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

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



## SEMIANNUAL REPORT

**18<sup>TH</sup>** FISCAL PERIOD  
ENDED OCTOBER 31, 2011

# MESSAGE TO OUR UNITHOLDERS

## Dear Investor,

In the 18th fiscal period (May 1, 2011 – October 31, 2011), Premier Investment Corporation (PIC) was surrounded by an environment in which the Japanese economy, having suffered a downfall due to the Great East Japan Earthquake in March 2011, continued to recover while its downside risks increased, for reasons such as the continuous steep appreciation of the yen and intensified turmoil in the European financial markets.

The real estate rental market underwent prolonged difficult times during the fiscal period, but signs of improvement have started to appear, although slightly, in the occupancy of both office buildings and residential properties, with the drop in rent levels coming to a stop.

Against this background, PIC made efforts to enhance leasing activities, focusing on filling vacant spaces that had been generated in office buildings. As a result of such endeavors, the spaces leased to tenants increased significantly and resulted in the period average occupancy rate of office buildings recovering to 82.1%, up from the previous fiscal period's results. Nevertheless, rental income failed to increase as rent-free periods still had to be granted to new tenants. Meanwhile, the period's average occupancy rate of residential properties was slightly lower than the previous fiscal period, as leasing results were stagnant at some properties in high rent zones.

As a result, PIC posted a decrease both in revenues and profits from the 17th fiscal period, with operating revenues of 4,963 million yen (a decrease of 208 million yen), ordinary income of 1,311 million yen (a decrease of 220 million yen), and net income of 1,309 million yen (a decrease of 210 million yen), all on a period-on-period basis. Meanwhile, PIC secured a distribution per unit of 9,345 yen, surpassing the forecast by 145 yen, but representing a decrease of 1,501 yen period-on-period.

Furthermore, as information on subsequent events that took place in the 19th fiscal period, PIC made a lump-sum acquisition of six office buildings and one residential property on November 18, 2011, with a total acquisition price of 33.1 billion yen. These properties were acquired through sponsor channels; six properties via NTT Urban Development Corporation and one property via Ken Corporation Ltd. In order to procure funds for such acquisition, PIC newly issued 56,599 investment units (through public offering and third-party allotment), obtaining 13,686 million yen. PIC used the proceeds, together with new borrowings of 19,600 million yen, etc., to fund the acquisition. Moreover, PIC sold one



**Yuichi Kawamori**  
Executive Director  
Premier Investment Corporation

residential property from which it plans to record gains on sale of 166 million yen. (For details of these events, please refer to pages 6 to 11 of this semiannual report.)

The issuance of new investment units was conducted within extremely difficult conditions in both the real estate market and the investment unit market. However, we believe that the addition of the new properties, acquired at comparatively inexpensive prices amid the stagnancy in the market, should help enhance the portfolio quality over the medium to long term. Furthermore, both the cap rate and the occupancy rate of the seven properties as a whole exceeds those of the existing portfolio, allowing for expectations that the additions will contribute to achieving better portfolio performance. We also took care to avoid dilution of distribution as much as possible by recording gains from the sale of the investment asset as profits.

Going forward, we remain engaged in realizing stable asset management and operations by taking advantage of the strong commitment and support from sponsors. The continued encouragement you extend to us is highly appreciated.



**Kimito Muragishi**  
President and Chief Executive Officer  
Premier REIT Advisors Co., Ltd.

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# 18TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

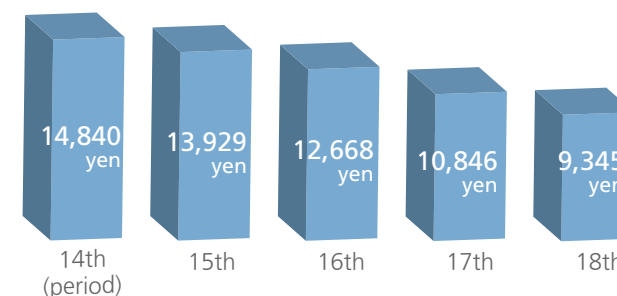
Management and Distribution Results	17th Fiscal Period (ended April 2011)	18th Fiscal Period (ended October 2011)
Operating Revenues (mm yen)	5,171	4,963
Operating Income (mm yen)	2,271	2,064
Ordinary Income (mm yen)	1,531	1,311
Net Income (mm yen)	1,519	1,309
Distribution per Unit (yen) (distribution in excess of profits not included)	10,846	9,345
Total Distributions (mm yen)	1,519	1,309
Distribution Payout Ratio <sup>(Note)</sup>	100.0%	100.0%
Distribution to Net Assets <sup>(Note)</sup>	2.0%	1.7%

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

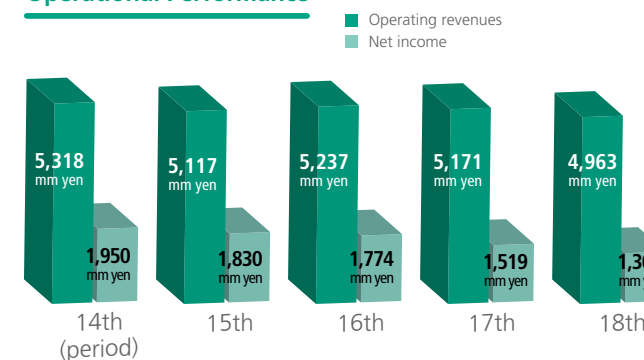
Financial Status	17th Fiscal Period (ended April 2011)	18th Fiscal Period (ended October 2011)
Total Assets (mm yen)	171,586	170,766
Net Assets (mm yen)	73,477	73,267
Net Assets Ratio	42.8%	42.9%
Net Assets per Unit (yen) <sup>(Note)</sup>	524,464	522,963

(Note) The number of outstanding investment units at the end of both the 17th and 18th fiscal periods was 140,100 units.

## Cash Distribution per Unit



## Operational Performance



# MANAGEMENT RESULTS FOR THE 18TH FISCAL PERIOD

## General Overview

- PIC recorded a decrease in revenues and profits compared to the 17th fiscal period. Despite advances made in leasing results for office buildings, rent-free periods granted to new tenants prevented the advances from creating positive effects on earnings, while leasing fees and other costs had already accrued.
- A slight increase was achieved in profits over the forecast (disclosed in June 2011), primarily due to reductions in general and administrative expenses as well as the decrease in interest paid.

## External Growth

- No change was made to the portfolio during the 18th fiscal period.
- Entering the 19th fiscal period, PIC conducted new acquisitions of seven properties and the transfer of one property (Premier Stage Nihonbashi Kayabacho: delivery in February 2012).

## Internal Growth

- Office buildings: Advances in new leasing filled a significant portion of spaces cancelled in the previous fiscal period by large tenants.
- Residential properties: Stable occupancy rates were maintained, although demand from new tenants decreased slightly (for Wide type units in skyscrapers and properties located in bay area) due to the impact of the earthquake disaster and the nuclear power plant incident.
- NOI returns decreased both on office buildings and residential properties from the 17th fiscal period.

## Period Average Occupancy Rates and Rental NOI Returns

	Period Average Occupancy Rates		Rental NOI Returns	
	17th Period	18th Period	End of 17th Period	End of 18th Period
Office buildings	81.7%	82.1%	4.6%	3.8%
Residential properties	93.4%	92.4%	4.4%	4.2%
Entire portfolio	88.1%	87.8%	4.5%	4.0%

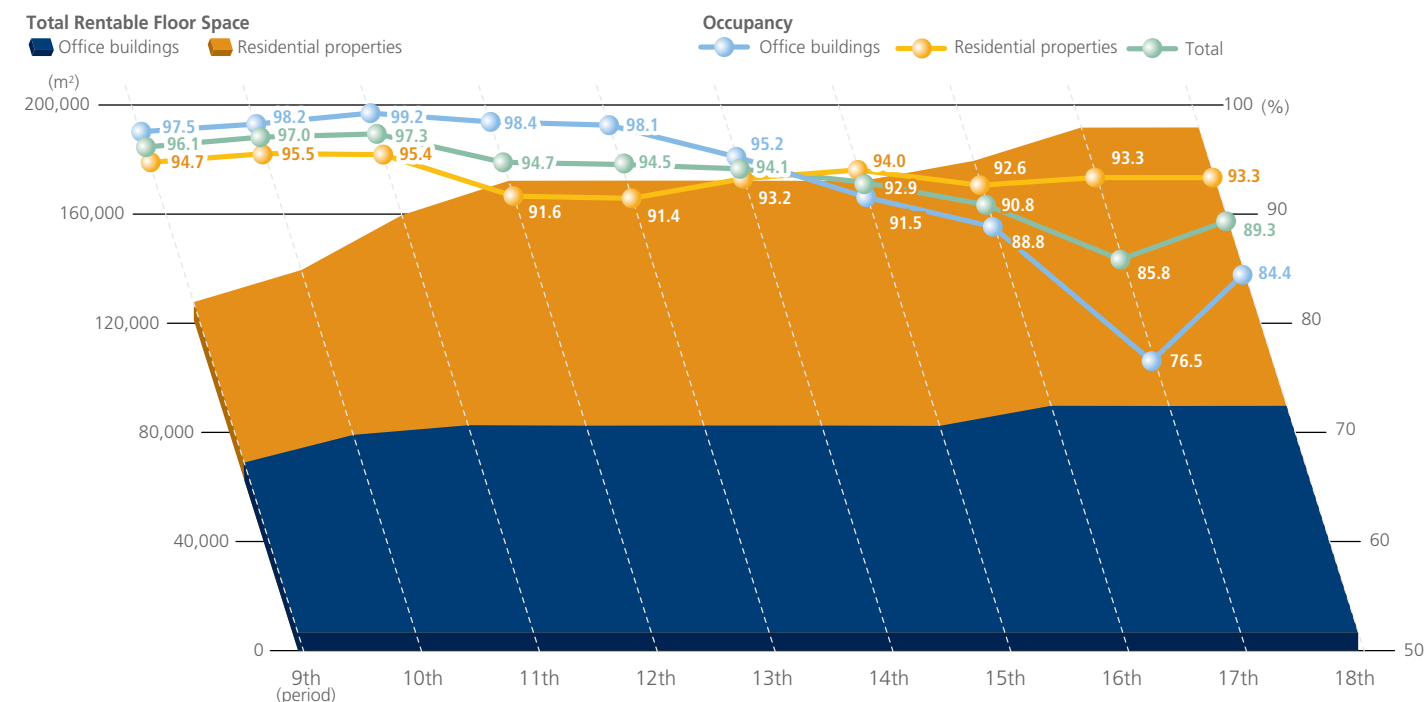
### Office Buildings

- Significant achievements were made in new leasing results (11,602.70m<sup>2</sup>, or 14.0% of total leasable floor space), representing a net increase of tenants occupying 6,603.47m<sup>2</sup> (7.9% of total leasable floor space) in contrast to net decreases for the past three fiscal periods. The period's average occupancy rate reached 82.1%, surpassing the forecast at the beginning of the fiscal period.
- Occupancy rates were successfully raised at KN Shibuya No. 3 (100% as of January 2012) and The Kanagawa Science Park R&D Building (97% as of February 2012) by inviting large tenants, while two buildings in Nishi-Shinbashi area (Landic Shimbashi Building 1 and Landic Shimbashi 2 Building) had difficulty in leasing.

