

<https://www.pic-reit.co.jp/en>

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

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



## SEMIANNUAL REPORT

35<sup>TH</sup> FISCAL PERIOD  
ENDED APRIL 30, 2020

## 1. Comprehensive Support from **NTT Urban Development**, the Main Sponsor



- Abundant track record of development and pipelines for office buildings
- Operating capability in real estate rental business
- Fund-raising capability based on its high credibility

## 2. **Compound Portfolio** with Office Buildings and Residential Properties as Main Investment Targets

- Mitigates the impact of economic fluctuations by combining asset types that have low correlation to each other in terms of market rent fluctuations
- Diversifies the tenant base into different types such as corporations and individuals



Office

### Profitability

Exerts strengths when the economy is recovering

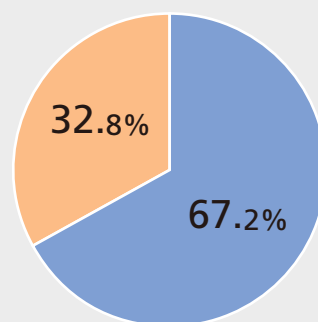


Residence

### Stability

Stable demands even in a receding economy

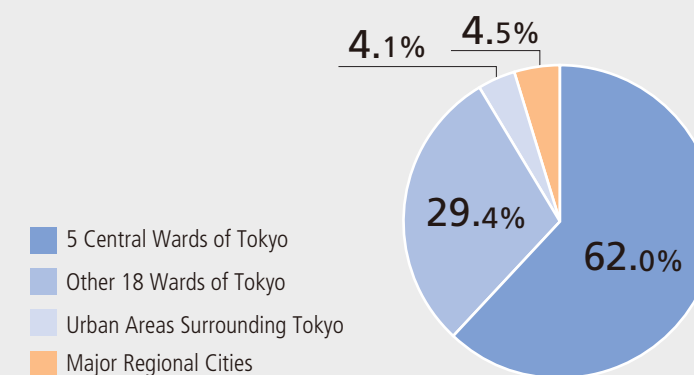
Portfolio Distribution by Asset Type  
(April 2020)



## 3. Portfolio Focused in **the Tokyo Economic Bloc**

- Focuses investments in Greater Tokyo, which enjoys an established economic base due to a high concentration of population and industry
- Partially expands the target investment area to Major Regional Cities (strengthening ties with NTT UD)

Portfolio Distribution by Geographical Area  
(April 2020)



# M

## ESSAGE TO OUR UNITHOLDERS



On behalf of Premier Investment Corporation (PIC), I would like to express our sincere gratitude for your loyal patronage of our unitholders.

PIC has continued to grow steadily thanks to the backing of our unitholders and our leveraging of the continuous support of NTT Urban Development Corporation (NTT UD), the main sponsor. PIC's owned assets as of April 30, 2020, comprise 59 properties made up of 26 office buildings and 33 residential properties and amount to 243.7 billion yen in total. The occupancy rate of the entire portfolio stands at 98.0% as of that date.

For the 35th fiscal period, PIC posted operating revenues of 9,249 million yen, down 0.3%, and net income of 3,782 million yen, up 2.9%, both on a period-on-period basis. As for distribution per unit, PIC secured 2,872 yen, which surpassed the forecast 2,820 yen for the period announced in "Financial Report for the Fiscal Period Ended October 31, 2019 (May 1, 2019 – October 31, 2019)" dated December 17, 2019.

### Table of Contents

Features of Premier Investment Corporation .....	1
Message to Our Unitholders .....	3
35th Fiscal Period Performance Highlights.....	4
Collaboration with the NTT Group .....	6
Initiatives on ESG Awareness .....	9
Management Status in the 35th Fiscal Period .....	11
Financial Status in the 35th Fiscal Period .....	13
Property Portfolio .....	15
Organization of PIC .....	18
Overview of Properties Owned (as of the end of the 35th fiscal period) .....	19
Information for Unitholders .....	27



In June 2020 (the 36th fiscal period), PIC acquired a Class S building located in Otemachi, Tokyo, through a transaction for reshuffling of assets with NTT UD. This represents the first acquisition by PIC of a Class S property in the area. With the transaction, PIC made steady progress in the expansion and improvement of quality of its portfolio and further reinforced its collaboration with the NTT Group.

At present, the Japanese economy is in an extremely difficult situation due to the impact of the novel coronavirus (COVID-19). For PIC, which mainly invests in office buildings and residential properties in Central Tokyo, the impact on its earnings is limited for the moment. Looking ahead, we at PIC will continue our utmost efforts to meet the expectations of our unitholders through steady realization of growth of assets and stable management over the medium to long term in line with the growth strategy of the NTT Group. We appreciate and request your continued support and encouragement of PIC.

### <Financial Section>

Independent Auditor's Report .....	28
Balance Sheets .....	31
Profit and Loss Statements .....	33
Statements of Changes in Unitholders' Equity .....	34
Cash Flow Statements.....	35
Notes to Financial Statements .....	36
Other Information (Unaudited).....	49
Strategic Policies.....	52

# 35

## TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

### Financial Results Highlights

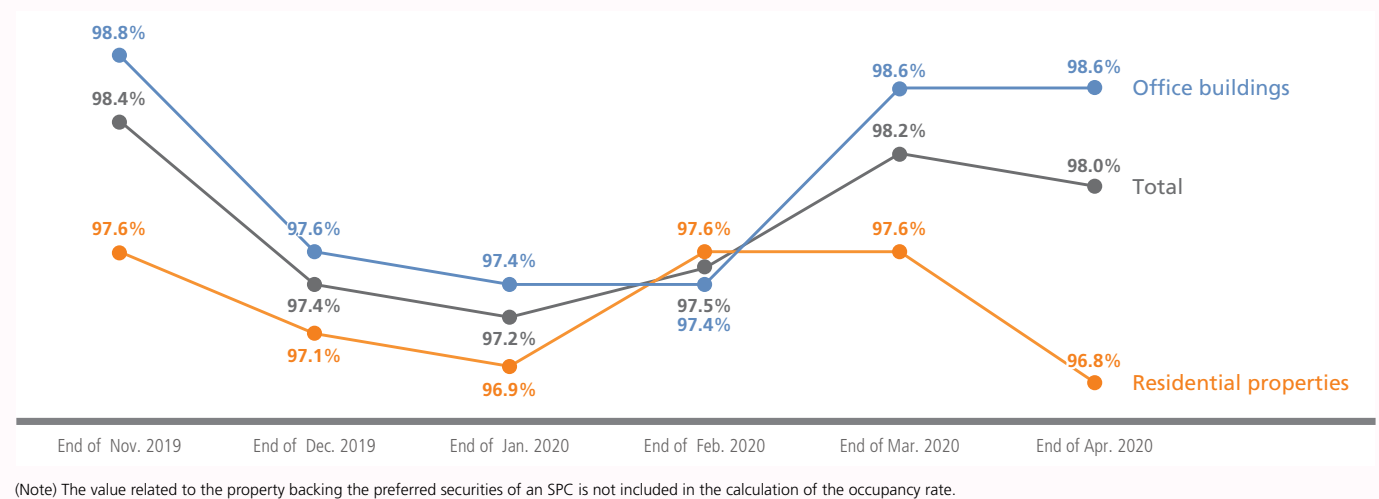
Distribution per Unit (Note 1)	34th Fiscal Period (ended October 2019)	¥ 2,792	(Note 1) Number of outstanding investment units at end of period: 34th Fiscal Period: 1,316,995 units 35th Fiscal Period: 1,316,995 units 36th Fiscal Period: 1,316,995 units (forecast)
	35th Fiscal Period (ended April 2020)	¥ 2,872	
	36th Fiscal Period (ending October 2020) (Note 2)	¥ 2,875 (forecast)	

(Note 2) The figure is based on what was announced in the Financial Report for the 35th Fiscal Period Ended April 30, 2020 (November 1, 2019 – April 30, 2020) dated June 18, 2020.

	34th Fiscal Period (ended October 2019)	35th Fiscal Period (ended April 2020)
Operating Revenues	9,278	9,249
Operating Income	4,084	4,175
Ordinary Income	3,679	3,783
Net Income	3,676	3,782
Total Assets	246,128	245,487
Net Assets	124,789	124,895
Net Assets Ratio	50.7%	50.9%
Net Assets per Unit	94,753 yen	94,833 yen
LTV (Note)	Unitholders' capital basis	47.8%
	Market value basis	38.2%

(Note) LTV (Unitholders' capital basis) = interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital) × 100  
 LTV (Market value basis) = interest-bearing liabilities / appraisal value, etc. of owned assets × 100

### Monthly Occupancy Rate for the 35th Fiscal Period



Portfolio Status

		34th fiscal period (actual) (as of October 31, 2019)	35th fiscal period (actual) (as of April 30, 2020)
Portfolio	No. of properties	59 properties	59 properties
	Acquisition price	243.7 billion yen	243.7 billion yen
	Average building age <sup>(Note 1)</sup>	22.9 years	23.4 years
	Occupancy rate at end of period	98.2%	98.0%
	No. of tenants	3,753	3,735
	NOI yield <sup>(Note 2)</sup>	5.4%	5.5%
	Yield after depreciation <sup>(Note 3)</sup>	4.1%	4.2%
	Distribution by asset type		
	Distribution by geographical area		

(Note 1) Average building age is calculated by adding the building age of Akihabara UDX (that backs the preferred securities in which PIC holds 19.0% ownership).

(Note 2) NOI yield is calculated by using the following formulas.  
NOI yield = annualized rental NOI\* / investment value\*\*  
\* Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned assets (including preferred securities) for each fiscal period  
\*\* Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

(Note 3) Yield after depreciation is calculated by using the following formulas.  
Yield after depreciation = annualized real estate rental income\* / investment value\*\*  
\* Annualized real estate rental income = sum total of [(real estate rental income + dividend income from preferred securities) x 2] for owned assets (including preferred securities) for each fiscal period  
\*\* Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

COLLABORATION WITH THE NTT GROUP

Strengthening of Ties with the Main Sponsor (the 36th fiscal period)

PIC conducted a transaction with NTT UD for reshuffling of properties, which contributed to enhanced profitability (NOI) through expansion of the asset size and achieve a younger building age of properties PIC owns in Central Tokyo. Moreover, the property acquired through the transaction is a large-scale, multi-use building located in the Otemachi district, which is one of the strategic areas of the real estate business promoted by the NTT Group. As such, the acquisition helped to further strengthen the ties with the Group.

Acquisition from NTT UD

Otemachi Financial City  
Grand Cube <sup>(Note)</sup>

Location

Otemachi, Chiyoda Ward, Tokyo

Use

Office, retail and hotel

Acquisition price

4,680 million yen

Appraisal value upon acquisition

5,116 million yen

Total floor space

206.107m<sup>2</sup>

Building age  
(as of April 30, 2020)

4.1 years

Occupancy rate  
(as of April 30, 2020)

100.0%

Appraisal NOI  
(annual)

139 million yen

Appraisal NOI yield

3.0%

Transferred to NTT UD

Urbannet  
Ichigaya Building

Location

Haraikatamachi, Shinjuku Ward, Tokyo

Use

Office

Sales price

1,778 million yen

Appraisal value upon transfer

1,770 million yen

Gain on sale  
(estimate)

190 million yen

Total floor space

4.217m<sup>2</sup>

Building age  
(as of April 30, 2020)

26.4 years

Occupancy rate  
(as of April 30, 2020)

100.0%

Appraisal NOI  
(annual)

87 million yen

Appraisal NOI yield

4.9%

NTT UD

Reshuffling  
of  
properties  
(Delivered on June 12, 2020)

Premier Investment Corporation

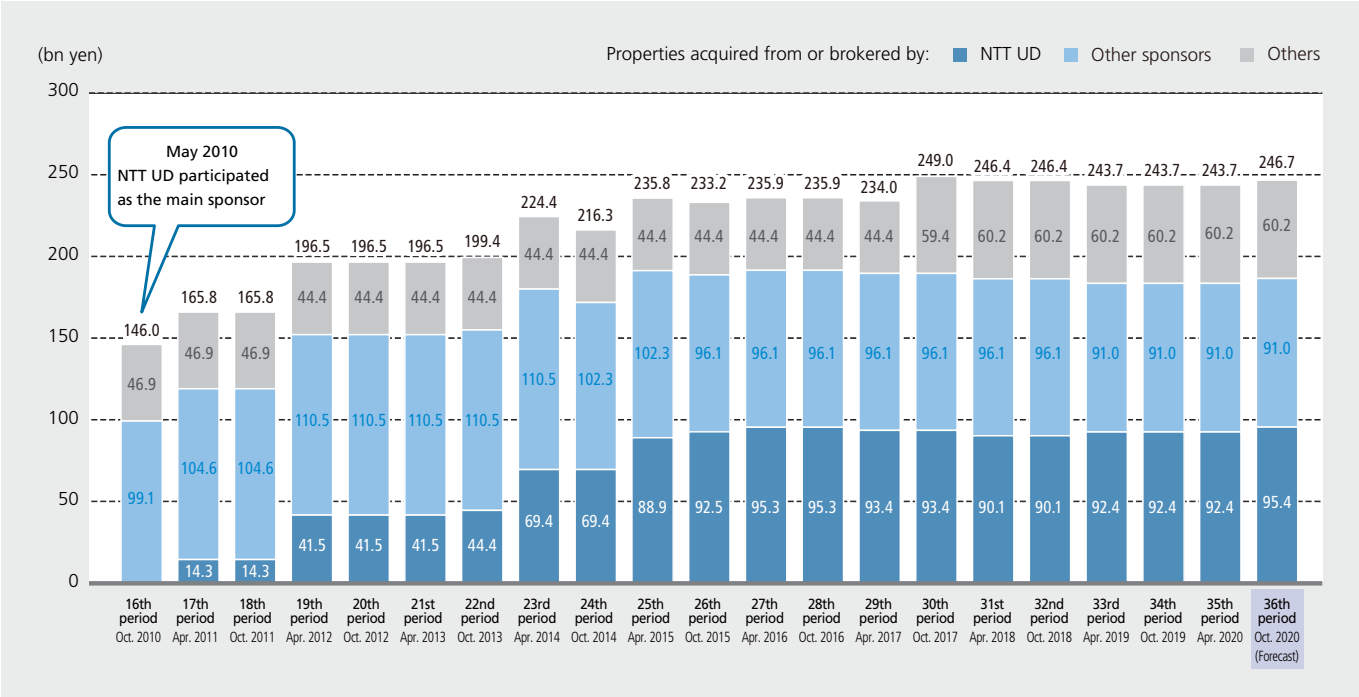
(Note) PIC acquired 52/1,000 quasi co-ownership interest of beneficiary interest in the co-ownership (ownership ratio of 22,993,550/100,000,000) of fee simple ownership in the land and building as the trust property (substantial ownership ratio in the entire land and building is 1.1956646%).



(Collaboration with the NTT Group)

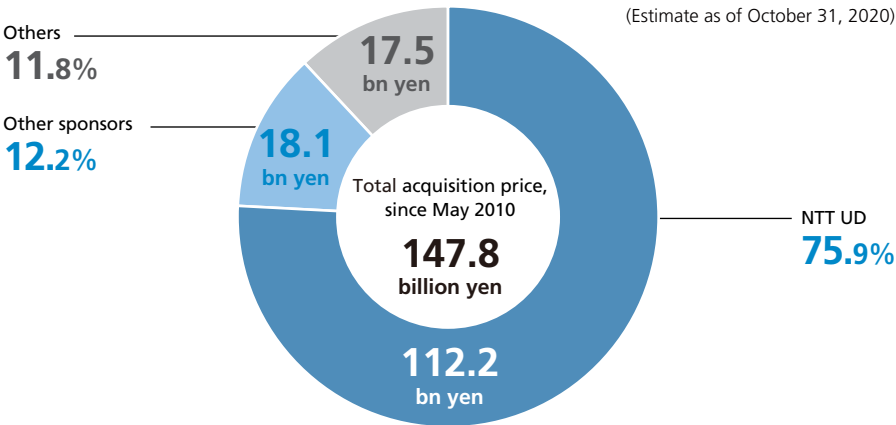
Growth in Asset Size

PIC has steadily expanded its asset size through collaboration with NTT UD, the main sponsor.



