire alarm system and other equipment	April 2009 – August 2009	28,242
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	May 2009 – October 2009	16,171
Nisso No.3 Building	Yokohama, Kanagawa	Renovation of mechanical parking system	September 2009 – September 2009	11,652
Other construction	–	–	–	32,956
Total				163,556

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

Item	Fiscal Period	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)	14th Fiscal Period (May 1, 2009 – October 31, 2009)
Deposits at end of the preceding period		204,608	227,868	231,563	274,445	208,195
Deposits made during the period		23,260	17,400	42,882	5,750	5,750
Amounts used from deposits during the period		–	13,705	–	–	–
Deposits carried forward to the next period		227,868	231,563	274,445	280,195	285,945

OVERVIEW OF FUND PROCUREMENT

On May 22, 2009, PIC refinanced a total of 9,600 million yen (8,050 million yen in short-term loans borrowed on May 22, 2008 and 1,550 million yen in short-term loans borrowed on June 30, 2008) through a single short-term loan and two long-term loans.

As a result, PIC's interest-bearing liabilities totaled 69,462.5 million as of October 31, 2009. The breakdown is as follows: 3,480 million yen in short-term loans, 40,982.5 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 95.0%. All of these borrowings are on a no-collateral and no-guarantee basis.

Details of the Refinancing in the 14th Fiscal Period

	Short-Term Loan	Long-Term Loans	
	Term Loan 012	Term Loan 013	Term Loan 014
Loan Amount	3,480 million yen	3,120 million yen	3,000 million yen
Lenders	The Sumitomo Trust and Banking Co., Ltd. (1,190 million yen), Resona Bank, Limited. (1,190 million yen) and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (1,100 million yen)	The Chuo Mitsui Trust and Banking Company, Limited (2,200 million yen) and Sumitomo Mitsui Banking Corporation (920 million yen)	Development Bank of Japan Inc.
Use of Funds	Repayment of short-term loans	Repayment of short-term loans	Repayment of short-term loans
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.
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	TIBOR + 1.60% corresponding to the respective interest periods
Collateral / Guarantee	Unsecured and non-guaranteed	Unsecured and non-guaranteed	Unsecured and non-guaranteed

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