### Residential Properties

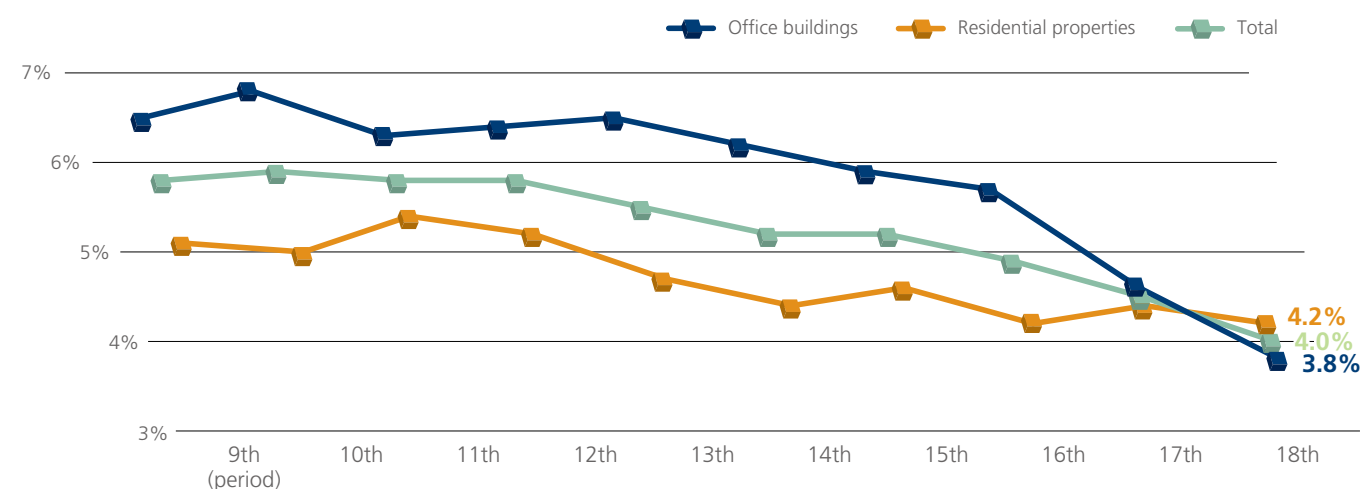
- The earthquake disaster and the nuclear power plant incidents caused a slight decrease in new demand from tenants for some properties in high rent zones and, therefore, the occupancy rate dropped. Coupled with a decrease in rents, profitability worsened slightly from the 17th fiscal period.
- Properties in rent zones of less than 300 thousand yen per month had near stable rent levels and operated at an occupancy rate of around 95%. By unit type, single and DINK's type properties showed high stability both in rent index and occupancy rate, while Wide type properties had to undergo a decrease in rents upon leasing.

## Changes in Rentable Floor Space and Occupancy Rate of the Portfolio (at period ends)



(Note) Calculations of occupancy rates for respective asset types do not include the occupancy rate of the property (Akihabara UDX) backing the Preferred Securities.

## Changes in NOI Return on Portfolio



(Note 1) The "rental NOI return" is the annualized figure of "rental NOI divided by investment amount" rounded down to the first decimal place. The rental NOI and investment amount figures have been obtained using the following formulas.

■ Rental NOI = (Real estate rental revenues - Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)

■ Investment amount = Average of (Book values + Accumulated depreciation) covering leased properties at the beginning and end of each fiscal period

(Note 2) The rental NOI returns of respective asset types do not include the value of the property (Akihabara UDX) backing the Preferred Securities.



Financial Operations

- Reduction in procurement costs was realized upon refinancing long-term, fixed interest rate loans.
- Extension of average number of years remaining was achieved by shifting 20 billion yen in short-term loans into long-term loans (19th fiscal period).

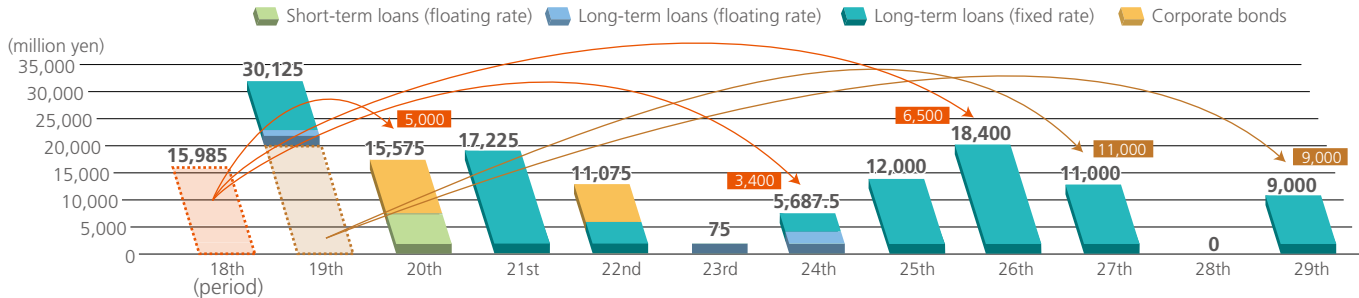
18th Fiscal Period Results

- PIC conducted refinancing for approximately 16 billion yen in the 18th fiscal period, resulting in the average interest rate for procurement of all interest-bearing liabilities decreasing from 1.68% (17th period) to 1.61% (18th period).
- There were no new borrowings, and interest-bearing liabilities at the end of the fiscal period decreased slightly (total interest-bearing liabilities as of October 31, 2011: 91,762.5 million yen, LTV: 56.0%), as PIC made agreed-upon repayment of some long-term loans as well as partial repayment of loans upon refinancing by using cash on hand.

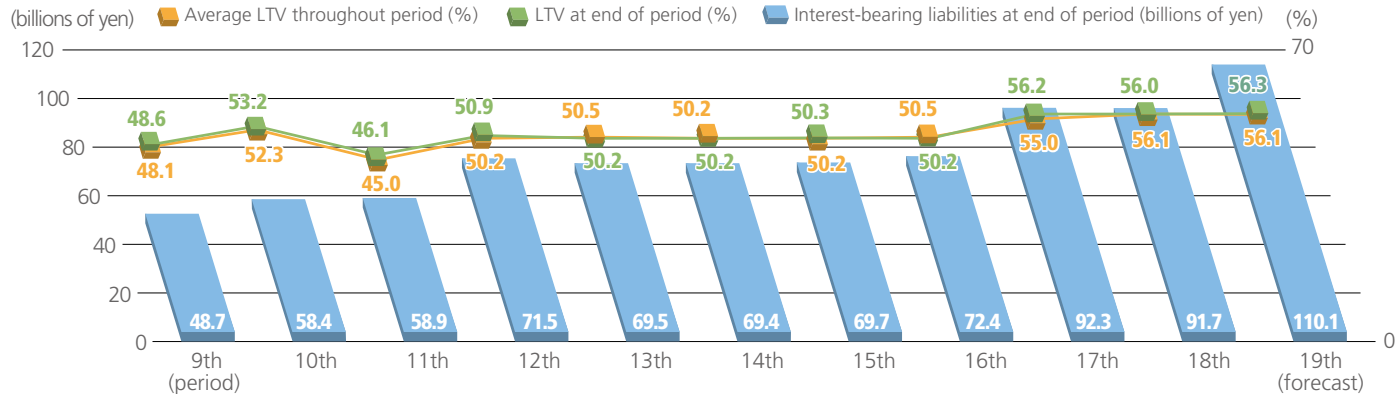
Measures Taken after Entering the 19th Fiscal Period

- PIC refinanced 20 billion yen in short-term loans into 4-year and 5-year long-term loans on December 8, 2011.
- To partly fund the new property acquisitions (refer to pages 6-11 of this semiannual report), PIC borrowed 19,600 million yen in total (7,600 million yen in short-term loans and 12,000 million yen in long-term loans) on November 18, 2011. (Of the short-term loans, PIC repaid 1,200 million yen on December 16, 2011, by using funds, including the amount paid for new investment units issued through third-party allotment by the exercise of the green shoe option, thereby reducing the remaining amount to 6,400 million yen.)

Diversification of Repayment Dates for Interest-Bearing Liabilities (as of December 16, 2011)



Changes in Interest-Bearing Liabilities Ratio (as of December 16, 2011)



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

# GROWTH ON COMPREHENSIVE STRENGTH OF THE NTT GROUP

New Initiatives for Growth

Entering the 19th fiscal period, PIC conducted a lump-sum acquisition of new properties in pursuit of expanding revenues in the recovery cycle of the

market, realizing growth over the medium to long term, and enhancing the portfolio quality. In doing so, PIC implemented a string of measures for fund procurement and financial operations, including issuance of new investment units. NTT

Urban Development Corporation (NTTUD) has been greatly involved in the supply of the newly acquired properties, clearly demonstrating its commitment as the main sponsor to the growth of PIC.

Specific Measures of Initiatives

Property acquisition

Lump-sum acquisition of 6 office buildings and one residential property (acquired on November 18, 2011 at a total acquisition price of 33.1 billion yen).



Fund procurement

- (1) **Equity finance (November – December 2011)**  
Additional issuance of 56,599 investment units (through public offering and third-party allotment, total procured amount of 13,686 million yen).
- (2) **Debt finance (November 2011)**  
New borrowings of 19,600 million yen (7,600 million yen in short-term loans and 12,000 million yen in long-term loans).
- (3) **Asset finance (February 2012)**  
Transfer of one residential property (planned to record 166 million yen as gains on sale).

Significance of the Initiatives

- PIC achieved external growth through a lump-sum acquisition, recognizing that the present real estate market, which is hovering near the bottom, provides opportunities to acquire properties, primarily office buildings.
- Amid the limited supply of properties with investment-grade quality for REITs, PIC secured high-quality properties through the support from sponsors.
- PIC avoided dilution of distribution due to the public offering as much as possible by controlling LTV and utilizing gains on sale of an investment property.

Commitment of NTTUD and Achievements


**NTTUD**

May 2010: Subscribed PIC's new investment units issued through third-party allotment (totaling 3,012 million yen for 8,700 units).


December 2010: Provided information on investment assets based on the pipeline support agreement.