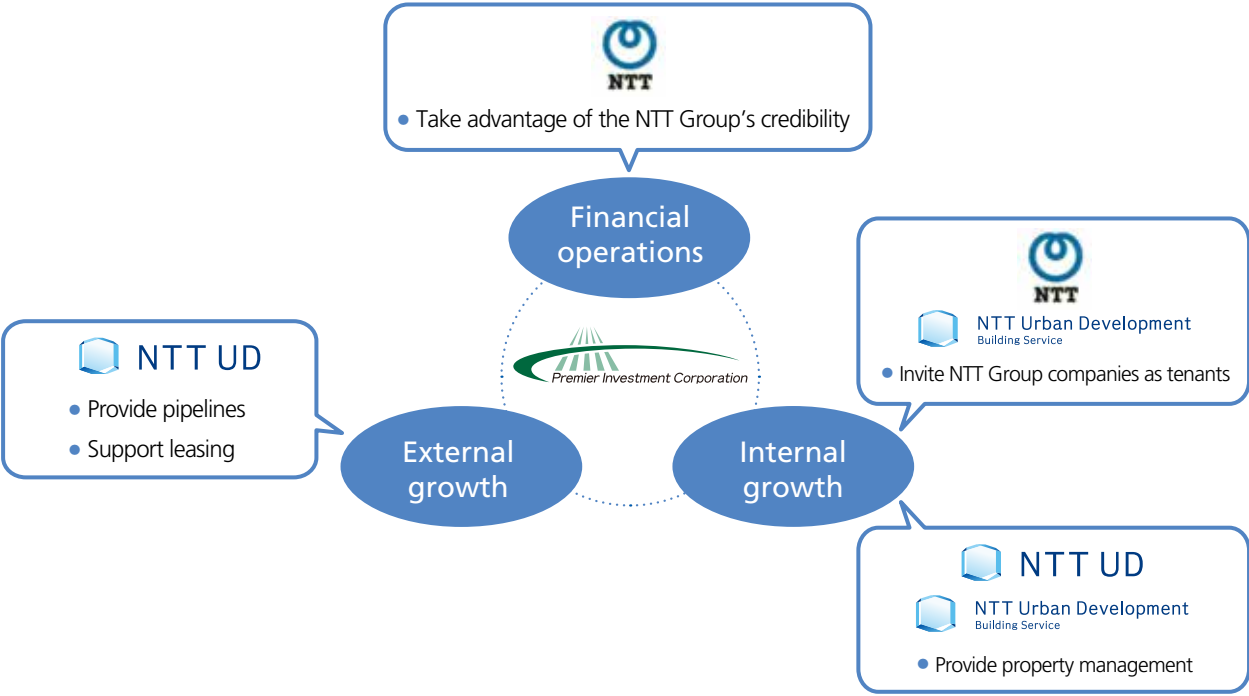
Status of Property Acquisition Sources

PIC has conducted most of its transactions with NTT UD, the main sponsor, since May 2010 when the company participated in PIC’s sponsorship.



Strengthening Ties with Main Sponsor (NTT Urban Development)

- Continuous pipeline provision by NTT UD and asset replacement [External growth]
- Inviting NTT group companies as tenants; operation of PM business by NTT Urban Development Building Service [Internal growth]
- Promoting reduction of finance costs by taking advantage of the NTT Group’s credibility [Financial operation]



Top 10 Tenants Occupying PIC’s Office Buildings (as of April 30, 2020)

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	NTT Facilities, Inc.	10,680m <sup>2</sup>	6.1%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	10,525m <sup>2</sup>	6.0%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m <sup>2</sup>	4.3%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m <sup>2</sup>	3.9%	Rokubancho Building
5	SoftBank Corp.	6,293m <sup>2</sup>	3.6%	Sphere Tower Tennozu (Note 2)
6	NTT DATA Corporation	5,871m <sup>2</sup>	3.3%	Urbannet Mita Building
7	NTT Finance Corporation	5,417m <sup>2</sup>	3.1%	Urbannet Ikebukuro Building
8	NTT Data Business Systems Corporation	5,182m <sup>2</sup>	2.9%	Urbannet Gotanda NN Building
9	NTT Learning Systems Corporation	4,801m <sup>2</sup>	2.7%	Urbannet Azabu Building
10	FIELDS CORPORATION	3,106m <sup>2</sup>	1.8%	KN Shibuya No.3
Total		66,239m <sup>2</sup>	37.7%	

(Note 1) The ratio represents the percentage of the leased floor space of the relevant tenants to the gross area under lease of floors practically used for offices.  
(Note 2) The leased floor space of Sphere Tower Tennozu indicates the figure corresponding to the substantial ownership ratio of PIC for the building portion of the property.

# INITIATIVES ON ESG AWARENESS

## Acquisition of Environmental Certifications from External Bodies

### GRESB

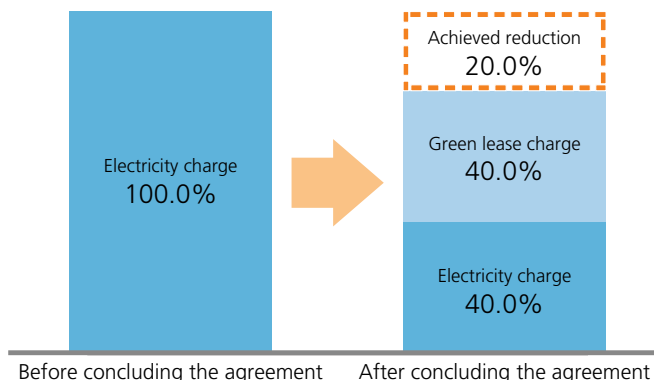
- In the GRESB Real Estate Assessment implemented in 2019, PIC received a “Green Star” rating.
- PIC received “3 Stars” in the GRESB Rating, which awards applicants a relative evaluation based on the total GRESB score.



### Conclusion of Green Lease Agreements

- PIC has concluded green lease agreements with tenants housed in some of its office buildings and conducted work to replace the lighting equipment with LED lamps in tenant-exclusive areas.
- The buildings have better environmental performance through more efficient energy use. The tenants can expect a reduction in electricity charges, while PIC as the owner collected part of the work expenses as green lease charge.
- Properties for which green lease agreements have been concluded:
  - Urbanet Ichigaya Building
  - Gotanda NT Building
  - Landic Shimbashi Building
  - Landic Shimbashi 2 Building

(Illustrative Chart of Cost Reduction at Tenants)



### Certification for CASBEE for Real Estate

- PIC has acquired rank S (for 4 properties) and rank A (for 12 properties) certifications out of the 59 properties in its portfolio.

Assessment	Property name
Rank S	Urbanet Omori Building
	NTT CRED Okayama Building
	Urbanet Shizuoka Ote-machi Building
	Urban Ace Higobashi Building



### Status of Acquisition of Environmental Certifications

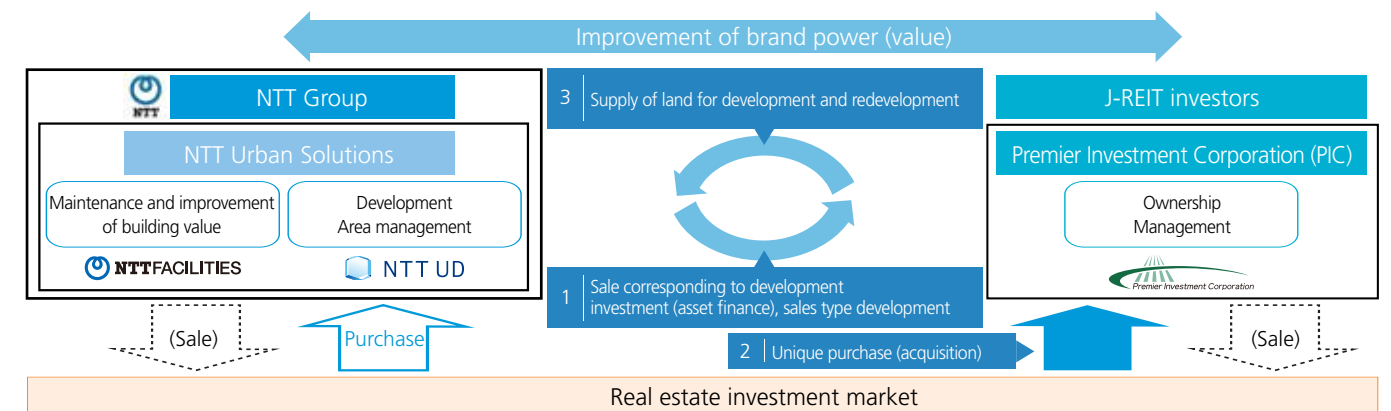
(as of April 30, 2020)

	Number of properties acquiring certifications	Acquisition ratio (by number of properties)	Floor space of properties acquiring certifications	Acquisition ratio (by total floor area)
Certification for CASBEE for Real Estate	16	27.6%	141,756.34m <sup>2</sup>	35.8%
DBJ Green Building Certification	3	5.2%	13,905.98m <sup>2</sup>	3.5%
BELS	1	1.7%	6,868.83m <sup>2</sup>	1.7%
Low-Carbon Model Building	3	5.2%	26,048.89m <sup>2</sup>	6.6%

## Society

### Contribution to Urban Solutions for Local Communities

- The NTT Group set “Utilization of Real Estate (Promote Urban Solutions)” as one of the pillars of “Your Value Partner 2025,” its medium-term management strategy. Based on it, the Group established NTT Urban Solutions, Inc., a company promoting urban solutions with the NTT UD Group and the NTT Facilities Group serving as the two drivers, in July 2019.
- Centering on the NTT Urban Solutions Group, the NTT Group will work to contribute to solving social issues by offering new urban solutions unique to it, not limited to conventional real estate development. Given such a direction, PIC will endeavor to maintain and enhance earnings over a medium to long term and expand its asset size, as well as contribute to the new urban solutions of the NTT Group, through further strengthening of ties with NTT UD.



### Initiatives for Officers and Employees of the Asset Manager

The following systems have been introduced with the intention of enhancing the work abilities of officers and employees of the Asset Manager and promoting their work-life balance, etc.

- Investment unit ownership plans for officers and employees
- Support system for obtaining qualifications and licenses
- Support for various training courses
- Measures to promote women's active participation and advancement in the workplace (including establishment of childcare leave system)
- Establishment of flexible work systems (including flextime work and teleworking systems)
- Implementation of regular health checkups
- Special leave system
- Establishment of internal consultation counter
- Implementation of employee satisfaction surveys

## Governance

### Fee Structure for Asset Manager

- An asset management fee structure linked to PIC's performance has been adopted with the intention of aligning the interests of unit-holders and the Asset Manager. Fees linked to total assets and property transfer fees have not been adopted.

Compensation 1 [Linked to revenues]	Operating revenues (excluding utilities and gains from sale of properties) x 3%
Compensation 2 [Linked to profits]	Income before income taxes (before deducting compensation 2) x 3%
Compensation 3 [Linked to acquisition amount]	Property acquisition amount x 0.5% at maximum *For transactions with interested parties, etc., base rate x 1/2

Thoroughly implement the policy of pursuing unitholders' interest through the compensation structure

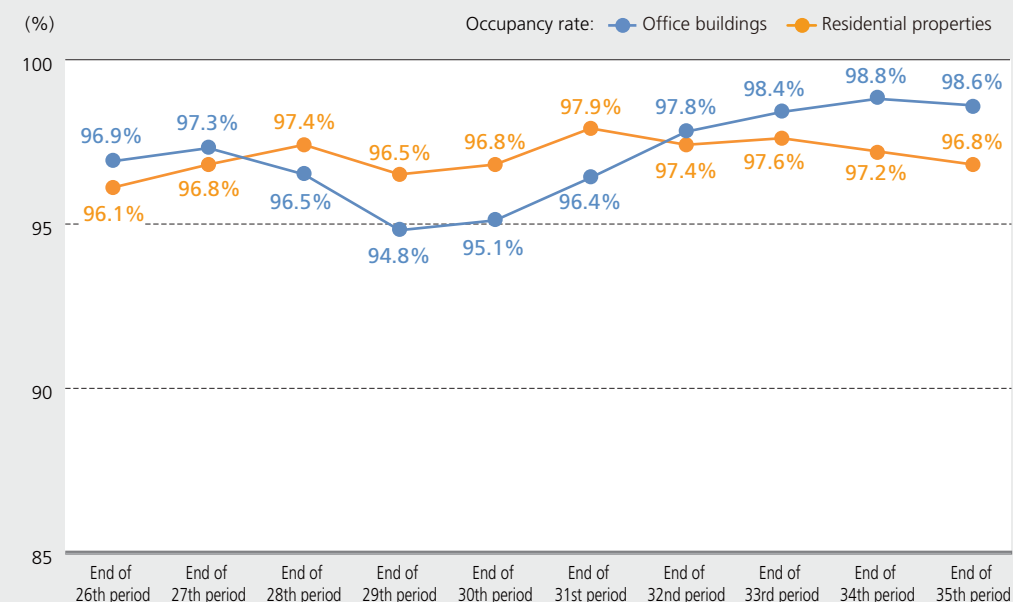
### Basic Policy on Customer-Oriented Business Conduct

- The Asset Manager has adopted the entirety of the seven principles set forth in the “Principles for Customer-Oriented Business Conduct” published on March 30, 2017 by the Financial Services Agency of Japan, and is carrying out customer-oriented business conduct through the implementation of its Investment Philosophy and Policy. In December 2019, the Asset Manager disclosed the Status of Initiatives for Customer-Oriented Business Conduct.
- Positioning PIC and PIC's unitholders as its customers, the Asset Manager has prepared and announced the policies for achieving customer-oriented business conduct, and disclosed the status of such initiatives accordingly.

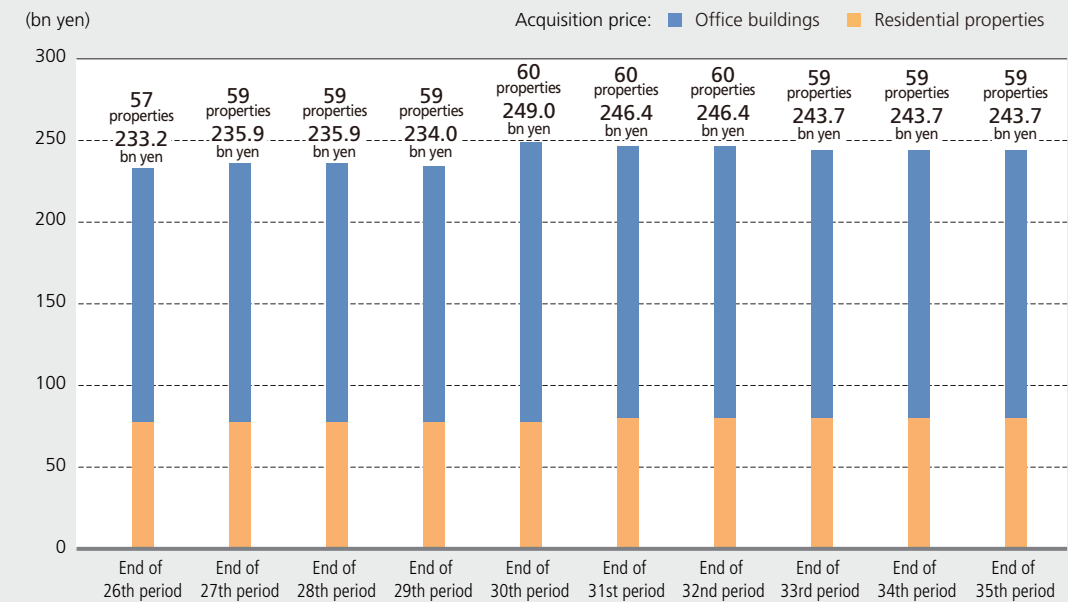
\* For details of the initiatives, please refer to the following website.  
<https://www.premier-reit.co.jp/english/principle/index.html>