**PIC**

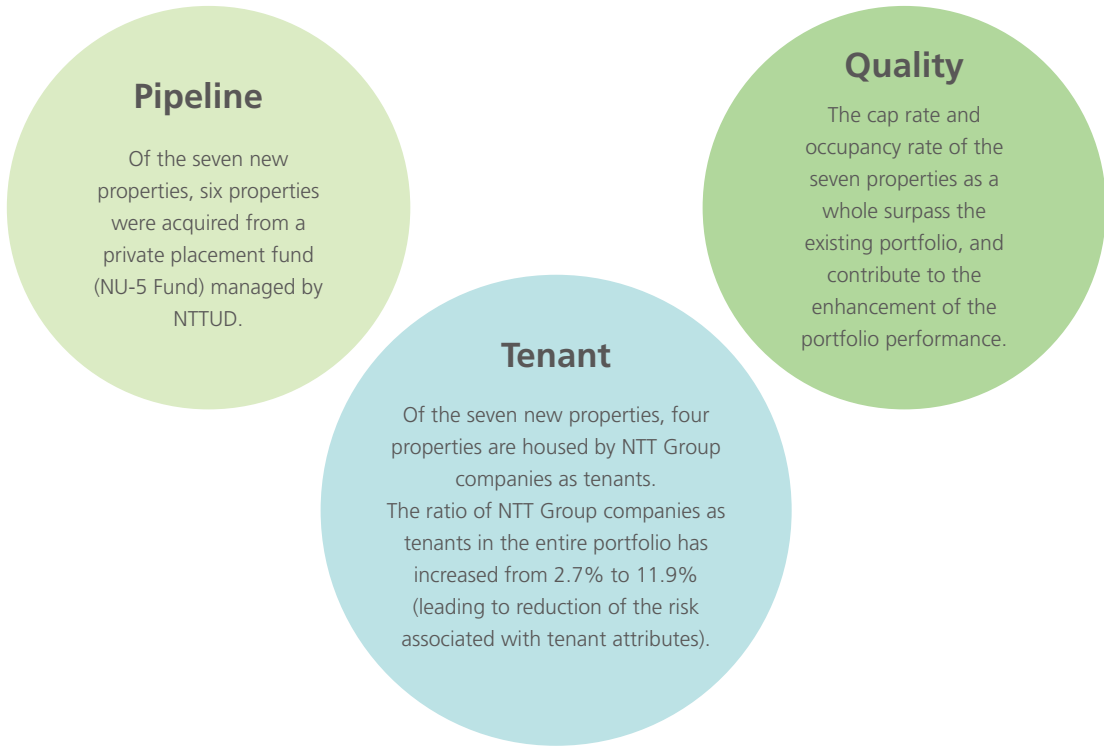
Acquired Iwamotocho Building for 6.7 billion yen using procured funds through issuance of new investment units.



Acquired preferred securities backed by the Akihabara UDX, a leading class S building in Tokyo, for 14.3 billion yen.



Exercise of Comprehensive Strength of the NTT Group in the New Initiatives



PIC has secured fund procurement (through issuance of new investment units and new borrowings) against a backdrop of the creditworthiness of NTTUD.

Overview of Fund Procurement

(1) Equity finance (November – December 2011)

Issuance of New Investment Units through Public Offering (Primary Offering)	Secondary Offering through Over-Allotment	Issuance of New Investment Units through Third-party Allotment
Number of units issued53,000 units	Number of units offered5,000 units	Number of units issued3,599 units
Offer price250,066 yen per unit	Offer price250,066 yen per unit	Paid amount (issue price)241,816 yen per unit
Total offer price13,253,498,000 yen	Total offer price1,250,330,000 yen	Total paid amount (issue price)870,295,784 yen
Paid amount (issue price)241,816 yen per unit	Application periodFrom November 8, 2011 to November 9, 2011	Application period (application date)December 9, 2011
Total paid amount (issue price)12,816,248,000 yen	Delivery and settlement dateNovember 15, 2011	Payment dateDecember 12, 2011
Application periodFrom November 8, 2011 to November 9, 2011		Delivery and settlement dateDecember 14, 2011
Payment dateNovember 14, 2011		AllotteeSMBC Nikko Securities Inc.
Delivery and settlement dateNovember 15, 2011		Use of fundsRepayment of borrowings
Use of fundsAcquisition of specified assets		

Total procured funds through issuance of new investment units:13,686 million yen

(2) Debt finance (November 2011)

	Term loan 024	Term loan 025
Loan amount	¥7,600 million	¥12,000 million
Lenders	Development Bank of Japan Inc. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corporation	
Drawdown date	November 18, 2011	November 18, 2011
Repayment date	November 16, 2012	November 18, 2014
Loan period	1 year	3 years
Repayment method	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity
Annual interest rate	Floating rate: TIBOR corresponding to the respective interest periods + 0.60000%	Fixed rate: 1.16500%
Collateral/guarantee	Unsecured and unguaranteed	Unsecured and unguaranteed


(3) Asset finance (February 2012)

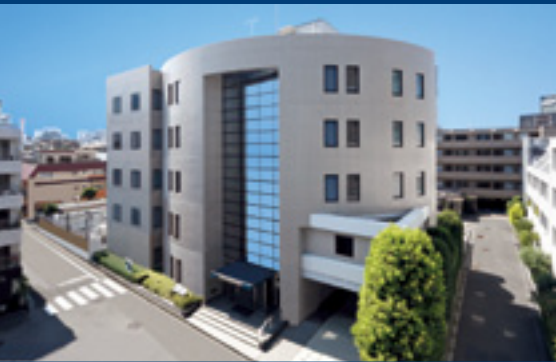
Property name	Premier Stage Nihonbashi Kayabacho
Date of conclusion	October 26, 2011
Date of delivery	February 1, 2012
Transferee	Top REIT, Inc.
Transfer price	2,400 million yen
Book value	2,225 million yen (as of October 31, 2011)




Overview of Newly Acquired Properties

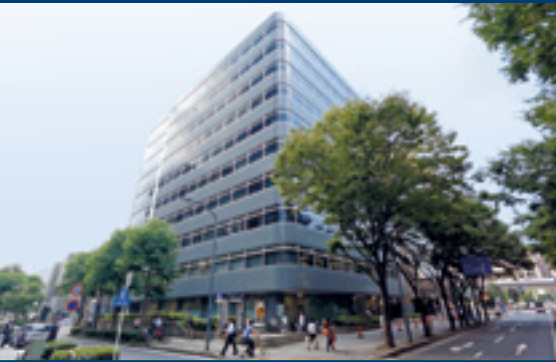
URBANNET MITA BUILDING (Office / 5 Central Wards of Tokyo)		
	Location	3-10-1 Mita, Minato Ward, Tokyo
	Location characteristics, etc.	The property is located about a 1-minute walk from Sengakuji station on the Toei Subway Asakusa Line as well as about a 10-minute walk from Tamachi and Shinagawa stations on the JR Lines. In addition to proximity to the nearest station, it enjoys good visibility as it faces Daiichi Keihin Expressway, a major highway.
	Site area	2,489.67m²
	Total floor space	13,987.76m²
	Structure	Steel-framed, reinforced concrete structure with a flat-topped roof; 8 stories and 1 basement story
	Constructed	September 1987
	Acquisition date	November 18, 2011
	Acquisition price	10,300 million yen

URBANNET AZABU BUILDING (Office / 5 Central Wards of Tokyo)		
	Location	1-6-15 Minami Azabu, Minato Ward, Tokyo
	Location characteristics, etc.	The property is located about an 8-minute walk from Azabu-Juban station on the Tokyo Metro Nanboku Line and the Toei Subway Oedo Line, and standing in an area having a mix of stores, offices and apartments. Facing a major highway, it features an impressive façade.
	Site area	1,052.82m²
	Total floor space	6,486.42m²
	Structure	Steel-framed, reinforced concrete structure with a flat-topped roof; 7 stories and 1 basement story
	Constructed	April 1992
	Acquisition date	November 18, 2011
	Acquisition price	5,000 million yen

URBANNET ICHIGAYA BUILDING (Office / 5 Central Wards of Tokyo)		
	Location	25-5 Haraikatomachi, Shinjuku Ward, Tokyo
	Location characteristics, etc.	The area where the property is located has a mix of medium-rise office buildings and tranquil apartments and enjoys good access to major office areas in Tokyo via Ushigome-Kagurazaka station on the Toei Subway Oedo Line as well as Iidabshi and Ichigaya stations on the JR Lines.
	Site area	1,207.48m²
	Total floor space	4,217.01m²
	Structure	Reinforced concrete structure with a flat-topped roof; 5 stories and 1 basement story
	Constructed	December 1993
	Acquisition date	November 18, 2011
	Acquisition price	1,650 million yen

KANDA CHUODORI BUILDING (Office / 5 Central Wards of Tokyo)		
	Location	2-3-3 Kajicho, Chiyoda Ward, Tokyo
	Location characteristics, etc.	The property enjoys excellent traffic convenience with multiple train lines, including the JR Lines, the Tokyo Metro Lines and the Toei Subway Lines, available. A concentration of properties such as medium- to high-rise office buildings with stores has been created in the area around Kanda station on the JR Line, which is the nearest station to the property.
	Site area	484.74m²
	Total floor space	3,214.44m²
	Structure	Steel-framed, reinforced concrete structure with a flat-topped roof; 9 stories
	Constructed	January 1989
	Acquisition date	November 18, 2011
	Acquisition price	2,450 million yen

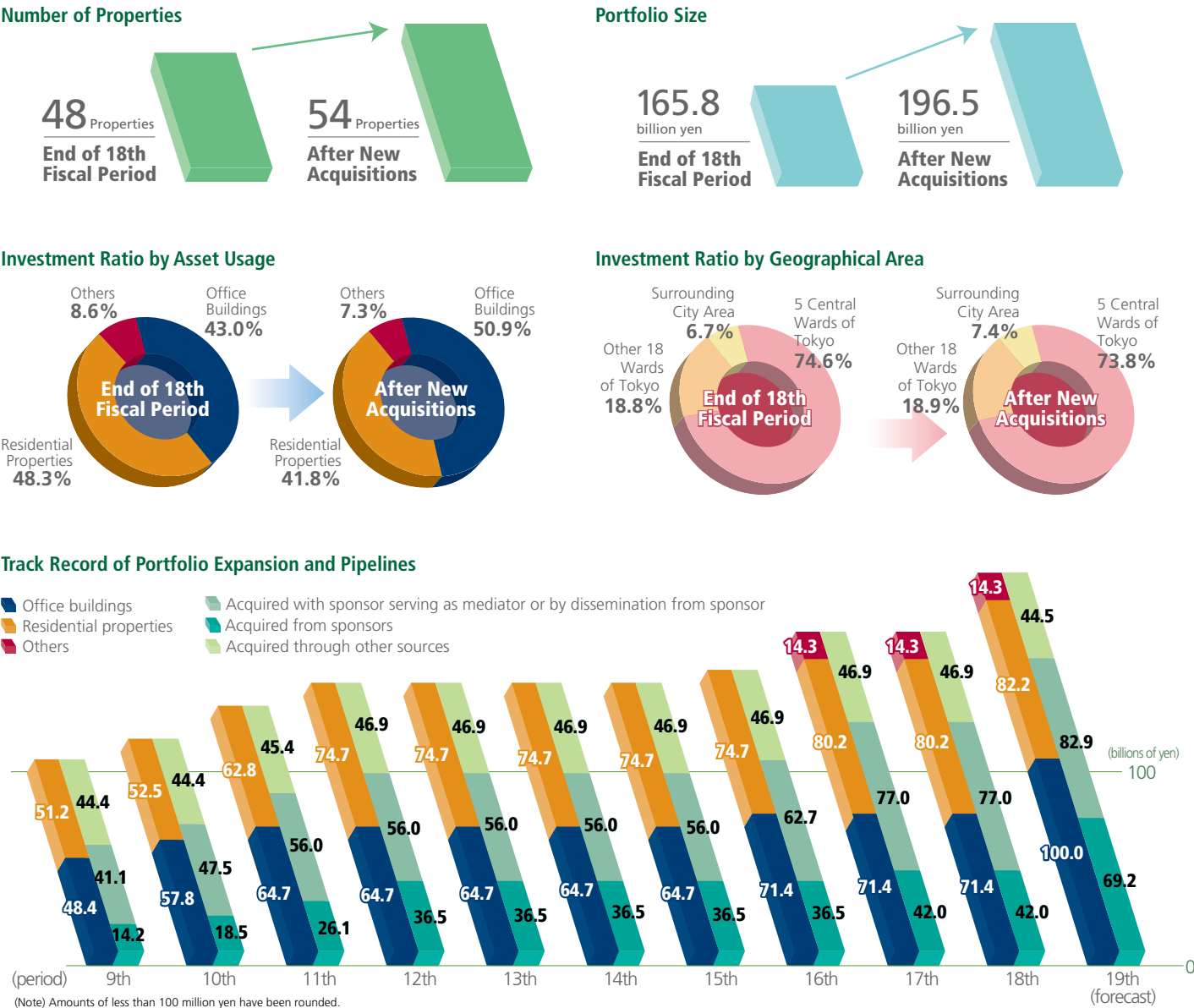
UENO TOSEI BUILDING (Office / Other 18 Wards of Tokyo)		
	Location	4-27-3 Higashi Ueno, Taito Ward, Tokyo
	Location characteristics, etc.	The property is located about a 4-minute walk from Ueno station on the JR Lines and about a 6-minute walk from Ueno station on the Tokyo Metro Hibiya and Ginza Lines. The area where the property is located features characteristics as the traffic base of the Joto area in Tokyo, with many JR Lines including the Yamanote Line and multiple subway lines accessible.
	Site area	966.28m²
	Total floor space	6,868.83m²
	Structure	Steel-framed structure with a flat-topped roof; 10 stories
	Constructed	May 2007
	Acquisition date	November 18, 2011
	Acquisition price	5,900 million yen