# MANAGEMENT STATUS IN THE 35TH FISCAL PERIOD

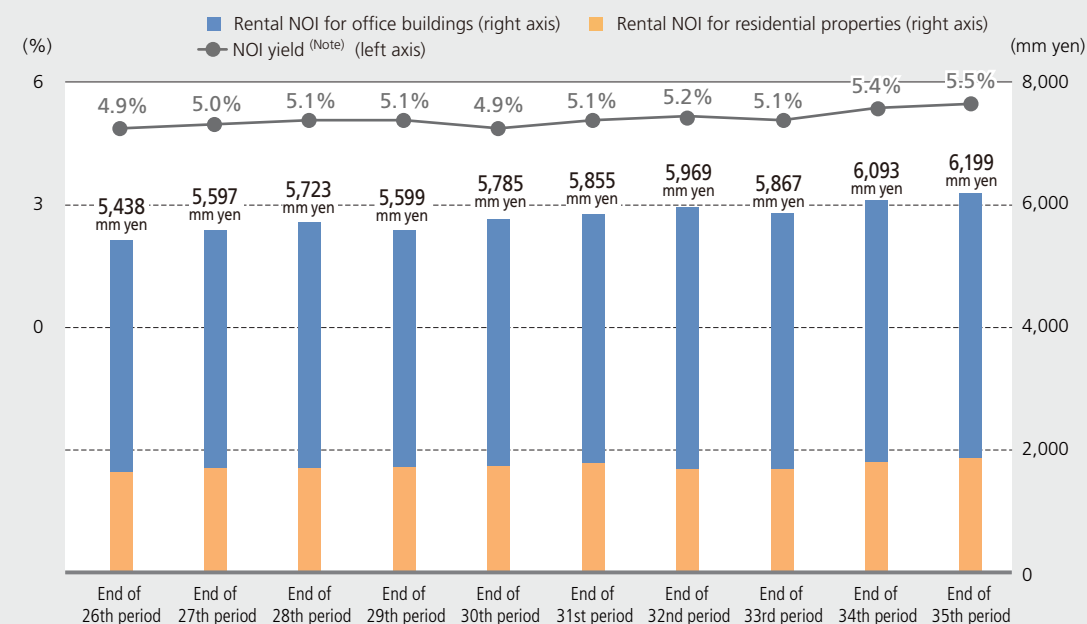
## Changes in Occupancy Rates



## Growth in Asset Size



## Changes in NOI and NOI Yields

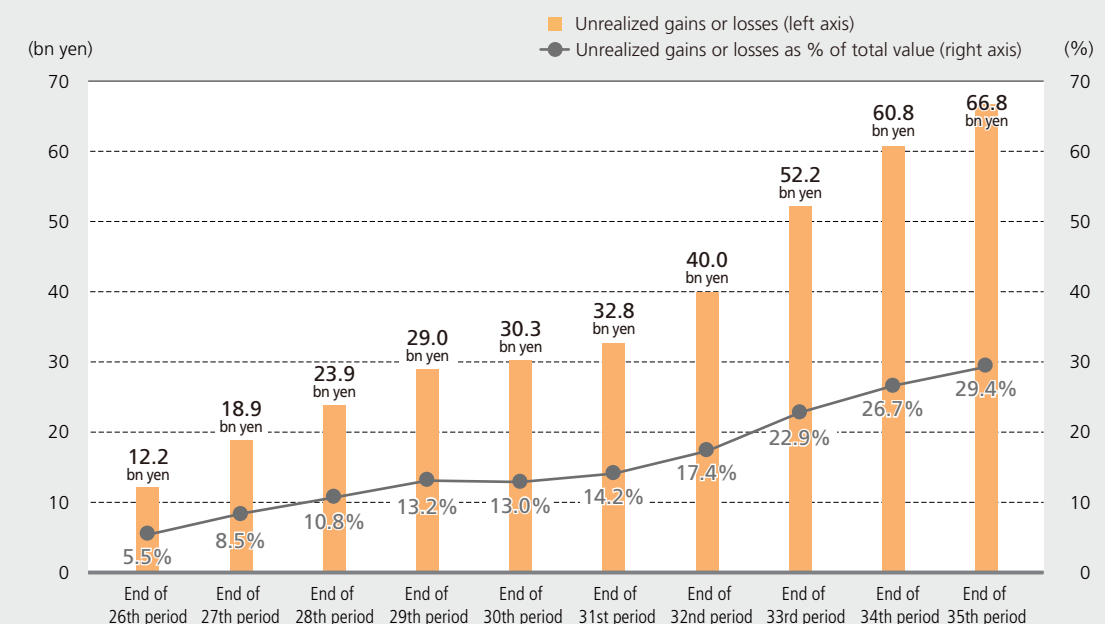


(Note) NOI yield = annualized rental NOI\* / investment value\*\*

\* Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned assets (including preferred securities) for each fiscal period

\*\* Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

## Changes in Unrealized Gains or Losses



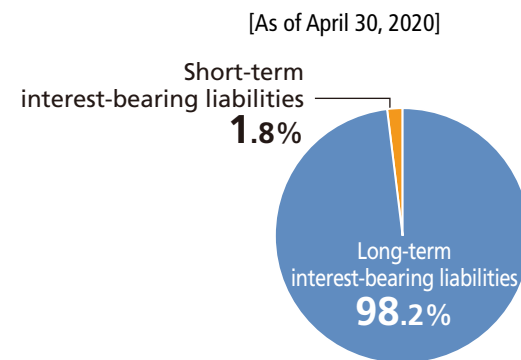
(Note) Includes UDX Special Purpose Company Preferred Securities (Akihabara UDX). The following formula is used to approximate the period-end appraisal value of Akihabara UDX.  
Period-end appraisal value (approximate value) = [(total assets\* - total specific assets\* + period-end reference survey price for Akihabara UDX - total liabilities\*) attributable to UDX SPC] x [PIC's percentage of ownership (19.0%)]

\*Uses book value as of end of June or December in each fiscal period.

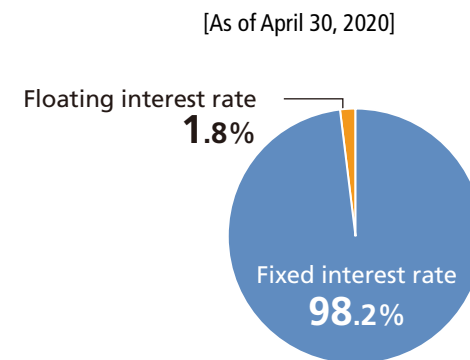
# FINANCIAL STATUS IN THE 35TH FISCAL PERIOD

## Status of Interest-Bearing Liabilities

### Ratios of Long-Term and Short-Term Borrowings <sup>(Note)</sup>

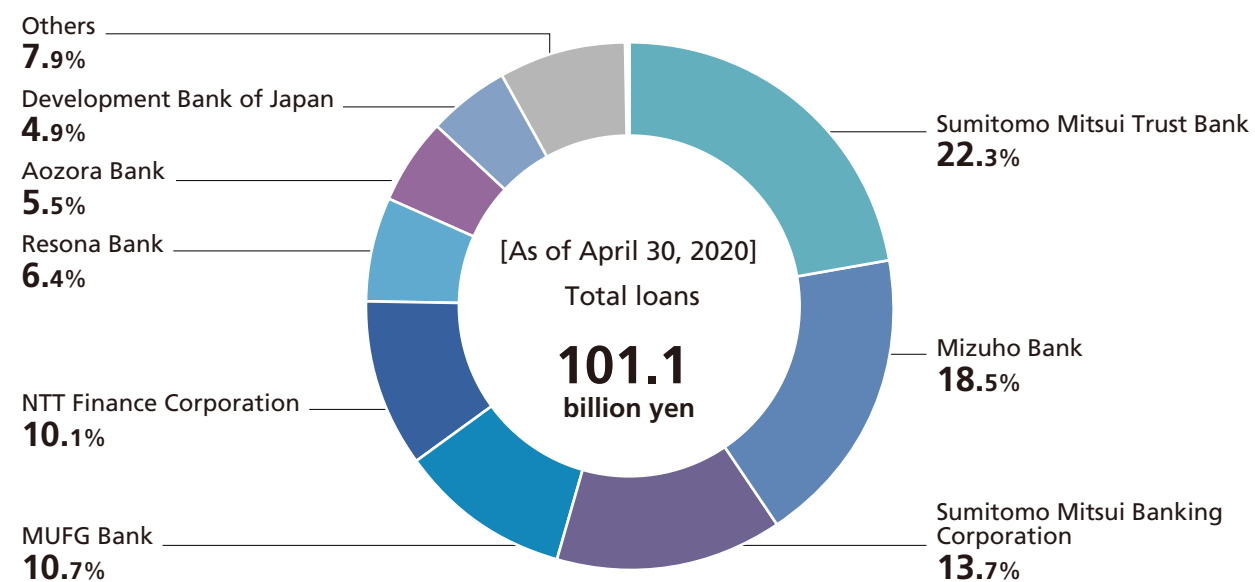


### Ratios of Fixed and Floating Interest Rate Borrowings

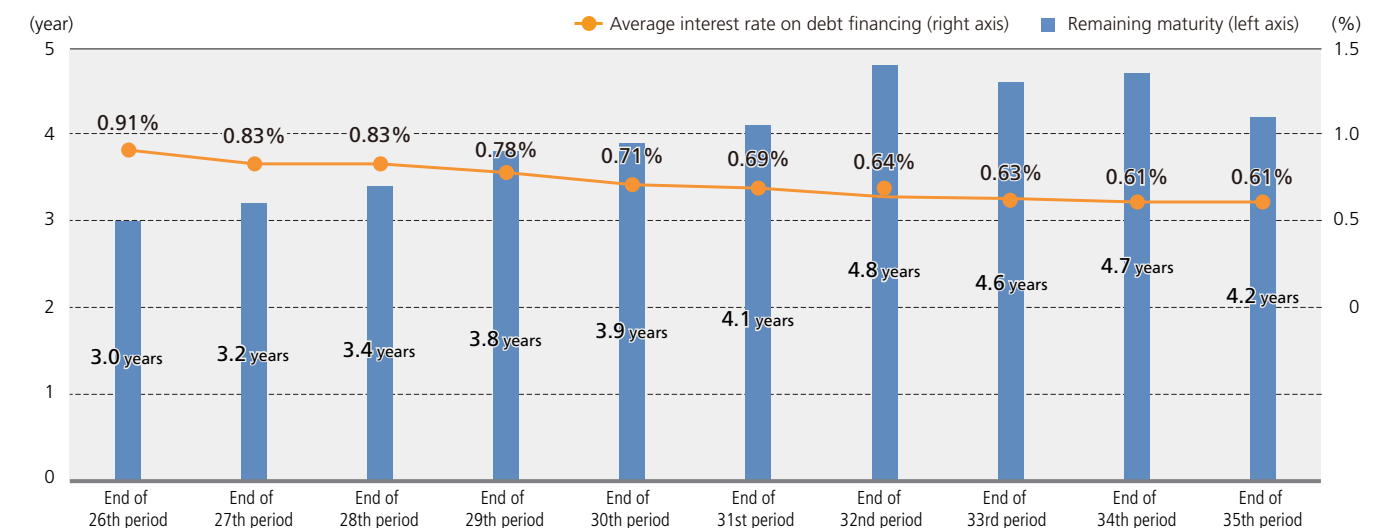


(Note) Classification is made by the periods from the drawdown dates for loans and from the issue dates for corporate bonds.

### Breakdown of Lenders



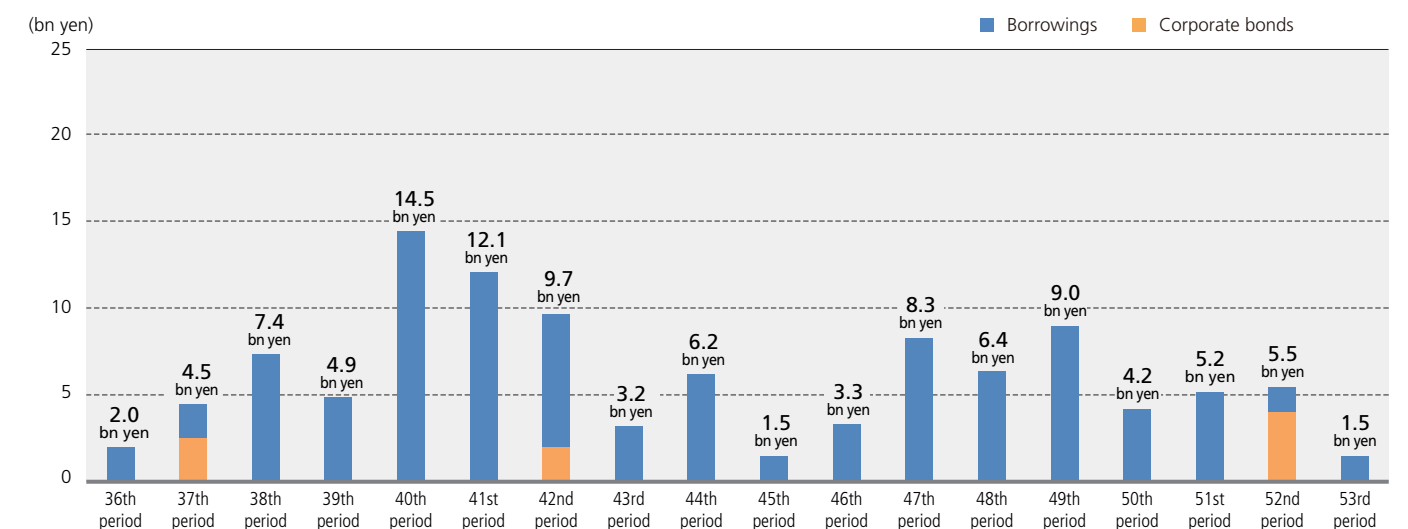
## Changes in the Average Interest Rate and Average Remaining Period to Maturity



(Note) Average interest rate is an average weighted for balances outstanding as of the end of the period for each nominal interest rate.

## Repayment Schedule of Interest-Bearing Liabilities

PIC works to reduce the refinancing risk by diversifying repayment dates of interest-bearing liabilities.



## Credit Rating Status

PIC was granted an issuer rating of AA- by Japan Credit Rating Agency, Ltd. (JCR).

Rating agency	Issuer rating	Rating outlook
Japan Credit Rating Agency, Ltd. (JCR)	AA-	Stable
Rating and Investment Information, Inc. (R&I)	A+	Stable



[35th Fiscal Period (as of April 30, 2020)]

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Office Buildings										
A01	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.6	100.0	203	85	117	10.6	
A02		Landic Shimbashi 2 Building	7,045	2.9	100.0	192	111	81	12.9	
A03		Premier Dogenzaka Building	1,727	0.7	100.0	88	25	62	5.5	
A04		KN Shibuya No.3	5,348	2.2	100.0	262	107	154	10.6	
A05		Takadanobaba Center Building	5,118	2.1	100.0	260	100	160	2.0	
A06		Rokubancho Building	7,860	3.2	100.0	(Note 5)	(Note 5)	184	10.8	
A10		Urbannet Mita Building	10,300	4.2	100.0	314	179	134	7.2	
A11		Urbannet Azabu Building	5,000	2.1	100.0	(Note 5)	(Note 5)	87	10.5	
A12		Urbannet Ichigaya Building	1,650	0.7	100.0	(Note 5)	(Note 5)	38	7.0	
A15		Granpark	11,490	4.7	99.4	471	221	250	12.0	
A16		Urbannet Kojimachi Building	3,600	1.5	100.0	165	59	106	10.0	
B02	Other 18 Wards of Tokyo	Premier Toyochō Building	4,310	1.8	100.0	110	64	45	16.2	
B03		Ueno TH Building	4,380	1.8	100.0	126	67	58	12.8	
B04		Gotanda NT Building	4,100	1.7	100.0	96	41	55	14.3	
B05		Ueno Tosei Building	5,900	2.4	100.0	207	89	117	10.7	
B06		Urbannet Ikebukuro Building	13,600	5.6	100.0	739	406	332	13.0	
B07		Urbannet Omori Building	4,800	2.0	100.0	249	129	119	6.8	
B08		Sphere Tower Tennozu	15,000	6.2	100.0	597	340	257	8.3	
B09		Urbannet Gotanda NN Building	5,250	2.2	100.0	196	75	120	9.7	
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.5	100.0	150	107	42	10.2	
C02		The Kanagawa Science Park R&D Building	6,556	2.7	87.0	411	286	124	10.4	
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.5	97.7	280	233	47	14.4	
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.7	100.0	108	48	59	9.0	
G04		Urbannet Shizuoka Building	1,119	0.5	93.7	74	31	43	9.0	
G05		Urban Ace Higobashi Building	4,600	1.9	100.0	245	121	124	6.3	
Subtotal			25 properties	143,880	59.0	98.6	6,064	3,135	2,928	-

(continued on next page)

(cont'd)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Residential Properties										
D01	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.1	95.9	163	68	95	7.4	
D02		Park Axis Meiji-Jingumae	2,604	1.1	93.2	59	19	40	9.9	
D04		Cabin Arena Akasaka	1,330	0.5	93.7	42	15	27	10.1	
D05		Cabin Arena Minami-Aoyama	1,070	0.4	93.6	33	18	15	11.2	
D06		Bureau Kioicho	1,840	0.8	100.0	38	13	25	11.6	
D08		Roppongi Green Terrace	4,678	1.9	100.0	142	50	91	10.3	
D09		Premier Stage Shibakoen II	2,181	0.9	99.0	60	21	39	11.5	
D11		Langue Tower Kyobashi	927	0.4	96.6	38	12	25	12.5	
D12		Premier Stage MitaKeidaimae	1,580	0.6	93.1	54	18	36	14.3	
D13		Premier Rosso	1,662	0.7	96.0	57	22	34	14.0	
D14		Premier Blanc Yoyogikouen	2,330	1.0	100.0	70	29	40	13.1	
D15		Premier Stage Uchikanda	1,723	0.7	100.0	62	25	36	13.8	
D16		Premier Stage Ichigayakawadacho	1,460	0.6	97.2	47	17	29	13.1	
D17		Walk Akasaka	2,043	0.8	95.4	50	91	-41	13.9	
D18		Premier Stage Shibakoen	1,585	0.7	95.4	46	19	27	16.1	
D19		MEW	1,556	0.6	100.0	37	21	15	13.9	
D20		Shibaura Island Air Tower	7,590	3.1	96.1	360	241	118	11.2	
D21		Storia Akasaka	3,930	1.6	92.5	97	42	55	11.7	
D22		Renai Shinjuku-Gyoen Tower	6,500	2.7	94.4	187	106	81	7.2	
D23		Shibaura Island Bloom Tower	5,500	2.3	97.7	290	176	114	10.0	
D24		Questcourt Harajuku	4,500	1.8	94.3	149	48	100	12.7	
D25		Urbancourt Ichigaya	1,385	0.6	100.0	63	22	40	12.0	
D26		Premier Stage Azabu-Juban	1,420	0.6	94.4	40	19	20	14.6	
D27		Premier Stage Sasazuka	1,080	0.4	100.0	33	13	19	10.5	
E01	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.4	100.0	29	9	20	12.1	
E02		Premier Garden Hongo	975	0.4	100.0	33	9	23	12.1	
E03		Premier Grande Magome	1,560	0.6	97.0	44	21	23	15.7	
E04		Premier Nozze Yutenji	1,525	0.6	97.8	41	21	19	13.6	
E05		Premier Stage Yushima	1,803	0.7	98.9	53	28	25	17.2	
E06		Premier Stage Komagome	1,830	0.8	96.0	55	30	25	18.0	
E07		Premier Stage Otsuka	1,310	0.5	95.4	44	21	22	22.5	
E08		Premier Stage Honjo-Azumabashi	2,640	1.1	95.7	83	42	40	14.7	
E09		Premier Stage Ryogoku	1,496	0.6	98.9	48	24	24	12.8	
Subtotal			33 properties	79,894	32.8	96.8	2,663	1,347	1,315	-

(continued on next page)

(cont'd)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Preferred Securities (Office Building)										
Z01	5 Central Wards of Tokyo	UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 6)	19,940	8.2	-	-	-	-	-	
Subtotal			1 property	19,940	8.2	-	-	-	-	
Total			59 properties	243,714	100.0	98.0	8,727	4,482	4,244	8.4

(Note 1) PIC owns properties in the form of either beneficiary interests in real estate trust or preferred securities.

(Note 2) The acquisition price represents the transaction price before taxes, not including various expenses required for the acquisition of the property.

(Note 3) The indicated shares represent the ratio of the acquisition price of respective properties to the total acquisition price of all properties.

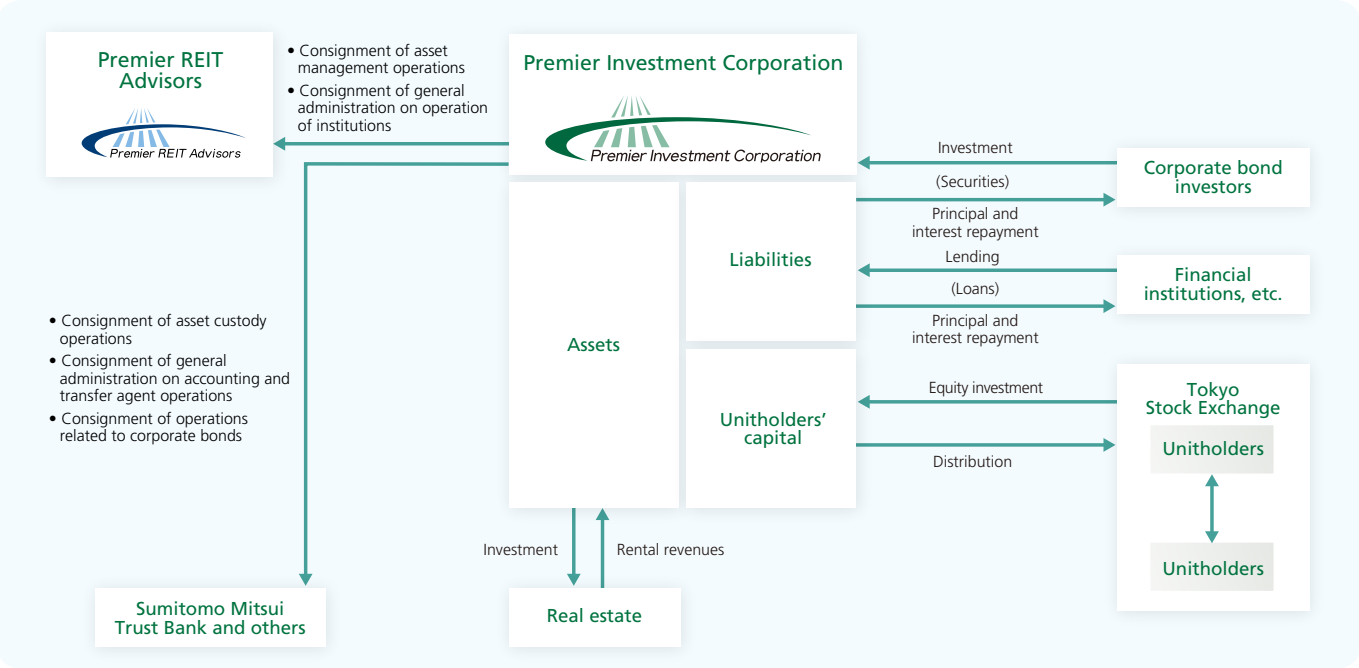
(Note 4) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures.  
In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.

(Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.

(Note 6) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

## ORGANIZATION OF PIC

### Structure of PIC

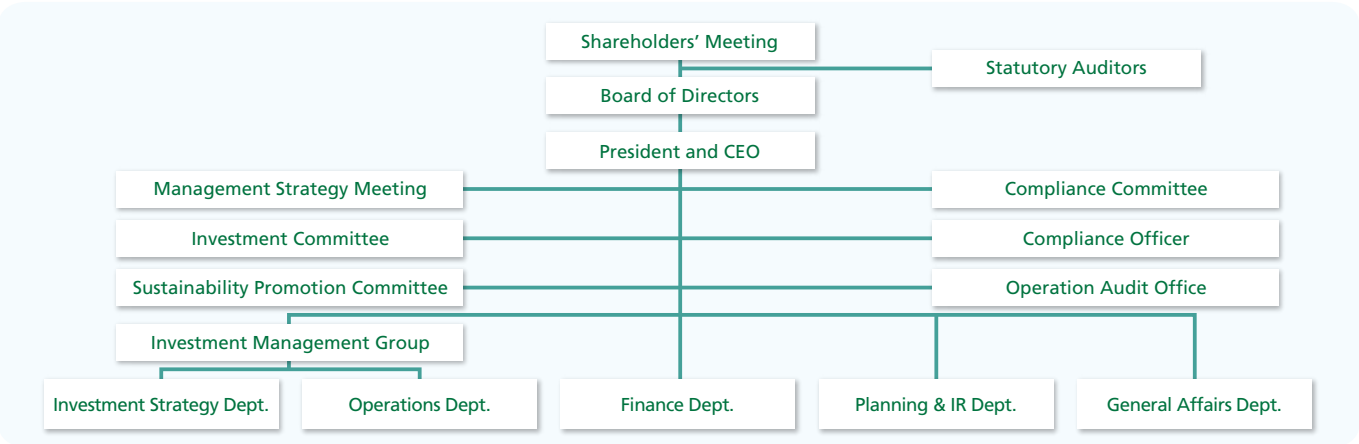


(Note) The above chart shows the major part of PIC's structure.

### Overview of Asset Manager

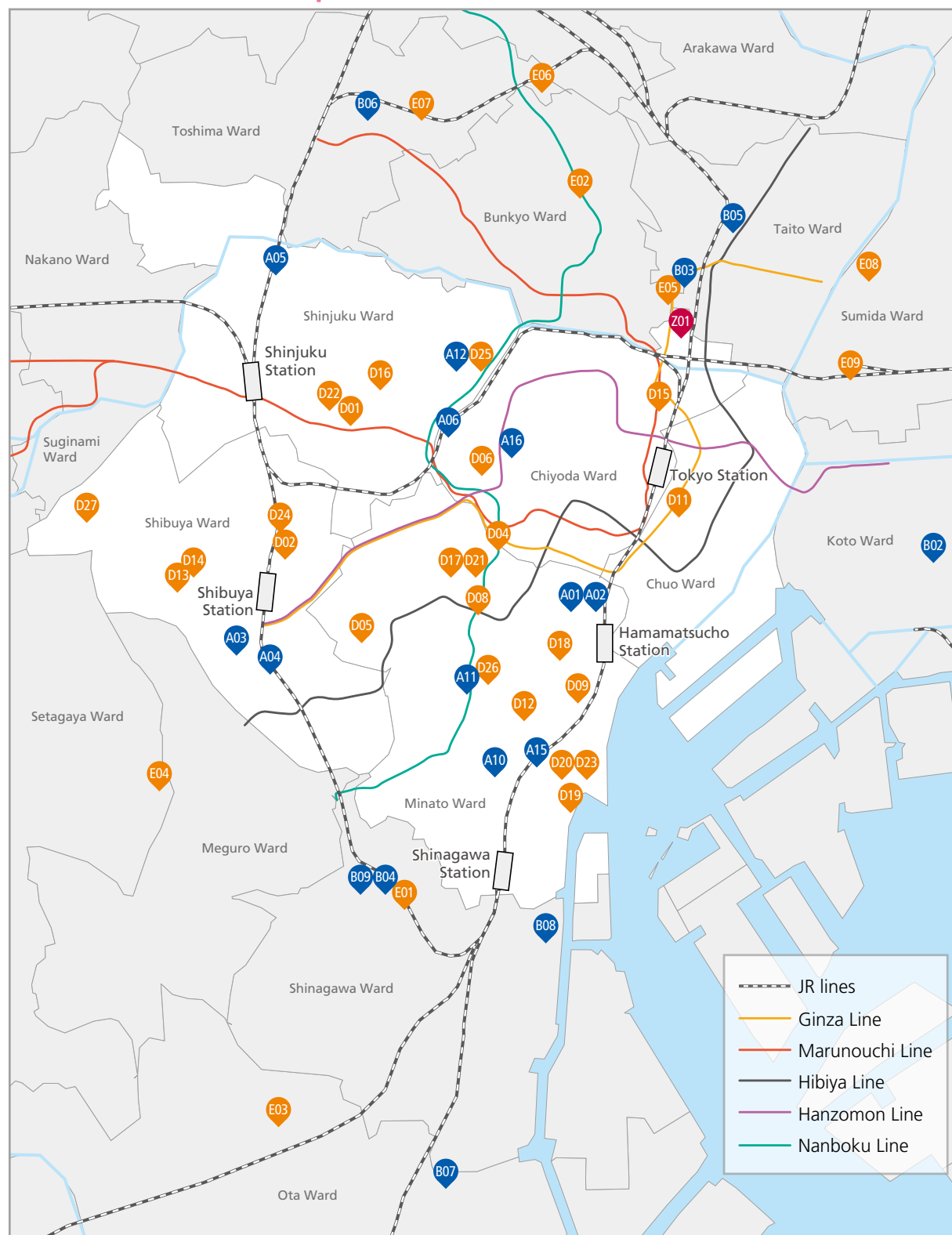
(as of April 30, 2020)

Trade name	Premier REIT Advisors Co., Ltd.
Paid-in capital	300 million yen
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (70.0%) and Kenedix, Inc. (30.0%)



# OVERVIEW OF PROPERTIES OWNED (AS OF THE END OF THE 35TH FISCAL PERIOD)

## Distribution of Portfolio Properties



## 5 Central Wards of Tokyo

- |                                  |                                     |  |
|----------------------------------|-------------------------------------|--|
| A01 Landic Shimbashi Building    | D01 Park Axis Yotsuya Stage         | D18 Premier Stage Shibakoen  |
| A02 Landic Shimbashi 2 Building  | D02 Park Axis Meiji-Jingumae        | D19 MEW  |
| A03 Premier Dogenzaka Building   | D04 Cabin Arena Akasaka             | D20 Shibaura Island Air Tower  |
| A04 KN Shibuya No.3              | D05 Cabin Arena Minami-Aoyama       | D21 Storia Akasaka   |
| A05 Takadanobaba Center Building | D06 Bureau Kioicho                  | D22 Renai Shinjuku-Gyoen Tower                                       |
| A06 Rokubancho Building          | D08 Roppongi Green Terrace          | D23 Shibaura Island Bloom Tower                                      |
| A10 Urbannet Mita Building       | D09 Premier Stage Shibakoen II      | D24 Questcourt Harajuku  |
| A11 Urbannet Azabu Building      | D11 Langue Tower Kyobashi           | D25 Urbancourt Ichigaya  |
| A12 Urbannet Ichigaya Building   | D12 Premier Stage MitaKeidaimae     | D26 Premier Stage Azabu-Juban  |
| A15 Granpark                     | D13 Premier Rosso                   | D27 Premier Stage Sasazuka   |
| A16 Urbannet Kojimachi Building  | D14 Premier Blanc Yoyogikouen       | Z01 UDX Special Purpose Company Preferred Securities (Akihabara UDX) |
|                                  | D15 Premier Stage Uchikanda         |  |
|                                  | D16 Premier Stage Ichigayakawadacho |  |
|                                  | D17 Walk Akasaka                    |  |

## Other 18 Wards of Tokyo

- |                                 |                                  |                                    |
|---------------------------------|----------------------------------|------------------------------------|
| B02 Premier Toyochi Building    | B08 Sphere Tower Tennozu         | E05 Premier Stage Yushima          |
| B03 Ueno TH Building            | B09 Urbannet Gotanda NN Building | E06 Premier Stage Komagome         |
| B04 Gotanda NT Building         | E01 B-Site Osaki                 | E07 Premier Stage Otsuka           |
| B05 Ueno Tosei Building         | E02 Premier Garden Hongo         | E08 Premier Stage Honjo-Azumabashi |
| B06 Urbannet Ikebukuro Building | E03 Premier Grande Magome        | E09 Premier Stage Ryogoku          |
| B07 Urbannet Omori Building     | E04 Premier Nozze Yutenji        |                                    |

## Urban Areas Surrounding Tokyo



- C01 Premier Yokohama Nishiguchi Building
- C02 The Kanagawa Science Park R&D Building

## Major Regional Cities



- G02 NTT CRED Okayama Building
- G03 Urbannet Shizuoka Ote-machi Building
- G04 Urbannet Shizuoka Building
- G05 Urban Ace Higobashi Building



Preferred Securities (Office Building)5 Central Wards of Tokyo



UDX Special Purpose Company Preferred Securities (Akihabara UDX)<sup>(Note)</sup>  
(Chiyoda Ward, Tokyo)  
(Note) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

Photo by Kawasumi Architectural Office

Office Buildings5 Central Wards of Tokyo



Landic Shimbashi Building  
(Minato Ward, Tokyo)



Landic Shimbashi 2 Building  
(Minato Ward, Tokyo)

5 Central Wards of Tokyo



Granpark  
(Minato Ward, Tokyo)



Urbannet Kojimachi Building  
(Chiyoda Ward, Tokyo)

5 Central Wards of Tokyo



Premier Dogenzaka Building  
(Shibuya Ward, Tokyo)



KN Shibuya No.3  
(Shibuya Ward, Tokyo)



Takadanobaba Center Building  
(Shinjuku Ward, Tokyo)



Rokubancho Building  
(Chiyoda Ward, Tokyo)

Office BuildingsOther 18 Wards of Tokyo



Premier Toyochro Building  
(Koto Ward, Tokyo)



Ueno TH Building  
(Bunkyo Ward, Tokyo)



Gotanda NT Building  
(Shinagawa Ward, Tokyo)



Ueno Tosei Building  
(Taito Ward, Tokyo)

5 Central Wards of Tokyo



Urbannet Mita Building  
(Minato Ward, Tokyo)



Urbannet Azabu Building  
(Minato Ward, Tokyo)