NU KANNAI BUILDING (Office / Surrounding City Area)		
	Location	223-1 Yamashitacho, Naka Ward, Yokohama City, Kanagawa Prefecture
	Location characteristics, etc.	Public transit is available at Kannai station on JR Lines and Nihon-Odori station on the Minatomirai Line. The property is located in an area with a long history of having a concentration of governmental agencies and commercial facilities, and stands adjacent to the Yokohama Stadium.
	Site area	1,726.58m²
	Total floor space	10,963.91m²
	Structure	Steel-framed, reinforced concrete structure with a flat-topped roof; 10 stories and 1 basement story
	Constructed	February 1987
	Acquisition date	November 18, 2011
	Acquisition price	3,300 million yen

QUESTCOURT HARAJUKU (Residence / 5 Central Wards of Tokyo)		
	Location	3-59-4 Sendagaya, Shibuya Ward, Tokyo
	Location characteristics, etc.	The property is located in a sophisticated residential area, about a 2-minute walk from Harajuku station on the JR Yamanote Line and about a 5-minute walk from Meiji-Jingumae station on the Tokyo Metro Chiyoda Line. The neighborhood has a concentration of a variety of stores, primarily apparel, as well as offices of many industries such as design, apparel and media-related businesses.
	Site area	2,507.75m²
	Total floor space	5,408.95m²
	Structure	Reinforced concrete structure with a flat-topped roof; 4 stories and 1 basement story
	Constructed	January 2004
	Acquisition date	November 18, 2011
	Acquisition price	4,500 million yen

Portfolio Status after New Acquisitions (Comparison with 18th Fiscal Period End)

- The newly acquired seven properties were added to the portfolio, which comprised 48 properties with a total acquisition price of approximately 165.8 billion yen at the end of the 18th fiscal period, and one residential property was sold (transfer completed in February 2012). These moves have expanded the portfolio size to 196.5 billion yen.
- By asset usage, the portfolio is now comprised of 58.2% office buildings (including the preferred securities backed by cash flow from Akihabara UDX) and 41.8% residential properties. The proportions are now closer to the target PIC has set of 60% office buildings and 40% residential properties.
- While investment is focused on the Tokyo Economic Bloc, the portfolio is constructed so as to take into account geographical diversification.



OVERVIEW OF ASSET MANAGEMENT

	Unit	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)
Business Results						
Operating Revenues	Thousands of yen	5,318,986	5,117,572	5,237,765	5,171,445	4,963,346
(Real estate rental revenues)	Thousands of yen	(5,318,986)	(5,117,572)	(5,237,765)	(5,022,768)	(4,715,752)
Operating Expenses	Thousands of yen	2,757,242	2,684,965	2,811,567	2,899,766	2,898,669
(Real estate rental expenses)	Thousands of yen	(2,350,247)	(2,265,101)	(2,396,183)	(2,479,011)	(2,526,964)
Operating Income	Thousands of yen	2,561,743	2,432,606	2,426,197	2,271,678	2,064,677
Ordinary Income	Thousands of yen	1,951,725	1,831,214	1,776,539	1,531,930	1,311,489
Net Income	(a) Thousands of yen	1,950,036	1,830,214	1,774,814	1,519,501	1,309,232
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	146,906,094	146,755,777	152,370,359	171,586,194	170,766,247
(Period-on-period variation)	%	(-0.4)	(-0.1)	(+3.8)	(+12.6)	(-0.5)
Interest-bearing Liabilities	Thousands of yen	69,462,500	69,787,500	72,422,500	92,347,500	91,762,500
Net Assets	(c) Thousands of yen	70,895,392	70,775,631	73,732,767	73,477,481	73,267,189
(Period-on-period variation)	%	(-0.3)	(-0.2)	(+4.2)	(-0.3)	(-0.3)
Unitholders' Capital	Thousands of yen	68,945,312	68,945,312	71,957,904	71,957,904	71,957,904
Distribution						
Total Distributions	(d) Thousands of yen	1,949,976	1,830,270	1,774,786	1,519,524	1,309,234
Distribution Payout Ratio (Note 1)	(d)/(a) %	99.9	100.0	99.9	100.0	100.0
Per Unit Information						
Number of Units Outstanding	(e) Units	131,400	131,400	140,100	140,100	140,100
Net Assets per Unit	(c)/(e) Yen	539,538	538,627	526,286	524,464	522,963
Distribution per Unit	(d)/(e) Yen	14,840	13,929	12,668	10,846	9,345
(Earnings distribution per unit)	Yen	(14,840)	(13,929)	(12,668)	(10,846)	(9,345)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	1.3 (2.6)	1.2 (2.5)	1.2 (2.4)	0.9 (1.9)	0.8 (1.5)
Return on Unitholders' Equity (Note 3)	%	2.7 (5.4)	2.6 (5.2)	2.5 (4.9)	2.1 (4.2)	1.8 (3.5)
Net Assets Ratio	(c)/(b) %	48.3	48.2	48.4	42.8	42.9
(Period-on-period variation)		(+0.1)	(-0.1)	(+0.2)	(-5.6)	(+0.1)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	3,872,198	3,752,979	3,760,367	3,516,442	3,177,808

(Note 1) Distribution payout ratios have been rounded down to the tenth place.  
(Note 2) Ordinary income on total assets: Ordinary income/Average total assets  
Average total assets = (Total assets at beginning of period + Total assets at end of period)/2  
(Note 3) Return on unitholders' equity: Net income/Average net assets  
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2  
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 184 days for the 14th fiscal period, 181 days for the 15th fiscal period, 184 days for the 16th fiscal period, 181 days for the 17th fiscal period and 184 days for the 18th fiscal period. This is true concerning both Note 2 and Note 3.  
(Note 4) Rental NOI: (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)



PERFORMANCE FORECASTS

For the 19th and 20th fiscal periods, PIC will endeavor to improve its real estate rental income by focusing on activities to invite tenants, primarily for some office buildings (such as Landic Shimbashi Building 1 and Landic Shimbashi 2 Building) that suffer from a large drop in occupancy rates. As for move-outs by large tenants, it has already been determined that Meiji Yasuda Life Insurance Company will evacuate from Premier Toyocho Building at the end of February 2012. Other than this, there have been no major moves involving

possible move-outs by large tenants. The number of investment units is scheduled to increase by 56,599 units in the 19th fiscal period as a result of issuing additional investment units. In spite of this, PIC anticipates a period-on-period increase in the distribution per unit due to the acquired assets (seven properties) contributing to increased revenues, plus the gains on sale of Premier Stage Nihonbashi Kayabacho being recorded for an estimate of 166 million yen.

In addition, special measures in the Special Taxation Measures Law are applicable to said gains on sale, allowing part of the gains to be carried forward to the following fiscal period and after. PIC will take advantage of the special measures to use part of the gains on sale, accruing in the 19th fiscal period, for the distribution per unit for the 20th fiscal period. By doing so, PIC plans to flatten distribution over the 19th and 20th fiscal periods.

Forecasts for the 19th and 20th Fiscal Periods (as of October 31, 2011)

	18th Fiscal Period	19th Fiscal Period (forecast)	20th Fiscal Period (forecast)
Operating revenues (mm yen)	4,963	6,287	6,261
Operating income (mm yen)	2,064	2,932	2,746
Ordinary income (mm yen)	1,311	2,095	1,934
Rental NOI (mm yen)	3,177	4,064	4,048
Net income (mm yen)	1,309	2,094	1,933
Distribution per unit (yen)	9,345	10,140	10,140
No. of investment assets	48	54	54

(Note) Amounts of less than one million yen have been rounded down.