Urbannet Ichigaya Building  
(Shinjuku Ward, Tokyo)

Other 18 Wards of Tokyo



Urbannet Ikebukuro Building  
(Toshima Ward, Tokyo)



Urbannet Omori Building  
(Ota Ward, Tokyo)



Sphere Tower Tennozu  
(Shinagawa Ward, Tokyo)



Urbannet Gotanda NN Building  
(Shinagawa Ward, Tokyo)



(Overview of Properties Owned (as of the end of the 35th fiscal period))

Office BuildingsUrban Areas Surrounding Tokyo



C01  
Premier Yokohama Nishiguchi Building  
(Yokohama City, Kanagawa)



C02  
The Kanagawa Science Park R&D Building  
(Kawasaki City, Kanagawa)

Office BuildingsMajor Regional Cities



G02  
NTT CRED Okayama Building  
(Okayama City, Okayama)



G03  
Urbannet Shizuoka Ote-machi Building  
(Shizuoka City, Shizuoka)



G04  
Urbannet Shizuoka Building  
(Shizuoka City, Shizuoka)



G05  
Urban Ace Higobashi Building  
(Osaka City, Osaka)

Residential Properties5 Central Wards of Tokyo



D01  
Park Axis Yotsuya Stage  
(Shinjuku Ward, Tokyo)



D02  
Park Axis Meiji-Jingumae  
(Shibuya Ward, Tokyo)



D04  
Cabin Arena Akasaka  
(Minato Ward, Tokyo)



D05  
Cabin Arena Minami-Aoyama  
(Minato Ward, Tokyo)

5 Central Wards of Tokyo



D06  
Bureau Kioicho  
(Chiyoda Ward, Tokyo)



D08  
Roppongi Green Terrace  
(Minato Ward, Tokyo)



D09  
Premier Stage Shibakoen II  
(Minato Ward, Tokyo)



D11  
Langue Tower Kyobashi  
(Chuo Ward, Tokyo)

5 Central Wards of Tokyo



D12  
Premier Stage MitaKeidaimae  
(Minato Ward, Tokyo)



D13  
Premier Rosso  
(Shibuya Ward, Tokyo)



D14  
Premier Blanc Yoyogikouen  
(Shibuya Ward, Tokyo)



D15  
Premier Stage Uchikanda  
(Chiyoda Ward, Tokyo)

5 Central Wards of Tokyo



D16  
Premier Stage Ichigayakawadacho  
(Shinjuku Ward, Tokyo)



D17  
Walk Akasaka  
(Minato Ward, Tokyo)



D18  
Premier Stage Shibakoen  
(Minato Ward, Tokyo)



D19  
MEW  
(Minato Ward, Tokyo)



(Overview of Properties Owned (as of the end of the 35th fiscal period))

5 Central Wards of Tokyo

D20



Shibaura Island Air Tower  
(Minato Ward, Tokyo)

D21



Storia Akasaka  
(Minato Ward, Tokyo)

D22



Renai Shinjuku-Gyoen Tower  
(Shinjuku Ward, Tokyo)


D23



Shibaura Island Bloom Tower  
(Minato Ward, Tokyo)


5 Central Wards of Tokyo

D24




Questcourt Harajuku  
(Shibuya Ward, Tokyo)

D25




Urbancourt Ichigaya  
(Shinjuku Ward, Tokyo)

D26



Premier Stage Azabu-Juban  
(Minato Ward, Tokyo)

D27




Premier Stage Sasazuka  
(Shibuya Ward, Tokyo)

Residential Properties


Other 18 Wards of Tokyo

E01




B-Site Osaki  
(Shinagawa Ward, Tokyo)

E02




Premier Garden Hongo  
(Bunkyo Ward, Tokyo)

E03



Premier Grande Magome  
(Ota Ward, Tokyo)


E04



Premier Nozze Yutenji  
(Setagaya Ward, Tokyo)


Other 18 Wards of Tokyo

E05




Premier Stage Yushima  
(Bunkyo Ward, Tokyo)

E06




Premier Stage Komagome  
(Toshima Ward, Tokyo)

E07



Premier Stage Otsuka  
(Toshima Ward, Tokyo)

E08



Premier Stage Honjo-Azumabashi  
(Sumida Ward, Tokyo)

Other 18 Wards of Tokyo

E09



Premier Stage Ryogoku  
(Sumida Ward, Tokyo)





Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Investment Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Investment Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Investment Corporation to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Investment Corporation which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

田澤治郎 

Jiro Tazawa  
Designated Engagement Partner  
Certified Public Accountant

松本大明 

Hiroaki Matsumoto  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
July 29, 2020



# BALANCE SHEETS

AS OF OCTOBER 31, 2019 AND APRIL 30, 2020

	Thousands of yen	
	October 31, 2019	April 30, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and deposits (Note-3) (Note-13)	¥ 3,714,831	¥ 3,333,411
Cash and deposits held in trust (Note-3) (Note-13)	13,295,453	13,390,185
Tenant receivables	139,681	108,075
Prepaid expenses	147,850	170,287
Income taxes refund receivables	104,132	105,300
Other current assets	1,377	99
<b>TOTAL CURRENT ASSETS</b>	<b>17,403,327</b>	<b>17,107,359</b>
<b>LONG-TERM ASSETS</b>		
Property and equipment		
Buildings held in trust (Note-4)	89,431,187	90,515,225
Structures held in trust (Note-4)	2,004,210	2,024,871
Tools, furniture and fixtures held in trust (Note-4)	474,148	520,237
Less accumulated depreciation (Note-4)	(29,894,200)	(31,325,466)
Land held in trust (Note-4)	143,795,118	143,795,118
Construction in progress held in trust (Note-4)	27,022	19,483
<b>Total property and equipment, net</b>	<b>205,837,487</b>	<b>205,549,470</b>
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	407	354
Other intangible fixed assets (Note-4)	4,112	2,741
<b>Total intangible fixed assets</b>	<b>1,782,121</b>	<b>1,780,698</b>
Investment and other assets		
Investment securities (Note-13) (Note-14)	20,035,175	20,035,175
Deferred tax assets (Note-9)	1,740	3,372
Other deposits	10,000	10,000
Long-term prepaid expenses	397,885	343,733
Other deposits held in trust	630,697	630,697
<b>Total investment and other assets</b>	<b>21,075,498</b>	<b>21,022,979</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>228,695,107</b>	<b>228,353,147</b>
Deferred assets		
Corporate bond issuance costs	30,311	27,030
<b>Total deferred assets</b>	<b>30,311</b>	<b>27,030</b>
<b>TOTAL ASSETS</b>	<b>¥ 246,128,746</b>	<b>¥ 245,487,537</b>

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

	Thousands of yen	
	October 31, 2019	April 30, 2020
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	¥ 1,759,144	¥ 1,561,134
Short-term loans payable (Note-7) (Note-13)	2,000,000	2,000,000
Long-term loans payable due within one year (Note-7) (Note-13)	650,000	2,000,000
Corporate bonds payable due within one year (Note-6) (Note-13)	-	2,500,000
Accrued expenses	113,727	115,413
Distributions payable	10,715	12,719
Income taxes payable	604	1,365
Consumption taxes payable	73,778	121,198
Business office taxes payable	5,531	10,252
Rents received in advance	1,348,814	1,360,958
Deposits received	79,212	62,057
Other current liabilities	19	300
<b>Total current liabilities</b>	<b>6,041,549</b>	<b>9,745,398</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term loans payable (Note-7) (Note-13)	99,100,000	97,100,000
Corporate bonds (Note-6) (Note-13)	8,500,000	6,000,000
Tenant security deposits held in trust	7,697,679	7,747,055
<b>Total long-term liabilities</b>	<b>115,297,679</b>	<b>110,847,055</b>
<b>TOTAL LIABILITIES</b>	<b>121,339,229</b>	<b>120,592,454</b>
<b>NET ASSETS</b>		
<b>UNITHOLDERS' EQUITY</b> (Note-5)		
Unitholders' capital	120,350,148	120,350,148
Units authorized – 10,000,000 units as of October 31, 2019 – 10,000,000 units as of April 30, 2020		
Units issued and outstanding – 1,316,995 units as of October 31, 2019 – 1,316,995 units as of April 30, 2020		
Surplus		
Reserve for reduction entry	762,316	762,316
Unappropriated retained earnings	3,677,052	3,782,618
<b>Total unitholders' equity</b>	<b>124,789,517</b>	<b>124,895,083</b>
<b>TOTAL NET ASSETS</b>	<b>124,789,517</b>	<b>124,895,083</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 246,128,746</b>	<b>¥ 245,487,537</b>

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

# PROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND APRIL 30, 2020

		Thousands of yen	
		October 31, 2019	April 30, 2020
<b>OPERATING REVENUES AND EXPENSES</b>			
Operating revenues			
Rental revenues	(Note-8)	¥ 7,736,146	¥ 7,779,975
Other rental revenues	(Note-8)	1,032,108	947,306
Dividend income		509,894	522,565
Operating expenses			
Property operating expenses	(Note-8)	4,603,832	4,482,323
Asset management fees		376,460	381,830
Directors' compensation		4,200	4,200
Custodian fees		11,375	11,359
Administration fees		83,636	83,020
Audit fees		8,500	8,500
Other expenses		105,930	103,193
Operating income		4,084,213	4,175,420
<b>NON-OPERATING REVENUES AND EXPENSES</b>			
Non-operating revenues			
Interest income		83	80
Return of unclaimed distribution		866	1,051
Other non-operating revenues		426	31
Non-operating expenses			
Interest expenses		377,551	364,173
Interest expenses on corporate bonds		23,237	22,998
Amortization of corporate bond issuance costs		3,280	3,280
Other non-operating expenses		2,377	2,362
Ordinary income		3,679,142	3,783,769
Income before income taxes		3,679,142	3,783,769
Income taxes	(Note-9)		
Current		604	2,784
Deferred		1,715	(1,631)
Net income		3,676,821	3,782,616
Income carried forward		230	2
<b>UNAPPROPRIATED RETAINED EARNINGS</b>		¥ 3,677,052	¥ 3,782,618

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

# STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND APRIL 30, 2020

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus				Total Unitholders' Equity	
		Voluntary Retained Earnings		Unappropriated Retained Earnings	Total Surplus		
Reserve for Reduction Entry (Note-12)		Total Voluntary Retained Earnings					
BALANCE AT APRIL 30, 2019	¥ 120,350,148	¥ 400,267	¥ 400,267	¥ 4,281,656	¥ 4,681,923	¥ 125,032,072	¥ 125,032,072
Changes during the period							
Provision of reserve for reduction entry		362,048	362,048	(362,048)	-	-	-
Cash distributions paid				(3,919,377)	(3,919,377)	(3,919,377)	(3,919,377)
Net income				3,676,821	3,676,821	3,676,821	3,676,821
Total changes during the period	-	362,048	362,048	(604,604)	(242,555)	(242,555)	(242,555)
BALANCE AT OCTOBER 31, 2019	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,677,052	¥ 4,439,368	¥ 124,789,517	¥ 124,789,517
Changes during the period							
Cash distributions paid				(3,677,050)	(3,677,050)	(3,677,050)	(3,677,050)
Net income				3,782,616	3,782,616	3,782,616	3,782,616
Total changes during the period	-	-	-	105,566	105,566	105,566	105,566
BALANCE AT APRIL 30, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,782,618	¥ 4,544,934	¥ 124,895,083	¥ 124,895,083

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



# CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND APRIL 30, 2020

	Thousands of yen	
	October 31, 2019	April 30, 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before income taxes	¥ 3,679,142	¥ 3,783,769
Depreciation	1,420,498	1,433,222
Amortization of corporate bond issuance costs	3,280	3,280
Interest income	(83)	(80)
Return of unclaimed distributions	(866)	(1,051)
Interest expenses	400,788	387,172
Decrease (increase) in tenant receivables	(17,264)	31,605
Increase (decrease) in accounts payable	115,151	(129,804)
Increase (decrease) in consumption taxes payable	(11,610)	47,419
Increase (decrease) in rents received in advance	(24,095)	12,143
Increase (decrease) in deposits received	3,896	(17,155)
Other	24,710	(9,388)
<b>SUBTOTAL</b>	<b>5,593,549</b>	<b>5,541,134</b>
Interest received	83	80
Interest paid	(415,754)	(334,132)
Income taxes (paid) refund	1,487	(3,192)
Net cash provided by (used in) operating activities	5,179,365	5,203,890
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for purchases of property and equipment held in trust	(829,628)	(1,215,958)
Proceeds from tenant security deposits held in trust	193,281	331,942
Payments of tenant security deposits held in trust	(94,147)	(282,566)
Net cash provided by (used in) investing activities	(730,495)	(1,166,583)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans payable	2,000,000	-
Proceeds from long-term loans payable	8,200,000	-
Repayments of short-term loans payable	(3,055,000)	-
Repayments of long-term loans payable	(7,200,000)	(650,000)
Payments of distributions	(3,918,212)	(3,673,995)
Net cash provided by (used in) financing activities	(3,973,212)	(4,323,995)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>475,657</b>	<b>(286,687)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>16,534,627</b>	<b>17,010,284</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(Note-3) ¥ 17,010,284</b>	<b>¥ 16,723,596</b>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND APRIL 30, 2020

## Note-1. Organization and basis of presentation

**(a) Organization** – Premier Investment Corporation (hereinafter, “PIC”) is an investment corporation established in May 2002 under the Act on Investment Trusts and Investment Corporations (hereinafter, “Investment Trusts Act”) 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.

Overview of PIC’s equity financing in the past five years is as follows:

Date	Description	Total Number of Investment Units Issued and Outstanding (units)		Unitholders' Capital (millions of yen)	
		Increase (Decrease)	Balance	Increase (Decrease)	Balance
November 1, 2015	Splitting 5-for-1 investment units	1,053,596	1,316,995	-	120,350

As of April 30, 2020, PIC had total unitholders’ capital of 120,350,148 thousand yen with 1,316,995 units outstanding.

As of April 30, 2020, PIC owned a portfolio of 25 office buildings, 33 residential properties and preferred securities of an SPC (59 properties in total). Total acquisition costs of those properties were 243,714 million yen, with the investment ratio by asset type standing at 59.0% for office buildings, 32.8% for residential properties and 8.2% for others (preferred securities).

**(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 Act 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 Act. 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) Valuation standard and method for securities –

**Available-for-sale investment securities** – Private securities without fair market value are stated at cost being determined by the moving average method.

### (c) 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:

Buildings held in trust .....	3-68 years
Structures held in trust .....	3-50 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 1 yen recognized at the end of the useful lives.

Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over useful lives based on the tax law at that time. However, in accordance with the amended Japanese tax law, such properties and equipment are depreciated with the residual value of 1 yen over five years from the following fiscal years after they are depreciated to the residual value of 5% of acquisition costs.

**Long-term prepaid expenses** – Prepaid expenses are amortized using the straight-line method.

**Corporate bond issuance costs** – Corporate bond issuance costs are amortized using the straight-line method over the period through the redemption of the bonds.

**(d) 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 accounting basis and tax basis is recognized as deferred taxes.

**(e) 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. There were no capitalized property-related taxes for the six months ended October 31, 2019 and April 30, 2020.

**(f) Method of hedge accounting** – Special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting.  
**Hedging instruments and hedged items** – Hedging instruments: interest rate swap transactions, Hedged items: interest expenses on loans payable.  
**Hedging policy** – PIC conducts derivative transactions to hedge interest rate fluctuation risks for loans payable with floating interest rates based on the “Asset Management Target and Policies” provided in its Articles of Incorporation and the risk management regulations on derivative transactions.

**Method for assessing the effectiveness of hedging** – Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.

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

**(h) Accounting treatment of beneficiary interest in trust accounts, including real estate** – For beneficiary interests in real estate trust, 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 profit and loss statement.  
Furthermore, the following material accounts are separately stated on the balance sheet for assets in trust recognized in relevant accounts.  
(1) Cash and deposits held in trust  
(2) Buildings held in trust, structures held in trust, tools, furniture and fixtures held in trust, land held in trust, and construction in progress held in trust  
(3) Leasehold held in trust  
(4) Other intangible fixed assets held in trust  
(5) Other deposits held in trust  
(6) Tenant security deposits held in trust

**(i) Accounting for consumption taxes** – The national and local consumption taxes are excluded from business transaction amounts. However, non-deductible consumption taxes on property acquisitions are capitalized with the acquisition costs of the individual properties.