Assumptions for the Forecasts

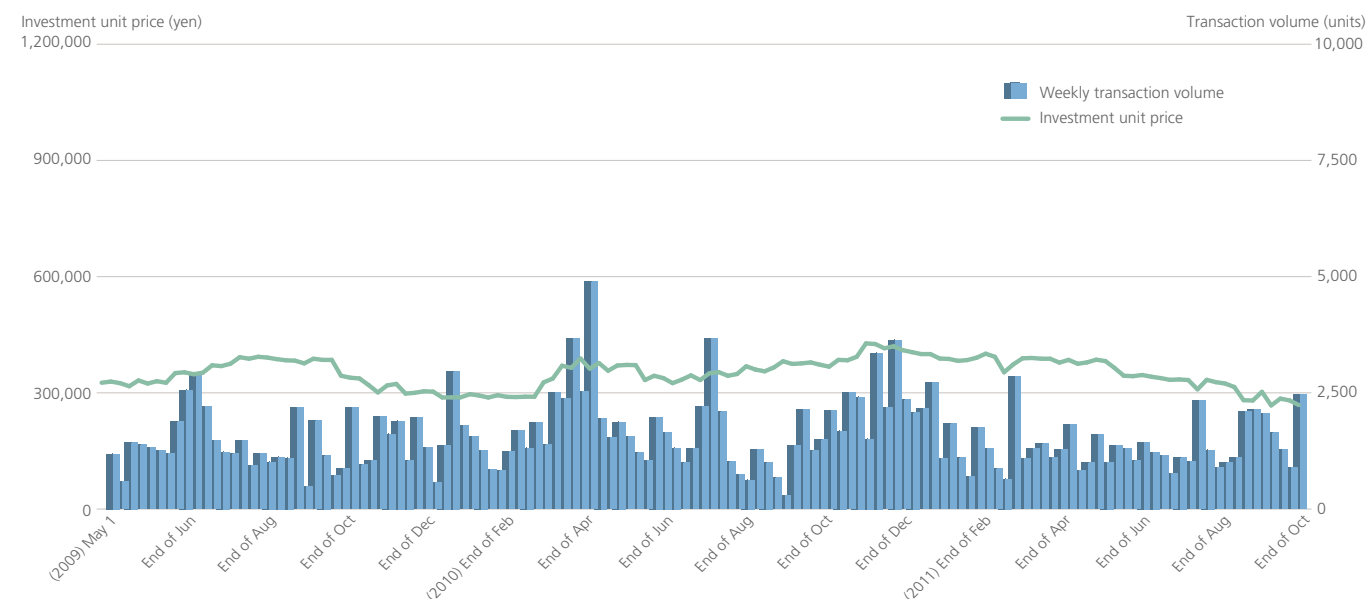
	19th Fiscal Period	20th Fiscal Period
No. of investment assets	It is assumed that there will be the 48 properties (47 properties and preferred securities of an SPC) PIC owns as of the end of the 18th fiscal period (October 31, 2011) plus 7 properties newly acquired on November 18, 2011 and minus a property sold on February 1, 2012. (as of the end of the 19th fiscal period: 54 properties (53 properties and preferred securities of an SPC))	It is assumed that the number of properties owned will remain unchanged from the end of the 19th fiscal period (April 30, 2012).
No. of investment units outstanding	It is assumed that there will be 196,699 investment units, comprising the 140,100 outstanding investment units as of the end of the 18th fiscal period plus 53,000 new investment units issued through public offering, for which payment was completed as of November 14, 2011, and 3,599 new investment units issued through third-party allotment, for which payment was completed as of December 12, 2011.	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 19th fiscal period.
Interest-bearing liabilities	It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which was 91,762.5 million yen as of the end of the fiscal period ending October 31, 2011: <b>(1) Additional borrowings</b> <ul style="list-style-type: none"><li>PIC borrowed 19,600 million yen (7,600 million yen in short-term loans and 12,000 million yen in long-term loans) on November 18, 2011 to partially fund the 34,000 million yen (estimated amount including incidental expenses) for asset acquisitions.</li></ul> <b>(2) Refinancing of existing loans</b> <ul style="list-style-type: none"><li>20,000 million yen in short-term loans maturing on December 8, 2011 was refinanced for the same amount in long-term loans.</li><li>It is assumed that 3,650 million yen in long-term loans maturing on February 29, 2012, 5,400 million yen in long-term loans maturing on March 9, 2012 and 1,000 million yen in long-term loans maturing on March 30, 2012 will be refinanced for the same amount, respectively.</li></ul> <b>(3) Repayment of borrowings</b> <ul style="list-style-type: none"><li>It is assumed that 1,200 million yen out of the 7,600 million yen in short-term loans in above (1) will be repaid on December 16, 2011 by using proceeds from issuing new investment units through third-party allotment and PIC's cash on hand.</li><li>It is assumed that 2,000 million yen in loans will be repaid on February 1, 2012 by using part of the proceeds from selling the asset planned for sale.</li></ul> <b>(4) Divided repayment of long-term loans as agreed upon</b> 75 million yen will be repaid during the fiscal period. Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 108,087.5 million yen.)	It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which will be 108,087.5 million yen as of the end of the fiscal period ending April 30, 2012: <b>(1) Refinancing of existing loans and investment corporate bonds maturing during the fiscal period</b> <ul style="list-style-type: none"><li>It is assumed that 2,000 million yen in short-term loans maturing on May 18, 2012 and 3,500 million yen in short-term loans maturing on July 27, 2012 will be refinanced for the same amount, respectively.</li><li>It is planned that 10,000 million yen in 2nd Unsecured Corporate Bond, which is to be redeemed on September 7, 2012, will be fully redeemed by using funds from investment corporate bonds or borrowings.</li></ul> <b>(2) Divided repayment of long-term loans as agreed upon</b> <ul style="list-style-type: none"><li>75 million yen will be repaid during the fiscal period.</li></ul> Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 108,012.5 million yen.)
Occupancy rate	Office buildings: 88.6% (results in the 18th fiscal period: 82.1%) Residential properties: 93.8% (results in the 18th fiscal period: 92.4%) Total: 91.1% (results in the 18th fiscal period: 87.8%)	N/A
Others	<b>(Operating revenues)</b> Calculations for office buildings have been made on the premise that no space will be filled during the fiscal period to replace tenants that have notified PIC of contract termination (except for spaces for which new contracts have already been confirmed). For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration. (Operating expenses) Major items include: <ul style="list-style-type: none"><li>Outsourcing fees: 688 million yen</li><li>Tax and public dues: 340 million yen</li><li>Depreciation expenses: 1,108 million yen</li><li>Operating expenses (excluding rental expenses): 471 million yen</li></ul> <b>(Non-operating expenses)</b> <ul style="list-style-type: none"><li>Interest expenses (including interest for corporate bonds): 814 million yen</li></ul> <b>(Capital expenditures)</b> 200 million yen <b>(Distribution)</b> It is assumed that, for distribution per unit for the fiscal period ending April 2012, the reserve for reduction entry (estimated amount of 100 million yen) is reserved from the expected gains from sale of an owned property (estimated amount of 166 million yen) scheduled for sale in the said fiscal period, based on the Special Measures in Case Land or Other Property is Acquired in Advance in 2009 or 2010 (Special Taxation Measures Law, Article 66-2) and up to 60% of the gains from sale of land as well as within the scope that does not violate the conduit requirements designated in Article 67-15 of the Special Taxation Measures Law. For distribution per unit for the fiscal period, it is assumed that the said reserve for reduction entry is deducted from the net income and the residual amount is distributed.	<b>(Operating revenues)</b> Calculations for office buildings have been made on the premise that some properties will have new lease-up results, with notices of contract termination taken into consideration. For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration. <b>(Operating expenses)</b> Major items include: <ul style="list-style-type: none"><li>Outsourcing fees: 705 million yen</li><li>Tax and public dues: 447 million yen</li><li>Depreciation expenses: 1,110 million yen</li><li>Operating expenses (excluding rental expenses): 467 million yen</li></ul> <b>(Non-operating expenses)</b> <ul style="list-style-type: none"><li>Interest expenses (including interest for corporate bonds): 801 million yen</li></ul> <b>(Capital expenditures)</b> 200 million yen For distribution per unit for the fiscal period ending October 2012, it is assumed that part of the reserve for reduction entry (estimated amount of 60 million yen), to be reserved in the previous fiscal period, is reversed and added to net income, and the combined amount is distributed.



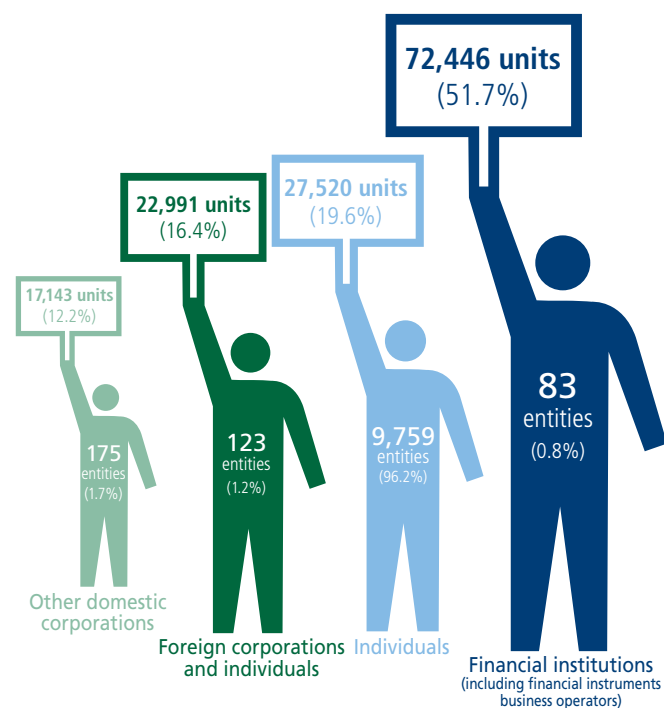
# INVESTMENT UNIT STATUS

## Historical Unit Price

The following is the history of investment unit prices and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 14th fiscal period (May 1, 2009) to the end of the 18th fiscal period (October 31, 2011).



## Breakdown of Unitholders as of October 31, 2011



140,100 units held by 10,140 entities

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

## Top 10 Unitholders as of October 31, 2011

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	29,893	21.33
2	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	10,247	7.31
3	NTT Urban Development Corporation	8,700	6.20
4	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	7,857	5.60
5	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	4,975	3.55
6	The Master Trust Bank of Japan, Ltd. (Trust Account)	3,150	2.24
7	ASAHI FIRE & MARINE INSURANCE	2,786	1.98
8	NOMURA BANK (LUXEMBOURG) S.A.	2,454	1.75
9	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.46
10	THE BANK OF NEW YORK EUROPE LIMITED 131705	1,700	1.21
	<b>Total</b>	<b>73,812</b>	<b>52.68</b>

# STRATEGIC POLICIES

## I. INVESTMENT POLICY

### 1. Basic Policy

PIC shall invest in real estate, office buildings and residential properties located primarily in the Tokyo Economic Bloc of the Tokyo metropolitan area, their lots, securities and trust beneficial interests and other assets that are backed by the said real estate. PIC shall also make investments to ensure solid growth and stable earnings over the medium to long term. PRA has established Asset Management Guidelines based on the Articles of Incorporation of PIC. PRA believes that such Asset Management Guidelines provide the most appropriate basic policy for managing the investment assets in light of the existing market environment and economic conditions. The following is a summary of the Guidelines:

### 2. Portfolio Management Standards Based on Basic Policy

#### Holding Period

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

#### Acquisition Standards

##### A) Acquisition Standards

In acquiring investment assets, PIC shall fully consider numerous factors including 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, capability to withstand earthquakes, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, and status of insurance. Investments shall be selected after considering such factors and the importance of these assets in the portfolio structure, and steps shall be taken to construct a portfolio that clearly classifies the strategic position of these investment assets.

##### B) Use

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 Assets"), 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 the following page, PIC aims to ensure diversification of property uses by

investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings in order to minimize the adverse effects of changes in social or economic conditions on PIC's income and ensure stable cash flow over the medium to long term.

c. PIC aims to maintain a portfolio ratio of office buildings to residential properties of 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 acquire the Investment Assets as planned.

##### C) Areas

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.

b. Specifically, by dividing the Tokyo Economic Bloc into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo and the Surrounding City Area, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a diversified portfolio of office buildings and residential properties. The ideal portfolio balance over the medium to long term is 60% of invested funds in office buildings and 40% in residential properties. The table on page 18 outlines the geographical split PIC aims for with its asset investments.

##### D) Asset Size per Property

a. Office buildings  
In principle, office buildings with available space for lease of approximately 2,000m<sup>2</sup>

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 in greater supply compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned said real estate as its primary investment target.</div></div> <div><div>b.</div><div>Tenant demand for office space may fluctuate in response to economic trends that include business cycles. This might adversely affect PIC's earnings derived from office buildings. However, compared to real estate for other uses, office buildings are generally expected to provide relatively higher levels of profitability.</div></div> <div><div>c.</div><div>PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.</div></div>
Residential Properties	<div><div>a.</div><div>PIC invests in relatively high-quality Japanese rental residential properties with regard to designs of exteriors, entrances and other common areas; specifications of story height, exterior walls and other similar areas; total floor space, floor plans, and other aspects.</div></div> <div><div>b.</div><div>Rental residential properties are relatively resistant to the adverse effects of changes in social or economic conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. For these reasons, PIC has positioned such rental residential properties as part of the main investment target with the goals of establishing cash flow and diversifying assets.</div></div> <div><div>c.</div><div>PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will grow and expand over the medium to long term due to the effects of the recent demand for urban revitalization and lifestyle changes. However, if PRA determines that the aforementioned trends have changed due to changes in the market or other reasons, PIC may make different investment decisions.</div></div> <div><div>d.</div><div>Since tenants of rental residential properties are particularly selective about location, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends for different types of properties.</div></div>
<div>(Classification by type of residential properties)</div> <div>Wide</div>	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</div><div>This type refers to residential properties primarily intended for foreigners (i.e., executives dispatched or assigned by Western and multinational companies from overseas to offices located in the Tokyo Economic Bloc), specially planned in specific locations according to the demands of foreign residents' lifestyles.</div></div> <div><div>c.</div><div>Recently, the demand for these properties has increased among wealthy Japanese families as well. Like those described in b. above, these tenants are highly reliable compared to those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants tends to be low.</div></div> <div><div>d.</div><div>Because this type of property is in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected. Also, differences in profitability may arise regarding investments in said properties due to management performance.</div></div>
Family	<div><div>a.</div><div>Targeted investment area: The 23 Wards of Tokyo and surrounding city area.</div></div> <div><div>b.</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>c.</div><div>Generally, these families tend to place emphasis on neighborhood and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.</div></div>
DINKs	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</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>c.</div><div>Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties are in short supply in such areas and said households earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div></div>
Singles	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</div><div>This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div></div> <div><div>c.</div><div>Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties may be considered stable targets for future investments as well.</div></div> <div><div>d.</div><div>Since the 5 Central Wards of Tokyo, especially Minato, Shibuya and Shinjuku Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</div></div>

(Note 1) The "Key Investment Points" in the table above reflect the current views of PRA. 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 Five Central Wards of Tokyo in this Semiannual Report refer to Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards (hereinafter the same).