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2019 and April 30, 2020 consisted of the following:

	Thousands of yen	
	October 31, 2019	April 30, 2020
Cash and deposits	¥ 3,714,831	¥ 3,333,411
Cash and deposits held in trust	13,295,453	13,390,185
CASH AND CASH EQUIVALENTS	¥ 17,010,284	¥ 16,723,596

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, 2019 and April 30, 2020 consisted of the following:

	Thousands of yen					
	October 31, 2019			April 30, 2020		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 89,431,187	¥ 28,512,557	¥ 60,918,630	¥ 90,515,225	¥ 29,865,402	¥ 60,649,822
Structures	2,004,210	1,126,311	877,899	2,024,871	1,171,712	853,159
Tools, furniture and fixtures	474,148	255,331	218,817	520,237	288,350	231,886
Land	143,795,118	-	143,795,118	143,795,118	-	143,795,118
Construction in progress	27,022	-	27,022	19,483	-	19,483
SUBTOTAL	235,731,687	29,894,200	205,837,487	236,874,936	31,325,466	205,549,470
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,469	6,062	407	6,469	6,115	354
Other	34,839	30,727	4,112	34,839	32,098	2,741
SUBTOTAL	1,818,911	36,789	1,782,121	1,818,911	38,213	1,780,698
TOTAL	¥ 237,550,599	¥ 29,930,990	¥ 207,619,609	¥ 238,693,848	¥ 31,363,679	¥ 207,330,168

A government subsidy of 19,834 thousand yen, granted for the capital expenditures at The Kanagawa Science Park R&D Building in 2006, has been deducted from the acquisition cost of the building held in trust.

Note-5. Unitholders’ equity

PIC issues investment units in accordance with the Investment Trusts Act. 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 Trusts Act.

Note-6. Corporate bonds

Corporate bonds for the six months ended October 31, 2019 and April 30, 2020 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2019 (Amount)	April 30, 2020 (Amount)	
Unsecured bond No.6 (issued on March 6, 2014 and due on March 5, 2021)	¥ 2,500,000	¥ 2,500,000	0.72
Unsecured bond No.7 (issued on July 24, 2018 and due on July 24, 2023)	2,000,000	2,000,000	0.25
Unsecured bond No.8 (issued on July 24, 2018 and due on July 24, 2028)	4,000,000	4,000,000	0.58
TOTAL	¥ 8,500,000	¥ 8,500,000	-

\* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning May 1, starting in 2020 are as follows:

(thousands of yen)			
More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥ -	-	2,000,000	-

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

Short-term and long-term loans as of October 31, 2019 and April 30, 2020 consisted of the following:

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	October 31, 2019 (Amount)	Increase	Decrease	April 30, 2020 (Amount)				
SHORT-TERM LOANS								
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000	0.21188	Jul. 31, 2020	*2	Unsecured and non-guaranteed Floating rate
SUBTOTAL	2,000,000	-	-	2,000,000				
LONG-TERM LOANS *3 *4								
Mizuho Bank, Ltd.	2,400,000	-	-	2,400,000	0.91125	Sep. 30, 2021		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.87000	Mar. 31, 2022		Unsecured and non-guaranteed Fixed rate
Aozora Bank, Ltd.	650,000	-	650,000	-	0.69000	Mar. 31, 2020		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.91375	Apr. 28, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	-	3,500,000				
MUFG Bank, Ltd.	1,800,000	-	-	1,800,000	0.86625	Jul. 29, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000				
MUFG Bank, Ltd.	3,000,000	-	-	3,000,000			*2	Unsecured and non-guaranteed Fixed rate
The Norinchukin Bank	2,500,000	-	-	2,500,000	0.80125	Aug. 31, 2022		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000				
Aozora Bank, Ltd.	3,000,000	-	-	3,000,000	0.73875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	3,000,000	-	-	3,000,000				
Resona Bank, Limited	3,000,000	-	-	3,000,000	0.72875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
Mitsui Sumitomo Insurance Co., Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
NTT Finance Corporation	2,000,000	-	-	2,000,000	0.41375	Jan. 29, 2021		Unsecured and non-guaranteed Fixed rate

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	October 31, 2019 (Amount)	Increase	Decrease	April 30, 2020 (Amount)				
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
Aozora Bank, Ltd.	700,000	-	-	700,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,040,000	-	-	2,040,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,140,000	-	-	1,140,000				
MUFG Bank, Ltd.	1,220,000	-	-	1,220,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	4,000,000	-	-	4,000,000	0.73500	Nov. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Banking Corporation	3,200,000	-	-	3,200,000	0.24000	May 31, 2021		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,800,000	-	-	1,800,000				
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42875	May 31, 2023		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	4,000,000	-	-	4,000,000	0.53250	May 31, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	3,300,000	-	-	3,300,000	0.59880	May 30, 2025		Unsecured and non-guaranteed Fixed rate
The Bank of Fukuoka	2,000,000	-	-	2,000,000				
The 77 Bank, Ltd.	1,000,000	-	-	1,000,000	0.28875	Aug. 31, 2023		Unsecured and non-guaranteed Fixed rate
The Nomura Trust and Banking Co., Ltd.	1,000,000	-	-	1,000,000				
HIGASHI-NIPPON BANK, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000			*2	Unsecured and non-guaranteed Fixed rate
Aozora Bank, Ltd.	1,100,000	-	-	1,100,000	0.40005	Mar. 27, 2023		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.54505	Mar. 27, 2025		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	2,600,000	-	-	2,600,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,200,000	-	-	1,200,000				
MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	0.66649	Apr. 30, 2026		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.76755	Jul. 24, 2028		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	750,000	-	-	750,000	0.49877	Feb. 29, 2024		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.23375	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	750,000	-	-	750,000	0.65125	Mar. 30, 2029		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	750,000	-	-	750,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.19520	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate <sup>*1</sup> (%)	Repay-ment	Use of funds	Remarks
	October 31, 2019 (Amount)	Increase	Decrease	April 30, 2020 (Amount)				
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.37880	Sep. 30, 2026	*2	Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	1,200,000	-	-	1,200,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc. MUFG Bank, Ltd.	2,000,000 2,000,000	- -	- -	2,000,000 2,000,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
SUBTOTAL	99,750,000	-	650,000	99,100,000				
TOTAL	¥ 101,750,000	¥ -	¥ 650,000	¥ 101,100,000				

\*1 Floating interest rates in the table above represent the weighted average interest rates for the period. For loans for which PIC conducted interest rate swap transactions in order to reduce the interest rate fluctuation risk, the fixed rate interests obtained by taking into account the effect of the interest rate swaps are indicated.

\*2 All the loans are used for such purposes as purchasing beneficiary interests in real estate trust, repaying existing borrowings and redeeming corporate bonds.

\*3 Long-term loans payable due within one year on the balance sheets are included in long-term loans in the table above for the purpose of indicating the loans in accordance with respective loan agreements.

\*4 The anticipated maturities of long-term loans for the following five years (excluding long-term loans payable due within one year) beginning May 1, starting in 2020 are as follows:

(thousands of yen)				
More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	
¥ 12,350,000	26,600,000	10,950,000	7,750,000	

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2019 and April 30, 2020 were as follows:

	Thousands of yen	
	October 31, 2019	April 30, 2020
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 6,557,413	¥ 6,614,580
Common area charges	1,178,732	1,165,395
Subtotal	7,736,146	7,779,975
Other rental revenues		
Parking fees	224,732	230,574
Facility fees	54,303	58,688
Incidental revenues	625,694	529,038
Miscellaneous income	127,379	129,005
Subtotal	1,032,108	947,306
TOTAL REAL ESTATE RENTAL REVENUES	8,768,255	8,727,282
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,056,807	1,055,563
Utilities	659,123	560,486
Real estate taxes	607,664	607,606
Insurance	10,750	10,753
Maintenance and repairs	660,224	607,704
Trust fees	29,207	29,327
Depreciation	1,419,127	1,431,851
Miscellaneous expenses	160,926	179,029
TOTAL REAL ESTATE RENTAL EXPENSES	4,603,832	4,482,323
REAL ESTATE RENTAL INCOME	¥ 4,164,422	¥ 4,244,959

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is 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, 2019 and April 30, 2020:

	October 31, 2019	April 30, 2020
Statutory tax rate	31.51%	31.46%
Adjustments		
Deductible cash distributions	(31.46)	(31.45)
Other	0.01	0.02
EFFECTIVE TAX RATE	0.06%	0.03%

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of October 31, 2019 and April 30, 2020 were as follows:

	Thousands of yen	
	October 31, 2019	April 30, 2020
Deferred tax assets		
Enterprise taxes	¥ 1,740	¥ 3,372
Total of deferred tax assets	1,740	3,372
NET DEFERRED TAX ASSETS	¥ 1,740	¥ 3,372

Note-10. Per unit information

The following table summarizes the net assets per unit as of October 31, 2019 and April 30, 2020 and the net income per unit for the six months ended October 31, 2019 and April 30, 2020:

	October 31, 2019	April 30, 2020
Net assets per unit	¥ 94,753	¥ 94,833
Net income per unit	2,791	2,872

\*1 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. Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2019 and April 30, 2020.

\*2 The basis for calculating net income per unit was as follows:

	Thousands of yen	
	October 31, 2019	April 30, 2020
Net income	¥ 3,676,821	¥ 3,782,616
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	3,676,821	3,782,616
Averaged number of units during the period	1,316,995 units	1,316,995 units



Note-11. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of October 31, 2019 and April 30, 2020, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2019	April 30, 2020
Due within one year	¥ 984,787	¥ 972,826
Due after one year	2,587,829	2,954,785
TOTAL	¥ 3,572,617	¥ 3,927,611

Note-12. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC’s Article of Incorporation, the maximum distribution amount cannot exceed the unappropriated retained earnings, 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 retained earnings as set forth in Article 13, Paragraph 2 of the PIC’s Article of Incorporation were made.

[October 31, 2019]

In accordance with this policy, PIC declared a total distribution of 3,677,050,040 yen as distribution of income for the 34th fiscal period (payment to start on January 15, 2020), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 34th fiscal period.

[April 30, 2020]

In accordance with this policy, PIC declared a total distribution of 3,782,409,640 yen as distribution of income for the 35th fiscal period (payment to start on July 9, 2020), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 35th fiscal period.

Income carried forward after the distributions for the six months ended October 31, 2019 and April 30, 2020 were as follows:

	October 31, 2019	April 30, 2020
Unappropriated retained earnings	¥ 3,677,052,318	¥ 3,782,618,851
Cash distributions declared	3,677,050,040	3,782,409,640
(Cash distribution declared per unit)	(2,792)	(2,872)
INCOME CARRIED FORWARD	¥ 2,278	¥ 209,211

Note-13. Financial instruments

(a) Items concerning the current status of financial instruments -

**Policies on financial instruments** - PIC procures funds for acquiring properties, conducting maintenance and repairs, repaying interest-bearing liabilities and for other purposes primarily through borrowings from financial institutions, issuing corporate bonds or issuing new investment units.

With regard to temporary surplus funds, tenant security deposits held in trust, etc., PIC manages them as bank deposits in consideration of such factors as safety and liquidity.

Moreover, PIC owns investment securities (preferred securities backed by the cash flow gained from real estate) as part of its real estate investment.

As for derivative transactions, PIC may use them only to hedge against interest rate fluctuation risks arising from liabilities.

**Description of financial instruments, their respective risks and risk management structure** - Short-term loans, long-term loans and corporate bonds are means of fund procurement primarily for acquiring trust beneficiary interests and repaying interest-bearing liabilities. Although loans and corporate bonds are exposed to liquidity risk upon the arrival of repayment dates, PIC manages the risk by such measures as working to maintain and enhance its ability to procure funds from the capital market through issuing investment units, by controlling the ratio of

interest-bearing liabilities to total assets within a range considered appropriate, creating fund procurement plans as early as possible by regularly checking liquidity on hand through making monthly cash payment schedules, etc., and preparing necessary funds based on such plans.

In addition, although loans with floating interest rates are exposed to interest rate fluctuation risk, PIC manages the risk by adjusting the ratio of the balance of loans with floating interest rates to the entire loans in accordance with the financing environment, as well as utilizing derivative transactions (interest rate swap transactions) as hedging instruments.

The investment securities (preferred securities backed by the cash flow gained from real estate) are exposed to liquidity risk, credit risk of the issuer, etc., in addition to investment risks specific to real estate. However, PIC will manage such risks by maintaining the ratio of the investment securities to its total assets at a certain level, and by employing such measures as assessing the financial status on a regular basis.

**Supplemental explanation on items concerning fair value of financial instruments** - The fair value of financial instruments includes market prices and, in the event market prices are not available, prices that are rationally calculated. Since such calculation uses certain assumptions and conditions, the calculated prices may differ if different assumptions and conditions are used. As for the contract amount and other conditions of derivative transactions indicated in “(b) Items concerning fair value of financial instruments” below, the contract amount is not an indicator of the market risks related to such derivative transactions.

**(b) Items concerning fair value of financial instruments** - The book values recorded on the balance sheet, fair values and their difference as of October 31, 2019 and April 30, 2020 were as follows:

	Thousands of yen					
	October 31, 2019			April 30, 2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference
ASSETS						
(1) Cash and deposits	¥ 3,714,831	¥ 3,714,831	¥ -	¥ 3,333,411	¥ 3,333,411	¥ -
(2) Cash and deposits held in trust	13,295,453	13,295,453	-	13,390,185	13,390,185	-
TOTAL ASSETS	¥ 17,010,284	¥ 17,010,284	¥ -	¥ 16,723,596	¥ 16,723,596	¥ -
LIABILITIES						
(3) Short-term loans payable	¥ 2,000,000	¥ 2,000,000	¥ -	¥ 2,000,000	¥ 2,000,000	¥ -
(4) Long-term loans payable due within one year	650,000	651,897	1,897	2,000,000	2,003,263	3,263
(5) Corporate bonds payable due within one year	-	-	-	2,500,000	2,507,525	7,525
(6) Long-term loans payable	99,100,000	99,940,085	840,085	97,100,000	97,879,808	779,808
(7) Corporate bonds	8,500,000	8,530,270	30,270	6,000,000	5,948,880	(51,120)
TOTAL LIABILITIES	¥ 110,250,000	¥ 111,122,253	¥ 872,253	¥ 109,600,000	¥ 110,339,477	¥ 739,477
(8) Derivative Transactions	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

\*1 The following methods are used to estimate the fair value of financial instruments:  
**(1) Cash and deposits and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.  
**(3) Short-term loans payable** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.  
**(4) Long-term loans payable due within one year and (6) long-term loans payable** - For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note 15. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that PIC borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that PIC borrows new loans corresponding to the remaining periods.  
**(5) Corporate bonds payable due within one year and (7) corporate bonds** - Fair values of these instruments are calculated based on their market prices.  
**(8) Derivative Transactions** - Refer to Note 15. Derivative Transactions below.

\*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:  
**Investment securities** - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen as of October 31, 2019 and April 30, 2020, respectively) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.



\*3 Planned redemption amount of monetary claims as of October 31, 2019 and April 30, 2020 are as follows:

	Thousands of yen						
	October 31, 2019						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
Cash and deposits	¥ 3,714,831	¥ -	¥ -	¥ -	¥ -	¥ -	
Cash and deposits held in trust	13,295,453	-	-	-	-	-	
TOTAL	¥ 17,010,284	¥ -	¥ -	¥ -	¥ -	¥ -	

	Thousands of yen						
	April 30, 2020						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
Cash and deposits	¥ 3,333,411	¥ -	¥ -	¥ -	¥ -	¥ -	
Cash and deposits held in trust	13,390,185	-	-	-	-	-	
TOTAL	¥ 16,723,596	¥ -	¥ -	¥ -	¥ -	¥ -	

\*4 Planned repayment and redemption amounts of loans and corporate bonds as of October 31, 2019 and April 30, 2020 are as follows:

	Thousands of yen						
	October 31, 2019						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
Short-term loans payable	¥ 2,000,000	¥ -	¥ -	¥ -	¥ -	¥ -	
Long-term loans payable	650,000	9,400,000	19,450,000	19,800,000	9,500,000	40,950,000	
Corporate bonds	-	2,500,000	-	2,000,000	-	4,000,000	
TOTAL	¥ 2,650,000	¥ 11,900,000	¥ 19,450,000	¥ 21,800,000	¥ 9,500,000	¥ 44,950,000	

	Thousands of yen						
	April 30, 2020						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
Short-term loans payable	¥ 2,000,000	¥ -	¥ -	¥ -	¥ -	¥ -	
Long-term loans payable	2,000,000	12,350,000	26,600,000	10,950,000	7,750,000	39,450,000	
Corporate bonds	2,500,000	-	-	2,000,000	-	4,000,000	
TOTAL	¥ 6,500,000	¥ 12,350,000	¥ 26,600,000	¥ 12,950,000	¥ 7,750,000	¥ 43,450,000	

Note-14. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flows from Real Estate Property managed by UDX Special Purpose Company. PIC owns 53,580 units (19.0% equity) of the preferred securities (282,000 units in total) as of October 31, 2019 and April 30, 2020 respectively.

These securities do not have a readily available market price. Additionally, due to lack of the transparency of cash flow information from the underlying properties, there is inherent difficulty in estimating fair value, and accordingly they are excluded from the disclosure of fair value.

Note-15. Derivative transactions

**(a) Derivatives to which hedge accounting is not applied** - Not applicable for the six months ended October 31, 2019 and April 30, 2020.

**(b) Derivatives to which hedge accounting is applied** - For the six months ended October 31, 2019 and April 30, 2020, the following table shows the contract amount or amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2019			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 73,180,000	¥ 73,180,000	*	-

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			April 30, 2020			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 73,180,000	¥ 73,180,000	*	-

\* Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable.

Note-16. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of October 31, 2019 and April 30, 2020, the changes during the fiscal period and their fair values are as follows:

	Thousands of yen							
	October 31, 2019				April 30, 2020			
	Book value at May 1, 2019 <sup>*1</sup>	Increase and Decrease during the period <sup>*2</sup>	Book value at October 31, 2019 <sup>*1</sup>	Fair value at October 31, 2019 <sup>*3</sup>	Book value at November 1, 2019 <sup>*1</sup>	Increase and Decrease during the period <sup>*2</sup>	Book value at April 30, 2020 <sup>*1</sup>	Fair value at April 30, 2020 <sup>*3</sup>
Office buildings	¥ 138,990,374	¥ 39,220	¥ 139,029,595	¥ 172,744,000	¥ 139,029,595	¥ 168,379	¥ 139,197,975	¥ 176,144,000
Residential properties	68,960,878	(374,977)	68,585,901	83,000,000	68,585,901	(456,449)	68,129,452	83,910,000
TOTAL	¥ 207,951,253	¥ (335,756)	¥ 207,615,497	¥ 255,744,000	¥ 207,615,497	¥ (288,069)	¥ 207,327,427	¥ 260,054,000

\*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisitions).

\*2 Of the increases and decreases in rental properties during the period, major increases in the fiscal period ended October 31, 2019 are due to the capital expenditures (1,088,898 thousand yen) for owned properties, and major decreases are due to the depreciation (1,419,127 thousand yen). Major increases in the fiscal period ended April 30, 2020 are due to the capital expenditures (1,156,571 thousand yen) for owned properties, and major decreases are due to the depreciation (1,431,851 thousand yen).

\*3 The fair values at the end of the fiscal periods in the above table are appraisal values based on external real estate appraisers.

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended October 31, 2019 and April 30, 2020 are as follows:

	Thousands of yen					
	October 31, 2019			April 30, 2020		
	Real estate rental revenues	Real estate rental expenses	Real estate rental income	Real estate rental revenues	Real estate rental expenses	Real estate rental income
Office buildings	¥ 6,129,424	¥ 3,202,899	¥ 2,926,525	¥ 6,064,140	¥ 3,135,171	¥ 2,928,968
Residential properties	2,638,830	1,400,933	1,237,897	2,663,142	1,347,151	1,315,990
TOTAL	¥ 8,768,255	¥ 4,603,832	¥ 4,164,422	¥ 8,727,282	¥ 4,482,323	¥ 4,244,959

\* The real estate rental revenues and real estate rental expenses are rental revenues and corresponding expenses (depreciation, property management fees, utilities, etc.), and are recorded in “Operating revenues” and “Operating expenses”, respectively.

Note-17. Segment information

**(a) Segment information** - Description has been omitted because the real estate business constitutes PIC’s sole business segment.

**(b) Related information** -

- (i) Information by product/service category** - Description has been omitted because operating revenues from external customers in a single product/service category account for over 90% of the operating revenues on the profit and loss statements.
- (ii) Information on geographical area** -
  - Operating revenues** - Description has been omitted because operating revenues from external customers in Japan account for over 90% of the operating revenues on the profit and loss statements.
  - Property and equipment** - Description has been omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheets.
- (iii) Information by major customer** - Description has been omitted because the operating revenues from a single external customer accounts for less than 10% of the operating revenues on the profit and loss statements.

Note-18. Subsequent events

**(a) Acquisition of Properties** - Pursuant to the basic investment policy and other policies, PIC acquired the following property:

	Otemachi Financial City Grand Cube
OVERVIEW OF THE ACQUISITION OF PROPERTY	
Type of property <sup>*1</sup>	Beneficiary interest in a real estate trust
Acquisition price <sup>*2</sup>	4,680 million yen
Appraisal value	5,116 million yen (as of April 1, 2020) [Appraiser] Japan Real Estate Institute
Seller	NTT Urban Development Corporation
Contract date	May 25, 2020
Acquisition date	June 12, 2020
OVERVIEW OF THE PROPERTY HELD IN TRUST	
Location (residential indication)	1-9-2 Otemachi, Chiyoda Ward, Tokyo
Use of building <sup>*3</sup>	Office, hotel, store, gym, parking, bicycle parking
Land <sup>*3</sup>	11,773.28m <sup>2</sup>
AreaTotal floor space <sup>*3</sup>	206,107.08m <sup>2</sup>
Total leasable space <sup>*4</sup>	1,497.31m <sup>2</sup>
Structure of building <sup>*3</sup>	Steel, steel-framed reinforced concrete and reinforced concrete structure with a flat-topped roof, 31 stories and 4 basement floors
Construction completion <sup>*3</sup>	April 2016

\*1 The acquired property represents 52/1,000 quasi co-ownership interest of beneficiary interest in the co-ownership (ownership ratio of 22,993,550/100,000,000) of fee simple ownership in the land and building of Otemachi Financial City Grand Cube. (The substantial ownership ratio in the entire land and building is 1.1956646%).

\*2 The acquisition price represents the transaction price before consumption taxes, not including various expenses (such as real estate taxes) required for the acquisition of the property.

\*3 “Use of building,” “Land,” “Total floor space,” “Structure of building” and “Construction completion” are described based on the information indicated in the certificate of registered matters. Furthermore, the property is located within the Tokyo Urban Planning Land Readjustment Project Otemachi Land Readjustment Project Execution Area, and the site is designated as provisional replotted land. However, the “Land” describes the figure based on the information indicated in the certificate of registered matters. The land area indicated in the provisional replotted land certificate is 11,171.91m<sup>2</sup>.

\*4 “Total leasable space” represents the figure calculated by multiplying the figure for the entire property by the substantial ownership ratio of the beneficiary interest in trust acquired by PIC to the entire property (1.1956646%).

**(b) Sale of Properties** - Pursuant to the basic investment policy and other policies, PIC sold the following property:

	Urbannet Ichigaya Building
OVERVIEW OF THE SALE OF PROPERTY	
Type of property	Beneficiary interest in a real estate trust
Sale price <sup>*1</sup>	1,778 million yen
Acquisition date	November 18, 2011
Acquisition price <sup>*2</sup>	1,650 million yen
Book value	1,582 million yen (as of April 30, 2020)
Impact on income	Approximately 190 million yen of gains from sale of properties are scheduled to be recorded as operating revenues for the six months ending October 31, 2020
Appraisal value	1,770 million yen (as of April 30, 2020) [Appraiser] Japan Real Estate Institute
Buyer	NTT Urban Development Corporation
Contract date	May 25, 2020
Sale date	June 12, 2020
OVERVIEW OF THE PROPERTY HELD IN TRUST	
Location (residential indication)	25-5 Haraikatomachi, Shinjuku Ward, Tokyo
Use of building <sup>*3</sup>	Office
Land <sup>*3</sup>	1,207.48m <sup>2</sup>
AreaTotal floor space <sup>*3</sup>	4,217.01m <sup>2</sup>
Total leasable space	2,600.82m <sup>2</sup>
Structure of building <sup>*3</sup>	Reinforced concrete structure with a flat-topped roof, 5 stories and a basement floor
Construction completion <sup>*3</sup>	December 1993

\*1 The sale price represents the transaction price before consumption taxes, not subtracting various expenses (such as real estate taxes) required for the transfer of the property.

\*2 The acquisition price represents the transaction price before consumption taxes, not including various expenses (such as real estate taxes) required for the acquisition of the property.

\*3 “Use of building,” “Land,” “Total floor space,” “Structure of building” and “Construction completion” are described based on the information indicated in the certificate of registered matters.

**(C) Borrowing of funds** - PIC borrowed funds, as described below, in order to finance the acquisition of Otemachi Financial City Grand Cube, as described in (a) Acquisition of property above, as well as part of the expenses related to the acquisition:

Lenders	Sumitomo Mitsui Trust Bank, Limited	Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation
Amount of debt finance	2,200 million yen	500 million yen	500 million yen
Drawdown date	June 12, 2020		
Repayment date	May 31, 2021		
Repayment method	Lump-sum repayment upon maturity		
Interest rate (p.a.), etc.	Floating rate: 1-month TIBOR + 0.14%	Floating rate: 1-month TIBOR + 0.18%	
Collateral / Guarantee	Unsecured and non-guaranteed		

## 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 35th Fiscal Period	Amount Paid before the 35th Fiscal Period
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of sanitary facilities	March 2018 – October 2020	886,470	166,691	685,442
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of hot water supply facilities	February 2019 – April 2023	883,239	19,522	82,804
Urban Ace Higobashi Building	Osaka City, Osaka	Work on countermeasures for long-period ground motion	February 2019 – December 2020	456,958	112,718	165,663
NTT CRED Okayama Building	Okayama City, Okayama	Renovation and construction work	April 2020 – June 2020	75,832	-	-
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of central monitoring equipment	September 2020 – October 2020	69,160	-	-
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of piping facilities	May 2020 – October 2020	48,034	-	-
Urbannet Azabu Building	Minato Ward, Tokyo	Renovation of automatic fire alarm systems	June 2020 – October 2020	45,470	-	-
Questcourt Harajuku	Shibuya Ward, Tokyo	Renovation of air conditioning systems	May 2020 – August 2020	30,848	-	-

## 2. Capital Expenditures during the 35th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 35th fiscal period (November 1, 2019 – April 30, 2020) for the portfolio owned by PIC. Capital expenditures during the period totaled 1,156,571 thousand yen. This amount, combined with maintenance and repair expenditures of 607,704 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,764,275 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbanet Ikekukuro Building	Toshima Ward, Tokyo	Renovation of air conditioning systems	September 2019 – April 2020	265,991
Urbanet Ikekukuro Building	Toshima Ward, Tokyo	Renovation of sanitary facilities	September 2019 – March 2020	166,691
Urban Ace Higobashi Building	Osaka City, Osaka	Work on countermeasures for long-period ground motion	November 2019 – April 2020	112,718
Urbanet Mita Building	Minato Ward, Tokyo	Renovation of air conditioning systems	June 2019 – April 2020	73,280
Granpark	Minato Ward, Tokyo	Renovation of automatic fire alarm systems	October 2019 – March 2020	37,714
The Kanagawa Science Park R&D Building	Kawasaki City, Kanagawa	Renovation of emergency elevators	December 2019 – December 2019	36,290
Granpark	Minato Ward, Tokyo	Renovation of electric equipment	November 2019 – March 2020	32,794

(continued on next page)

(cont.)

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbanet Omori Building	Ota Ward, Tokyo	Renovation of air conditioning systems	October 2019 – December 2019	30,900
The Kanagawa Science Park R&D Building	Kawasaki City, Kanagawa	Renovation of air conditioning systems	June 2019 – February 2020	27,824
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of automatic fire alarm systems	December 2019 – April 2020	25,179
The Kanagawa Science Park R&D Building	Kawasaki City, Kanagawa	Renovation of piping facilities	July 2019 – February 2020	22,854
Other construction	-	-	-	324,332
Total				1,156,571

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

Item	Fiscal Period	Thousands of yen	
		34th Fiscal Period (May 1, 2019 – October 31, 2019)	35th Fiscal Period (November 1, 2019 – April 30, 2020)
Deposits at end of the preceding period		587,618	601,941
Deposits made during the period		14,323	14,323
Amounts used from deposits during the period		-	7,147
Deposits carried forward to the next period		601,941	609,117

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, etc.

(1) On March 31, 2020, PIC repaid the 650 million yen in a long-term loan borrowed on March 31, 2015 by using cash on hand. As a result of the above, PIC’s interest-bearing liabilities totaled 109,600 million yen as of April 30, 2020. The breakdown is as follows: 2,000 million yen in short-term loans, 99,100 million yen in long-term loans (including long-term loans due within one year) and 8,500 million yen in corporate bonds (including corporate bonds due within one year). Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 98.2%.

2. Credit Ratings

PIC has been granted the following issuer and bond credit ratings.

Rating Agency	Rating	
	Issuer rating (Rating outlook)	Bond rating
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)	AA- *1
Rating and Investment Information, Inc. (R&I)	A+ (Stable)	A+ *2

\*1 The bond credit rating has been granted to the Unsecured bonds No. 7 and 8.  
\*2 The bond credit rating has been granted to the Unsecured bond No. 6.

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

Premier Investment Corporation (PIC) shall invest in real estate located primarily in the Tokyo metropolitan area, comprising buildings and land which are primarily for office and residential uses, as well as in securities and other assets that are backed by such real estate. PIC shall conduct management with an aim to ensure solid growth of its assets and to secure stable earnings from medium- to long-term perspectives.

Premier REIT Advisors, Co., Ltd. (PRA), the asset manager of PIC, has established Asset Management Guidelines as its internal rules for conducting asset management of PIC.

PRA has established such Asset Management Guidelines based on the belief that they should be most suited to the basic policy for managing the assets of PIC 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**

**1. Holding Period**

In principle, all investment assets are held for the medium to long term. No assets will be acquired solely for the purpose of divestiture after a short period of time.

**2. Acquisition Standards**

A) Acquisition Standards

In acquiring investment assets in which PIC invests, PRA shall comprehensively investigate the real estate market situation over the medium to long term, the investment returns assumed from the acquisition

prices of and the expected income from relevant investment assets, fluctuations in asset values and their forecasted fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, earthquake resistance performance, 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, status of insurance and other factors, and select investments after considering the importance of these assets in the portfolio structure. In doing so, steps shall be taken to construct a portfolio that clearly classifies the strategic position of these investment assets.

B) Use [▶see table on page 53](#)

a. PIC shall invest in real estate, its leasehold interest or surface rights (chijo-ken), real estate in trust underlying its beneficial interests, its leasehold interest or surface rights, and real estate underlying equity investments in real estate backed securities or anonymous partnerships (hereinafter, “Real Estate Backed Securities, etc.”), its leasehold interests or surface rights (collectively referred to as “Investment Real Estate”), all of which shall be primarily for office and residential uses. However, such properties 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 page 53, PIC works 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, aiming to minimize the adverse effects of changes in economic and social conditions on PIC’s earnings and ensure creation of stable cash flow over the medium to long term.

c. PIC aims to maintain a portfolio ratio of office buildings to residential properties of around 6:4 (based on acquisition price) over the medium to long term. PIC plans to acquire investment assets based on this policy in the future. However, there is no guarantee that PIC will be able to smoothly acquire the investment assets as planned.

C) Areas [▶see table on page 54](#)

a. As noted above, PIC’s investments are focused primarily in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation, and in Major Regional Cities.

b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, PIC diversifies its investment targeting to achieve a geographical split as indicated in the table on page 54 for both office buildings and residential properties (each of which is set at 100% in the table).