(approximately 700 tsubos) or more, and standard floor sizes of approximately 300m<sup>2</sup>

(approximately 90 tsubos) or more, are the investment targets.

b. Residential properties

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

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

**E) Due Diligence** [▶see table on page 19](#)  
PIC decides on the acquisition of investment assets after considering all the results of economic, physical and legal inspections of the assets. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each

item in deciding on the acquisition of investment assets may differ depending on the use of the Investment Assets or the type and nature of the investment assets, PIC will not necessarily examine all of the items before acquiring the investment assets. In addition, the investment assets acquired by PIC may not satisfy all of the standards of the items.

**F) Standards for Tenant Selection**

[▶see table below](#)

a. Credit and other information is checked regarding prospective tenants in line with the attribute classifications below. With respect to corporate tenants, when their credit status cannot be determined from the materials obtained or when otherwise deemed necessary, databases of outside research agencies and other materials will be used. When examination results of credit checks and other matters are satisfactory, the decision on executing a lease agreement will be made after fully considering the following matters: rent level, term of lease, amount of deposit, type of tenant business, balance with other tenants in

the subject property, size and configuration of desired space, and other matters.

b. Concerning current tenants and new tenants with whom agreements have been concluded, PIC will generally attempt to maintain long-term relationships to the fullest extent possible. However, in Japan, the term of a lease agreement for both office buildings and residential properties is usually two years. Moreover, many agreements include provisions that allow tenants to cancel the agreement by providing advance notice.

**G) Amount of Investment**

a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each Investment Asset will generally be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.).  
b. The maximum ratio of the investment amount of a single investment asset will generally be 25% of the total amount invested in the investment assets after investing in that single asset, and an

Areas

<div>Use \ Area</div>	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Surrounding City Area
Office buildings	50% or more	0% - 20%	0% - 40%
Residential properties	50% or more	0% - 40%	0% - 20%

(Note) Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although PIC makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring the Investment Assets.

Asset Size per Property

	Dedicated Use Area per Rental Unit	Number of Rental Units
Wide	80m <sup>2</sup> or more	10 or more
Family	60m <sup>2</sup> or more	20 or more
DINKs	40-80m <sup>2</sup>	20 or more
Singles	25-40m <sup>2</sup>	30 or more

Standards for Tenant Selection

Classification	Details Checked
Corporations	<div><div>1.</div><div>Business purpose, 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)
Economic Inspection	Market research
	1. Market rents, occupancy rates, trends in competitive properties and tenant demand, etc.
Economic Inspection	Income-related
	1. Inspection of competitive strength, including ability to attract tenants and resale potential
Economic Inspection	Income-related
	2. Lease agreement levels, lease agreement structures, and possibility of renewal of such agreements
Economic Inspection	Income-related
	3. Expense levels, arrangements for agreements related to expenses, and possibility of renewal of such agreements
Economic Inspection	Income-related
	4. Inspection of appropriate levels of rents and expenses, and possibility of projected future expense burdens
Economic Inspection	Income-related
	5. Comparison of renovation plans with actual funds accumulated
Physical Inspection	Location
	1. Condition of roadways, access to primary means of transport (e.g., passenger trains), numbers of users of primary means of transport
Physical Inspection	Location
	2. Location of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties)
Physical Inspection	Location
	3. Sunlight, vistas, views, noise, etc. (all of which are specific to residential properties)
Physical Inspection	Location
	4. Area's name value, reputation, scale, etc.
Physical Inspection	Construction, facilities and specifications
	1. For both office buildings and residential properties: Design, primary structure, age of construction, construction companies, etc.
Physical Inspection	Construction, facilities and specifications
	2. Conditions of interior and exterior components
Physical Inspection	Construction, facilities and specifications
	Office buildings: Configuration of rented floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor excess weight, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc.
Physical Inspection	Construction, facilities and specifications
	Residential properties: Configuration of rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
Physical Inspection	Earthquake resistance
	1. Achievement of abilities in line with new earthquake-resistant construction standards or equivalent or higher standards
Physical Inspection	Earthquake resistance
	2. In principle, the probable maximum loss (PML) caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more.
Physical Inspection	Property management
	1. Compliance with applicable laws and regulations (specifically, the Fire Service Law, City Planning Law and other laws and regulations in relation to structure), etc.
Physical Inspection	Property management
	2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports
Physical Inspection	Property management
	3. Quality of property management, existence or non-existence of and terms of owner's agreement, and the quality and financial credibility of a property management company
Physical Inspection	Environment, land quality, etc.
	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs
Physical Inspection	Environment, land quality, etc.
	2. Soil quality, land use history, status of soil contamination, etc.
Legal Inspection	Title, etc.
	Matters relating to rights in a property, including the following items, will be carefully investigated, considering the titles of former owners and other parties. Particularly careful investigations are required with regard to properties with complex title arrangements such as those for which PIC does not hold the building ownership or the said rights independently (e.g., properties which are owned with the arrangement of tenancy in common, compartmentalized or leased, by PIC).
Legal Inspection	Title, etc.
	1. Completion or incompleteness of the perfection of a leasehold interest and review of other interests or rights superseding the leasehold interest
Legal Inspection	Title, etc.
	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
Legal Inspection	Title, etc.
	3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term renovation plans
Legal Inspection	Title, etc.
	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
Legal Inspection	Title, etc.
	5. Compartmentalization of a property
Legal Inspection	Title, etc.
	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
Legal Inspection	Title, etc.
	7. Terms of agreements, special agreements, etc. which are executed with a lessor of a co-owner, compartmentalized owners, co-owner and other related parties (particularly, existence or non-existence of first refusal right, and details of such right)
Legal Inspection	Title, etc.
	8. Attributes of a lessor of a leasehold interest, compartmentalized owners, co-owner and other related parties (either corporations or individuals)
Legal Inspection	Title, etc.
	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
Legal Inspection	Tenant attributes
	1. Purpose of use by tenants, and terms of agreements with tenants
Legal Inspection	Tenant attributes
	2. Existence or non-existence of any disputes with tenants

investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

3. Sales Standards

A) The basic policy is to hold the acquired investment assets over the medium to long term. In principle, PIC does not plan to sell the acquired investment assets over the short term.

B) The sale of a property may be considered in the medium to long term, after a portfolio structure is strategically classified, fully taking into consideration real estate market conditions, projected future earnings, current fluctuations and forecasted fluctuations in asset values, future prospects and stability of areas where the properties are located, and projected capital expenditures, etc. arising from the deterioration or obsolescence of the real estate. Moreover, while the sales policy for each investment asset will basically be determined in the annual asset management plan, this plan may be revised as necessary.

a. Strategic classifications

Core Assets
<b>[Strategic significance]</b> 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
<b>[Strategic significance]</b> 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-up) from the increase in the income gains after acquisition, are also independently and actively sought.

- The targets of the investment assets classified by PIC as active assets are as follows: The amount of investment per 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.
- The upper limit on active assets as a proportion of the portfolio shall generally be 20%.

b. Specific cases where sale will be considered

- When a strategic sale would contribute to earnings of PIC:  
**[Example]** When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.

- When an investor offers an attractive purchase price:

**[Example]** When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraised value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.

- When the property has lost strategic importance:

**[Example 1]** When the age of the property reduces its profitability, and it is determined that the targeted earnings will not be achieved even with additional allocation of capital.

**[Example 2]** When another investment 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.

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

C) The Investment Assets 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 rent or similar earnings. PIC does not intend to acquire undeveloped land and construct buildings thereon. However, PIC may invest in a property yet to be constructed by a third party if, for example, it is determined that such property to be constructed is likely to attract sufficient tenants after completion and risks regarding completion and delivery have been minimized. In this case, the investment determination shall be made by comparing the benefits of acquiring the 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 borne by PIC in connection with acquiring the investment asset.

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

A) The Investment Assets underlying the Real Estate Backed Securities, etc. shall be assets compliant with the provisions of PIC's Articles of Incorporation.

B) To realize the purpose of investing in Real Estate Backed Securities, etc., that is, securing opportunities to acquire blue-chip properties, PIC shall in principle be given an opportunity to acquire the underlying Investment Assets when they are sold.

C) The same policy as indicated in the above subparagraph shall be followed when PIC invests in the Real Estate Backed Securities, etc. The underlying Investment Assets of which are 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 of the entire portfolio as a basis. If any individual property has a high PML, taking out an earthquake insurance policy on such individual property will be considered.

(Note) Probable Maximum Loss (PML) refers to the maximum estimated rate of loss resulting from an earthquake. There are two kinds of PML, i.e., PML for individual buildings and PML for the entire portfolio. Although there is no single precise definition of PML, as used here, PML refers to the ratio (in terms of percentage) of projected recovery expenses to replacement price, which indicates the degree of damage sustained from the strongest earthquake (a major earthquake occurring once every 475 years on average, with more than a 10% probability of occurrence during every fifty-year period) expected to occur during the estimated projected term of use (a fifty-year period, which is considered to be the service life of an ordinary building).

7. Financial Policy

A) Borrowings and Corporate Bonds

- a. In order to contribute to the steady growth of assets under management and efficient and stable operation of investments, PIC may borrow funds (including borrowings via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, or repay funds or debts (including repayment of deposit money, loans and obligations of its corporate bonds) necessary for PIC's operations. However, the respective and combined maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000).
- b. In the case of borrowing funds in accordance with above a., PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover,

in order to flexibly respond to the capital needs for the acquisition of new 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 Enforcement Ordinance Concerning the Special Taxation Measures Law.
- d. PIC may offer its assets under management as collateral for borrowed funds or the issuance of corporate bonds.
- e. PIC shall aim to maintain the ratio of the balance of loans and issued corporate bonds to total assets at 60% or less. However, in connection with the acquisition of new assets and other circumstances, this ratio may tentatively exceed 60% for a short period of time.

(Note) Total assets is the amount entered in the Assets section of the balance sheet at the end of the fiscal period nearest to the time of calculation. However, as far as property and equipment are concerned, when there is a disparity between the value of such assets calculated based on the appraisal values obtained from appraisers and their book values at the end of the fiscal period, the difference shall be added to the book values of those assets at the end of the fiscal period to calculate total assets.

B) Issuance of Additional Investment Units

To raise funds, PIC may, upon approval of the Board of Directors, flexibly issue additional investment units. Issuance of additional investment units shall be determined by considering PIC's financial situation, including the interest-bearing liabilities ratio, and the dilution of the investment units.

II. MANAGEMENT POLICY

In managing real estate, PIC intends to maintain and improve the value and competitiveness through continuous capital expenditures made from a medium to long-term perspective, and aims to achieve stable growth in returns through higher earnings (e.g., increases in rents, decreases in vacancy rates, and prolonging and fixing the terms of agreements) and reduced expenses (e.g., reduction in expenses paid to outside service providers, utility expenses and other fees and expenses).

■ 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. ➡see table below

■ PIC may accumulate a long-term maintenance and repair reserve, a reserve for payments, a reserve for distributions and other similar reserves and allowances as deemed necessary to maintain the investment assets or enhance the value of the acquired Investment Assets.

■ PIC will endeavor to take measures such as maintaining an appropriate allocation of investments and taking out insurance against losses (e.g., fire and general liability insurance) in order to avoid major declines and fluctuations in earnings caused by disasters and loss of tenants.

■ To achieve stable earnings over the medium to long term, PIC shall, in principle, lease all Investment Assets (including facilities such as parking lots and signage). At the time of leasing, PIC may collect deposit money, security money, and other similar monies. The said monies shall be invested pursuant to the provisions of PIC's Articles of Incorporation. The occurrence of unforeseen events, such as drastic changes in funding conditions, general market conditions, and real estate market conditions, may prevent the operations described above.

III. DISCLOSURE POLICY

- a. Our policy is to disclose as much information as possible to investors, thus providing investors with a financial product that can be easily understood.
- b. We will endeavor to arrange to provide, at all times, accurate and impartial information to all investors without delay.
- c. PIC shall disclose information in accordance with the details and formats required by the Law Concerning Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, guidelines of the Tokyo Stock Exchange and Investment Trusts Association of Japan, etc.

Standards for Selection of Property Manager

Item	Details
Details and results of business	1. Experience and results as a property manager 2. Reputation and consistency of management policies 3. Soundness of company finances
Capabilities and corporate system	1. Knowledge of the market 2. Ability to find tenants and to connect to intermediaries' networks 3. Ability to perform accounting services and reporting with regard to the property
Fees	1. Fee structure and level
Conflicts of interest	1. Existence or non-existence of any competitive projects in the surrounding area



IV. DISTRIBUTION POLICY

■ Distribution of Profits

In principle, PIC shall distribute profits based on the following policies:

- a. As part of the total amount of the cash distributions payable to unitholders, the amount of profits (the amount is obtained by subtracting the total of the amount of total unitholders' equity and the amount of the valuation and translation adjustments from the amount of net assets appearing on the balance sheet as of the end of PIC's fiscal period) shall be calculated based on generally accepted accounting principles of Japan.
- b. In the case where tax laws and regulations of Japan permit inclusion as expenses of the amount of cash distributions paid to unitholders by PIC under certain conditions, PIC shall pay cash distributions to unitholders in a manner that satisfies the conditions provided by such tax laws and regulations to permit such inclusion in expenses.

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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

Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying financial statements of Premier Investment Corporation (“the Company”), which comprise the balance sheets as at October 31, 2011 and April 30, 2011 and the profit and loss statements, statements of changes in unitholders' equity and cash flow statements for each of the six months period then ended, all expressed in Japanese yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2011 and April 30, 2011 and its financial performance and cash flows for each of the six months period then ended in accordance with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note-18, the Company has issued new investment units, borrowed loans, and acquired new properties.

PricewaterhouseCoopers Aarata

February 6, 2012

PricewaterhouseCoopers Aarata  
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel: +81 (3) 3546 8450, Fax: +81 (3) 3546 8451, www.pwc.com/jp/assurance

# BALANCE SHEETS

AS OF OCTOBER 31, 2011 AND APRIL 30, 2011

	Thousands of yen	
	October 31, 2011	April 30, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and deposits (Note-3) (Note-14)	¥ 2,326,676	¥ 2,091,402
Cash and deposits held in trust (Note-3) (Note-14)	7,076,239	7,275,006
Tenant receivables	53,676	49,999
Prepaid expenses	137,901	140,845
Income taxes refund receivables	49,653	14,256
Consumption taxes refund receivables	-	92,587
Deferred tax assets (Note-10)	1,308	2,960
Other current assets	1,190	182
<b>TOTAL CURRENT ASSETS</b>	<b>9,646,646</b>	<b>9,667,240</b>
<b>LONG-TERM ASSETS</b>		
Property and equipment		
Tools, furniture and fixtures	145	145
Construction in progress	25,513	-
Buildings held in trust (Note-4)	66,605,511	66,443,282
Structures held in trust (Note-4)	1,490,530	1,488,674
Tools, furniture and fixtures held in trust (Note-4)	181,293	174,013
Less accumulated depreciation	(12,903,940)	(11,915,219)
Land held in trust (Note-4)	88,737,629	88,737,629
Property and equipment, net	144,136,683	144,928,524
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	3,328	3,629
Intangible fixed assets	5,212	6,252
Total intangible fixed assets	1,786,143	1,787,484
Investment and other assets		
Investment securities (Note-14) (Note-15)	14,378,482	14,378,482
Other deposits	10,000	10,000
Long-term prepaid expenses	162,896	161,287
Other deposits held in trust	619,226	619,226
New investment unit issuance costs	6,368	8,491
Corporate bond issuance costs	19,800	25,457
Total investment and other assets	15,196,774	15,202,944
<b>TOTAL LONG-TERM ASSETS</b>	<b>161,119,600</b>	<b>161,918,954</b>
<b>TOTAL ASSETS</b>	<b>¥ 170,766,247</b>	<b>¥ 171,586,194</b>

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

	Thousands of yen	
	October 31, 2011	April 30, 2011
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	¥ 518,308	¥ 513,623
Other accounts payable	25,513	-
Short-term loan payable (Note-7) (Note-14)	25,500,000	22,290,000
Long-term loan payable due within one year (Note-7) (Note-14)	10,200,000	23,820,000
Corporate bonds payable due within one year (Note-6) (Note-14)	10,000,000	-
Accrued expenses	211,691	224,433
Distributions payable	11,869	14,233
Income taxes payable	560	2,324
Consumption taxes payable	68,253	-
Business office taxes payable	3,327	5,912
Rents received in advance	626,481	756,675
Deposits received	25,893	25,793
Allowance for disaster loss (Note-9)	-	10,078
Total current liabilities	47,191,900	47,663,074
<b>LONG-TERM LIABILITIES</b>		
Corporate bonds (Note-6) (Note-14)	7,000,000	17,000,000
Long-term loan payable (Note-7) (Note-14)	39,062,500	29,237,500
Tenant security deposits held in trust	4,244,657	4,208,138
Total long-term liabilities	50,307,157	50,445,638
<b>TOTAL LIABILITIES</b>	<b>97,499,057</b>	<b>98,108,712</b>
<b>NET ASSETS</b>		
<b>UNITHOLDERS' EQUITY (Note-5)</b>		
Unitholders' capital	71,957,904	71,957,904
Units authorized - 2,000,000 units		
Units issued and outstanding - 140,100 units as of October 31, 2011 and April 30, 2011		
Retained earnings		
Unappropriated income	1,309,285	1,519,577
Total unitholders' equity	73,267,189	73,477,481
<b>TOTAL NET ASSETS</b>	<b>73,267,189</b>	<b>73,477,481</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 170,766,247</b>	<b>¥ 171,586,194</b>

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



# P

## ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2011 AND APRIL 30, 2011

		Thousands of yen	
		October 31, 2011	April 30, 2011
<b>OPERATING INCOME AND EXPENSES</b>			
Operating revenues			
Rental revenue	(Note-8)	¥ 4,236,171	¥ 4,551,152
Other revenue	(Note-8)	479,581	471,615
Dividend income		247,594	148,677
Operating expenses			
Property-operating expenses	(Note-8)	2,526,964	2,479,011
Asset management fees		185,295	198,295
Directors' compensation		9,000	9,000
Custodian fees		8,028	15,808
Administration fees		60,172	82,451
Audit fees		8,500	8,500
Other expenses		100,708	106,699
Operating income		2,064,677	2,271,678
<b>NON-OPERATING INCOME AND EXPENSES</b>			
Non-operating income			
Interest income		895	1,231
Refund of unpaid distributions		2,872	1,586
Other non-operating income		571	475
Non-operating expenses			
Interest expense		643,666	616,249
Interest expenses on corporate bonds		105,009	103,667
Taxes and dues		-	14,867
Amortization of corporate bond issuance costs		5,657	5,657
Amortization of new investment unit issuance costs		2,122	2,122
Other non-operating expenses		1,070	477
Ordinary income		1,311,489	1,531,930
<b>EXTRA ORDINARY LOSS</b>			
Disaster loss	(Note-9)	-	10,978
Extraordinary loss		-	10,978
Income before income taxes		1,311,489	1,520,951
Income taxes	(Note-10)		
Current		605	3,182
Deferred		1,651	(1,731)
Net income		1,309,232	1,519,501
Income carried forward		52	76
<b>UNAPPROPRIATED INCOME</b>		¥ 1,309,285	¥ 1,519,577

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

# S

## TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2011 AND APRIL 30, 2011

		Thousands of yen		
	Unitholders' Equity		Total Unitholders' Equity	Total Net Assets
	Unitholders' Capital	Retained Earnings		
		Unappropriated Income		
<b>BALANCE AT OCTOBER 31, 2010</b>	¥ 71,957,904	¥ 1,774,863	¥ 73,732,767	¥ 73,732,767
Changes during the period				
Cash distributions paid	-	(1,774,786)	(1,774,786)	(1,774,786)
Net income	-	1,519,501	1,519,501	1,519,501
Total changes during the period	-	(255,285)	(255,285)	(255,285)
<b>BALANCE AT APRIL 30, 2011</b>	¥ 71,957,904	¥ 1,519,577	¥ 73,477,481	¥ 73,477,481
Changes during the period				
Cash distributions paid	-	(1,519,524)	(1,519,524)	(1,519,524)
Net income	-	1,309,232	1,309,232	1,309,232
Total changes during the period	-	(210,292)	(210,292)	(210,292)
<b>BALANCE AT OCTOBER 31, 2011</b>	¥ 71,957,904	¥ 1,309,285	¥ 73,267,189	¥ 73,267,189