Use

Use	Key Investment Points <small>(Note 1)</small>
Office Buildings	<div><div>a.</div><div>In the real estate market of Japan, office buildings are relatively less individualized and are available in a greater stock 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 office buildings as its primary investment target.</div></div> <div><div>b.</div><div>Demand from tenants (lessees) for office buildings may fluctuate, due to business cycles and other economic trends. Consequently, this might adversely affect PIC's profitability with regard to its office buildings. However, compared to real estate for other uses, office buildings are generally expected to generate relatively higher levels of profitability.</div></div> <div><div>c.</div><div>PIC will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.</div></div>
Residential Properties	<div><div>a.</div><div>PIC invests in Japanese rental residential properties commanding relatively high quality in terms of designs of exteriors, entrances and other areas, specifications of story height, exterior walls and other items, total floor space, floor plans and other aspects.</div></div> <div><div>b.</div><div>Rental residential properties are relatively resistant to adverse changes in economic and social conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. Due to such characteristics, PIC has positioned rental residential properties as part of the main investment target for the purpose of stabilizing cash flow and diversifying investment assets.</div></div> <div><div>c.</div><div>As of the date of this document, PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will expand and diversify over the medium to long term due to the effects of the recent demand for returning to city centers and lifestyle changes. However, if PRA determines that the aforementioned characteristics have been damaged due to changes in the market or other reasons, different investment decisions may be made.</div></div> <div><div>d.</div><div>Since tenants of rental residential properties are particularly selective about geographical areas, 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 and other factors in accordance with the characteristics of respective property types.</div></div>
<div>(Classification by type of residential properties)</div> <div>Wide</div>	<div><div>a.</div><div>This type refers to residential properties specially planned and designed for expatriates (i.e., persons dispatched or set off from abroad to offices established in the Tokyo Economic Bloc by Western and multinational companies) under limited location conditions in accordance with their lifestyles.</div></div> <div><div>b.</div><div>Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in a. above, these tenants have higher creditworthiness than those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants appears to be low.</div></div> <div><div>c.</div><div>Because the properties with this type of units are in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected due to its scarcity and other features. Also, depending on the quality of management performance, differences in profitability may arise regarding investments in these properties.</div></div>
Family	<div><div>a.</div><div>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.</div></div> <div><div>b.</div><div>Generally, these families tend to place emphasis on neighborhood scenes 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.</div></div>
DINKs	<div><div>a.</div><div>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.")</div></div> <div><div>b.</div><div>Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties appear to be in short supply in such areas and said households of DINKs earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div></div>
Single	<div><div>a.</div><div>This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div></div> <div><div>b.</div><div>Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties are expected to continue yielding stable profitability going forward.</div></div> <div><div>c.</div><div>Since the 5 Central Wards of Tokyo <sup>(Note 2)</sup>, especially Minato, Shinjuku and Shibuya 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.</div></div>

(Note 1) The “Key Investment Points” in the table above reflect the current views of PRA as of the date of this document. 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.

(Note 2) The 5 Central Wards of Tokyo in this Semiannual Report refer to Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards (hereinafter the same).

D) Asset Size per Property

▶see table below

a. Office buildings

In principle, office buildings with leasable floor space of approximately 2,000m² or more, and standard floor sizes of approximately 300m² or more, are the investment targets.

b. Residential properties

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

For both office buildings and residential properties, PIC will determine the appropriate size of each property based on the standards above and by considering the regional characteristics of the location and the compatibility of asset size with the location.

E) Due Diligence ▶see table on page 55

PIC decides on whether or not it will acquire investment assets in a comprehensive manner after conducting economic, physical and legal inspections of the assets. The table on page 55

lists the items that are, in principle, investigated in conducting such economic, physical and legal inspections. However, since the importance of each item listed in the table in deciding on the acquisition of investment assets may differ depending on the use of the Investment Real Estate or the type and nature of the investment assets, PIC will not necessarily examine all of the said items before acquiring the investment assets. In addition, the investment assets acquired by PIC may not in the end satisfy all of the standards of such items, which are intended for the inspections and investigations for deciding on the acquisition of the investment assets.

F) Standards for Tenant Selection

▶see table below

a. Credit, as well as other information, is checked regarding prospective tenants in line with the attribute classifications indicated in the table below. With respect to checks of corporate tenants, when their credit status cannot be determined from the materials obtained or when otherwise deemed neces-

sary, databases of outside research agencies and other materials will be used. When examination results of credit checks and other matters are recognized to be satisfactory, judgment will be made on the appropriateness of executing a lease agreement after comprehensively considering 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 lease agreements have been concluded, PIC as a rule intends 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 notice in advance for a certain period of time. Such provisions are also included in many of the lease agreements for the investment assets of PIC.

Asset Size per Property

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

Areas

Area	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Urban Areas Surrounding Tokyo <small>(Note 1)</small>	Major Regional Cities <small>(Note 2)</small>
Office buildings	50% or more	0% - 20%	0% - 40%	0% - 20%
Residential properties	50% or more	0% - 40%	0% - 20%	0% - 20%

(Note 1) The Urban Areas Surrounding Tokyo refers to Tokyo Prefecture excluding the 23 wards of Tokyo, Kanagawa Prefecture (Yokohama City, Kawasaki City and other cities), Saitama Prefecture (Saitama City and other cities) and Chiba Prefecture (Chiba City and other cities) (hereinafter the same).

(Note 2) The Major Regional Cities refers to such cities as Sapporo, Sendai, Shizuoka, Nagoya, Osaka, Kyoto, Kobe, Hiroshima, Okayama and Fukuoka, etc. (hereinafter the same).

(Note 3) 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 assets.

Standards for Tenant Selection

Classification	Check Items (Details)
Corporations	<div><div>1.</div><div>Business types, business history, financial details (i.e., financial soundness), etc.</div></div> <div><div>2.</div><div>Purpose of lease (e.g., purpose of use, period)</div></div> <div><div>3.</div><div>Existence or non-existence of joint and several guarantors and attributes of such guarantors</div></div>
Individuals	<div><div>1.</div><div>Office and details of employment, service years, etc.</div></div> <div><div>2.</div><div>Annual income (and the proportion of the total amount of rent to annual income, etc.)</div></div> <div><div>3.</div><div>Purpose of lease (e.g., purpose of use, period and number of residents)</div></div> <div><div>4.</div><div>Existence or non-existence of joint and several guarantors and attributes of such guarantors (e.g., relationship with such individuals)</div></div> <div><div>5.</div><div>Age, gender, family structure, etc.</div></div>



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 competing 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, structures of 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 maintenance and repair 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 and accessibility 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. Status of 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, building age, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rental floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor load, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rental 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 (the earthquake-resistant construction standards based on the Building Standards Act revised in 1981) or equivalent or higher standards 2. In principle, the probable maximum loss (PML) value 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 for acquiring the property.
	Property management	1. Compliance with applicable laws and regulations (specifically, the Fire Service Act, City Planning Act and other building-related laws and regulations), 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 management bylaws, and the quality and financial credibility of a property management company
	Environment, ground characteristics, 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.
		Matters relating to rights in a property, including the following items, will be carefully investigated, considering the reliability of 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 any ownership or not hold ownership independently (e.g., properties for which PIC holds co-ownership or compartmentalized ownership or leased land). 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 maintenance and repair 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. Compartmentability of compartmentalized ownership 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 lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (including whether they are corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
Legal Inspection	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 formats of agreements with tenants 2. Existence or non-existence of any disputes with tenants

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 asset will be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.) as a rule.
- b. On the other hand, the maximum ratio of the investment amount of a single investment asset will, in principle, be 25% of the total amount invested in the investment assets after investing in that single asset, 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 investment assets acquired by PIC over the medium to long term. In principle, PIC does not plan to sell the acquired investment assets over the short term.

B) Considered in the medium to long term, however, PIC may investigate sales of its investment assets after the portfolio structure is strategically classified, comprehensively taking into consideration such factors as 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 investment asset will basically be determined in the annual asset management plan, this plan may be revised as necessary.

a. Strategic classifications

Classification	Strategic Significance
Core Assets	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	The investment assets with higher liquidity, from which earnings based mainly on medium- to long-term rent income (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 enhancement) from the increase in the income gains after acquisition, are also intentionally and proactively sought.

- 1) The targets of the investment assets classified by PIC as active assets are as follows: The amount of investment per investment asset 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.
- 2) The upper limit on active assets as a proportion of the portfolio shall be 20% as a rule.
- b. Specific cases where sale will be considered
- 1) 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.
- 2) 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 appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- 3) 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 asset 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 asset to lose importance in the portfolio structure.

- 4) When the property is sold from a financial viewpoint:  
[Example] When a reduction in the interest-bearing liabilities ratio is intended.

C) The Investment Real Estate related to the investment assets to be sold 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 investment assets that provide or promise stable rental income or similar earnings. PIC does not intend to acquire undeveloped land and construct buildings thereon. However, with regard to an investment property being constructed by a third party, PIC may decide on investing in it even before completion if, for example, it is determined that such property under construction is capable enough to securely attract tenants after completion and risks regarding completion and delivery have been minimized. In this case, the investment determination shall be made by comparing the benefits of acquiring such an investment asset with the negative impact of not earning rental income over the period until the asset begins to generate such income, as well as other risks possibly borne by PIC in connection with acquiring the investment asset.

5. Investment Policy for Real Estate Backed Securities, etc.

When PIC invests in the Real Estate Backed Securities, etc., the investment decision shall be made after additionally investigating the following items.

A) The Investment Real Estate underlying the Real Estate Backed Securities, etc. shall be assets compliant with the Targets and Policies of Asset Management stipulated in the Attachment to the Articles of Incorporation of PIC.

B) In principle, PIC shall be given an opportunity to acquire the underling Investment Real Estate when it is being sold.

C) The same policy as indicated in the above subparagraph shall be followed when PIC invests in the Real Estate Backed Securities, etc. of which the underlying Investment Real Estate is development properties.

6. Insurance Policy

Determination as to whether or not the investment assets 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 value of the entire portfolio as a basis. If any individual property has a high PML value, 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. Although there is no single precise definition of PML, as used here, PML refers to the ratio (in terms of percentage) of projected construction costs to restore the damaged building to the state before suffering damage to total reconstruction work costs (replacement price) for the said building when there occurs the strongest earthquake (Probable Maximum Earthquake (PME): a major earthquake occurring once every 475 years with a 10% probability of occurrence during every fifty-year period) expected to occur in the area where the building is located. Furthermore, the PML value does not consider the impact of destruction of neighboring buildings or damages by water, fire or other causes.

7. Financial Policy

A) Loans and Corporate Bonds

a. In order to achieve the steady growth of management assets and efficient and stable operation of investments, PIC may borrow funds or issue corporate bonds to raise funds to acquire or repair assets, pay distributions, fund PIC’s operation, or repay debts (including repayment of deposit money, loans and obligations of its corporate bonds (including short-term corporate bonds; hereinafter referred to as “Corporate Bonds”). However, the respective maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000) and the combined amount shall not exceed one trillion yen (¥1,000,000,000,000) (Articles 14-1 and 14-3 of the Articles of Incorporation).

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 investment assets, 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 Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”) (on the condition, however, that they are the institutional investors designated in the “Special Tax Measures for an Investment Corporation” under the Act on Special Measures Concerning Taxation).

d. PIC may offer its investment assets 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 (Note) at 60% or less. However, in connection with the acquisition of new investment 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 of the loan-to-value ratio. 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 or subtracted from the book values of those assets at the end of the fiscal period to calculate total assets.

B) Issuance of Investment Units for Subscription

- a. To raise funds, PIC may, upon approval of the Board of Directors, issue investment units for subscription.
- b. Issuance of investment units for subscription shall be determined by considering PIC’s financial situation, including the loan-to-value ratio, and the dilution of the investment units.

3. Property Management Policy

A) In managing real estate, PIC intends to maintain and enhance the value and competitiveness of its assets through continuous capital expenditures made from a medium to long-term perspective, and aims to achieve steady growth in investment 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 outsourcing fees, utility expenses and other fees and expenses).

B) PRA 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. PRA shall negotiate with such service providers the particulars concerning services, payments and other matters. (Refer to the table below.)

C) 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 investment assets or enhance their value.

D) PIC will endeavor to take measures such as maintaining appropriate allocation rates 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, move-outs of tenants and other factors.

E) To secure stable earnings over the medium to long term, PIC shall, in principle, lease all of its Investment Real Estate (including facilities such as parking lots and signage). At the time of leasing, PIC may collect deposits and guarantees and other similar monies. The said monies shall be invested pursuant to the provisions of the Targets and Policies of Asset Management stipulated in the Attachment to the Articles of Incorporation of PIC. The occur-

rence of unforeseen events, such as drastic changes in funding conditions, general market conditions, and real estate market conditions, may prevent the operations described above.

4. Disclosure Policy

A) PIC shall make efforts to provide appropriate information for making investment decisions at all times by disclosing, to the greatest extent possible, information that is considered useful for unitholders/investors to understand PIC.

B) PIC shall make efforts to establish a system which enables prompt transmission of accurate and unbiased information to unitholders/investors.

C) PIC shall disclose information in accordance with the contents and the formats required by the Act on Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange, The Investment Trusts Association, Japan, etc.

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

In principle, PIC shall make distributions based on the following policies:

- 1) Of the total cash amount to be distributed to unitholders, profits (the amount obtained by subtracting the sum total of unitholders’ capital and surplus from the net assets amount appearing on the balance sheet of PIC; hereinafter the same) shall be calculated based on the Investment Trusts Act, corporate accounting standards generally accepted in Japan and other corporate accounting practices.
- 2) Where it is approved by tax-related laws and regulations in Japan to include the cash distributions to unitholders of PIC in deductible expenses under certain conditions, PIC must make cash distributions to its unitholders in a way that meets the requirements provided by the tax-related laws and regulations in Japan for approving the inclusion in deductible expenses.

2. Distributions in Excess of Earnings

When it is possible to reduce imposition of corporate tax and other taxes for PIC or is otherwise determined by the Board of Directors as appropriate, PIC shall be able to make cash distributions in excess of earnings based on the Statements of Cash Distributions approved by the Board of Directors, pursuant to the provisions of the Investment Trusts Act, on the condition

Standards for Selection of Property Manager

Item	Details
Details and achievements of business	1. Experience and achievements as a property manager 2. Reputation in the industry and consistency of management policies 3. Soundness of company finances
Capabilities and corporate system	1. Depth of 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

that, however, the distribution amount shall not exceed the amount designated by the rules of The Investment Trusts Association, Japan, etc.

3. Distribution Method

Distributions provided in 1. and 2. above shall be paid in cash and, in principle, distributed within three months from the

settlement date to the unitholders or registered investment unit pledgees who are listed or registered or recorded in the latest unitholders registry as of the settlement date, in accordance with the number of investment units held by the unitholders or the number of investment units subject to the registered pledges of investment units.

4. Limitation on Cash Distributions

If the distributions specified in 1. and 2. above are unclaimed for a period of three full years after the date on which such distributions first became payable, PIC shall be discharged from its payment obligation thereof. Furthermore, any distributions remaining unpaid shall bear no interest.

MEMO

Disclaimer

This English document contains selected information including a partial translation of certain documents originally prepared in accordance with the Financial Instruments and Exchange Act of Japan or the Law Concerning Investment Trusts and Investments Corporation of Japan. This document was prepared solely for the convenience of readers outside Japan, and the content of this document does not constitute an offer to sell, or a solicitation of an offer to buy or sell, any securities of PIC or otherwise, nor is it advice or the recommendation of PIC to enter into any transaction.

Unless otherwise specified, the information contained herein does not constitute disclosure documents or management reports stipulated by the Financial Instruments and Exchange Act or Law Concerning Investment Trusts and Investments Corporation, or requested by the listing regulations of the Tokyo Stock Exchange or other related rules and regulations. When purchasing investment units of PIC, investors are kindly requested to make investment decisions based on their own judgment and responsibility.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. With respect to any and all terms herein, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English translation contained herein, the Japanese documents will always govern the meaning and interpretation. Neither PIC, PRA nor any of their respective directors, officers, employees, partners, shareholders, agents, affiliates or their advisors will be responsible or liable for the completeness, appropriateness or accuracy of English translations contained herein. No person has been authorized to give any information or make any representations, other than those contained in this document, in relation to the matters set out in this document, and if such information is given or representations are made, such information or representations must not be relied upon as having been authorized by PIC, PRA or any of their respective directors, officers, employees, partners, shareholders, agents, affiliates or their advisors.

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

This document contains forward-looking statements. In some cases, readers of this document can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "believe," "estimate," "potential," or the negative of these terms or other similar terminology. These statements discuss expectations, indicate our intent or belief, identify strategies, contain projections of results of operations or of PIC’s financial condition, or state other forward-looking information. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Accordingly, readers of this document should not interpret the forward-looking statements included herein as predictions or representations of future events or circumstances. PIC and PRA do not intend and disclaim any duty or obligation to update or revise any forward-looking statements contained in this document to reflect new information, future events or otherwise.

PIC takes the utmost care to ensure that the information provided herein has no errors or omissions. However, this document has been prepared for the convenience of quick and easy reference, and the information provided may include inaccurate descriptions or typographical errors. In addition, the information provided is subject to change without notice. PIC shall not be liable for the accuracy, completeness, appropriateness and fairness of the information contained herein.

Use and perusal of this document shall be made at the responsibility of the reader. PIC and other related parties involved in the preparation and disclosure, etc. of this document shall not be liable for any damages (regardless of whether direct or indirect, or by whatever cause) that arise from the use of this document.