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

# CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2011 AND APRIL 30, 2011

	Thousands of yen	
	October 31, 2011	April 30, 2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before income taxes	¥ 1,311,489	¥ 1,520,951
Depreciation	990,062	973,725
Amortization of corporate bond issuance costs	5,657	5,657
Amortization of new investment unit issuance costs	2,122	2,122
Interest income	(895)	(1,231)
Refund of unpaid distributions	(2,872)	(1,586)
Interest expenses	748,676	719,916
(Decrease) Increase in allowance for disaster loss	(10,078)	10,078
(Increase) Decrease in tenant receivables	(3,677)	12,330
Decrease in accounts payable	(41,482)	(8,052)
Decrease (Increase) in consumption taxes refund receivables	92,587	(62,650)
Increase in consumption taxes payable	68,253	-
(Decrease) Increase in rent received in advance	(130,194)	68,138
Other	(3,060)	(4,907)
<b>SUBTOTAL</b>	<b>3,026,588</b>	<b>3,234,491</b>
Interest received	895	1,231
Interest paid	(760,515)	(624,788)
Income taxes paid	(37,766)	(15,352)
Net cash provided by operating activities	2,229,201	2,595,581
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for purchases of property and equipment held in trust	(125,198)	(5,780,496)
Payments for purchases of investment securities	-	(14,378,482)
Payments of other deposits held in trust	-	(287,166)
Proceeds from tenant security deposits held in trust	489,523	332,096
Payments of tenant security deposits held in trust	(453,003)	(881,026)
Net cash used in investing activities	(88,678)	(20,995,073)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loan payable	5,500,000	20,000,000
Proceeds from long-term loan payable	9,900,000	-
Repayments of short-term loan payable	(2,290,000)	-
Repayments of long-term loan payable	(13,695,000)	(75,000)
Payments of distributions	(1,519,015)	(1,774,781)
Net cash (used in) provided by financing activities	(2,104,015)	18,150,218
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>36,507</b>	<b>(249,273)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>9,366,408</b>	<b>9,615,682</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>¥ 9,402,916</b>	<b>¥ 9,366,408</b>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31 2011 AND APRIL 30, 2011

## Note-1. Organization and basis of presentation

**(a) Organization** – Premier Investment Corporation (hereinafter, “PIC”) is an investment corporation established in May 2002 under the Law Concerning Investment Trusts and Investment Corporations (hereinafter, “Investment Trust Law”) with an initial capital of 200,000 thousand yen (400 units), and it is listed on the Tokyo Stock Exchange. Premier REIT Advisors Co., Ltd., is the asset manager of PIC.

On September 10, 2002, PIC issued 59,000 units for proceeds totaling 27,187,200 thousand yen through initial public offering. On November 15, 2003, December 10, 2003, May 31, 2005, November 26, 2007 and May 14, 2010, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, 22,000 units through public offering, 30,000 units through public offering and 8,700 units through third-party allotment, respectively. As of October 31, 2011, PIC had total unitholders’ capital of 71,957,904 thousand yen with 140,100 units outstanding.

As of October 31 2011, PIC owned a portfolio of 15 office buildings, 32 residential properties and preferred securities of an SPC (48 properties in total). Total acquisition costs of those properties were 165,874,826 thousand yen.

**(b) Basis of presentation** – The financial statements of PIC have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and other related regulations of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by PIC and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain items presented in the financial statements have been reclassified for the convenience of readers outside Japan. PIC does not prepare consolidated financial statements as PIC has no subsidiaries.

PIC’s fiscal period is six months, which respectively ends in April and October of each year.

Amounts less than 1 thousand yen have been omitted. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

## Note-2. Summary of significant accounting policies

**(a) Cash and cash equivalents** – Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust, and short-term investments. Short-term investments are highly liquid, readily convertible to cash, have an insignificant risk of change in value, and an original maturity of three months or less.

### **(b) Valuation standard and method for securities** –

*Available-for-sale securities* - 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:

Tools, furniture and fixtures	3 years
Buildings held in trust	3-68 years
Structures held in trust	3-37 years
Tools, furniture and fixtures held in trust	3-15 years

In accordance with the amended Japanese tax law, properties and equipment acquired on or after April 1, 2007 are depreciated with the residual value of one yen recognized at the end of the useful life.

Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over taxable lives.

However, in accordance with the amended Japanese tax law, such properties and equipment are depreciated with the residual value of one yen over five years from the following fiscal year after they are depreciated to the residual value of 5% of acquisition costs.

*Prepaid expenses* - Prepaid expenses are amortized using the straight-line method, and are mainly comprised of deferred financing costs for corporate bonds, loans, and insurance.

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

*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) Accounting standard for allowances** – Allowance for disaster loss relating to the cost of restoration for assets damaged by the March 11, 2011 Great East Japan Earthquake, which can be reasonably estimated as of the end of each period is recognized as an allowance.

**(e) Income taxes** – Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences for the carrying amount of assets and liabilities between book basis and tax basis is recognized as deferred taxes.

**(f) Property-related taxes** – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 0 yen and 368 thousand yen for the six months ended October 31, 2011 and April 30, 2011, respectively.

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

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

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

**(j) Additional information** – Effective from the accounting changes and corrections of past errors to be conducted after the beginning of the fiscal period ended October 31, 2011, PIC applied the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2011 and April 30, 2011 consisted of the following:

	Thousands of yen	
	October 31, 2011	April 30, 2011
Cash and deposits	¥ 2,326,676	¥ 2,091,402
Cash and deposits held in trust	7,076,239	7,275,006
Cash and cash equivalents	9,402,916	9,366,408

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, 2011 and April 30, 2011 consisted of the following:

	Thousands of yen					
	October 31, 2011			April 30, 2011		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 66,605,511	¥ 12,285,294	¥ 54,320,216	¥ 66,443,282	¥ 11,349,963	¥ 55,093,318
Structures	1,490,530	491,814	998,716	1,488,674	450,478	1,038,195
Tools, furniture and fixtures	181,293	126,686	54,607	174,013	114,632	59,380
Land	88,737,629	-	88,737,629	88,737,629	-	88,737,629
<b>SUBTOTAL</b>	<b>157,014,964</b>	<b>12,903,795</b>	<b>144,111,169</b>	<b>156,843,599</b>	<b>11,915,074</b>	<b>144,928,524</b>
Intangible fixed assets held in trust						
Leasehold held in trust	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets held in trust	4,497	1,169	3,328	4,497	868	3,629
<b>SUBTOTAL</b>	<b>1,782,100</b>	<b>1,169</b>	<b>1,780,931</b>	<b>1,782,100</b>	<b>868</b>	<b>1,781,232</b>
<b>TOTAL</b>	<b>¥ 158,797,065</b>	<b>¥ 12,904,964</b>	<b>¥ 145,892,100</b>	<b>¥ 158,625,699</b>	<b>¥ 11,915,942</b>	<b>¥ 146,709,756</b>

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

Corporate bonds for the six months ended October 31, 2011 and April 30, 2011 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2011 (Amount)	April 30, 2011 (Amount)	
Unsecured bond No.2 (issued on September 8, 2005 and due on September 7, 2012)	¥ 10,000,000	¥ 10,000,000	1.41
Unsecured bond No.3 (issued on August 18, 2010 and due on August 16, 2013)	7,000,000	7,000,000	0.97
<b>TOTAL</b>	<b>¥ 17,000,000</b>	<b>¥ 17,000,000</b>	<b>-</b>

The anticipated maturities of corporate bonds for the following one year ended October 31 starting in 2013 are as follows:

(thousands of yen)		
2013	¥	7,000,000



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

Short-term and long-term loans as of October 31, 2011 and April 30, 2011 consisted of the following:

	October 31, 2011		April 30, 2011	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on May 20, 2011 with floating rate	¥ -	-	¥ 2,290,000	1.05
Unsecured loan due on December 8, 2011 with floating rate	20,000,000	1.04	20,000,000	1.04
Unsecured loan due on May 18, 2012 with floating rate	2,000,000	1.06	-	-
Unsecured loan due on July 27, 2012 with floating rate	3,500,000	0.88	-	-
SUBTOTAL	25,500,000	-	22,290,000	-
LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on February 29, 2012 with fixed rate	3,650,000	1.83	3,650,000	1.83
Unsecured loan due on July 29, 2011 with fixed rate	-	-	10,500,000	1.89
Unsecured loan due on March 9, 2012 with fixed rate	5,400,000	1.91	5,400,000	1.91
Unsecured loan due on May 22, 2014 with floating rate	*1 150,000	1.94	150,000	1.95
Unsecured loan due on May 20, 2011 with floating rate	-	-	3,120,000	1.45
Unsecured loan due on March 30, 2012 with floating rate	1,000,000	1.34	1,000,000	1.35
SUBTOTAL	10,200,000	-	23,820,000	-
LONG-TERM LOANS				
Unsecured loan due on February 28, 2013 with fixed rate	2,850,000	2.08	2,850,000	2.08
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	1,000,000	2.24
Unsecured loan due on March 27, 2013 with fixed rate	7,900,000	1.61	7,900,000	1.61
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08	3,000,000	2.08
Unsecured loan due on May 22, 2014 with floating rate	*1 *2 2,512,500	1.94	2,587,500	1.95
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.73	3,900,000	1.73
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14	8,000,000	1.14
Unsecured loan due on May 20, 2014 with fixed rate	3,400,000	1.36	-	-
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39	-	-
SUBTOTAL	39,062,500	-	29,237,500	-
TOTAL	¥ 74,762,500	-	¥ 75,347,500	-

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

\*2 Repayment of 37.5 million yen at the end of February, May, August and November each year, starting at the end of August 2009, and ending with the repayment of 2,287.5 million yen on May 22, 2014 (or the business day immediately before the date if the date is not a business day).

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

The anticipated maturities of long-term loans for the following three years ended October 31 starting in 2013 are as follows:

	(thousands of yen)
2013	¥ 14,900,000
2014	5,762,500
2015	18,400,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2011 and April 30, 2011 were as follows:

	Thousands of yen	
	October 31, 2011	April 30, 2011
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 3,706,250	¥ 4,004,289
Common area charge	529,920	546,863
Subtotal	4,236,171	4,551,152
Other revenue		
Parking fees	128,871	131,384
Facility fees	27,507	29,742
Incidental revenue	204,221	189,255
Miscellaneous income	118,980	121,233
Subtotal	479,581	471,615
TOTAL REAL ESTATE RENTAL REVENUE	4,715,752	5,022,768
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	588,383	604,712
Utilities	244,015	232,164
Real estate taxes	340,166	307,561
Insurance	12,945	13,184
Maintenance and repairs	170,265	170,380
Trust fees	54,481	53,504
Depreciation	989,021	972,684
Miscellaneous expenses	127,686	124,819
TOTAL REAL ESTATE RENTAL EXPENSES	2,526,964	2,479,011
REAL ESTATE RENTAL INCOME	¥ 2,188,787	¥ 2,543,757

Note-9. Disaster loss

The loss from the March 11, 2011 Great East Japan Earthquake (costs for restoring assets) has been recognized as extraordinary loss (disaster loss).

The recorded amount includes 10,078 thousand yen as the allowance for disaster loss.

Note-10. 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, 2011 and April 30, 2011:

	October 31, 2011	April 30, 2011
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.21)	(39.28)
Other	0.06	0.06
<b>EFFECTIVE TAX RATE</b>	<b>0.17%</b>	<b>0.10%</b>

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of October 31, 2011 and April 30, 2011 were as follows:

	Thousands of yen	
	October 31, 2011	April 30, 2011
Deferred tax assets		
Enterprise taxes	¥ 1,308	¥ 2,960
Total of deferred tax assets	1,308	2,960
<b>NET DEFERRED TAX ASSETS</b>	<b>¥ 1,308</b>	<b>¥ 2,960</b>

Note-11. Per unit information

The following table summarizes the net assets per unit as of October 31, 2011 and April 30, 2011 and the net income per unit for the six months ended October 31, 2011 and April 30, 2011:

	October 31, 2011	April 30, 2011
Net assets per unit	¥ 522,963	¥ 524,464
Net income per unit	9,344	10,845

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

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

	Thousands of yen	
	October 31, 2011	April 30, 2011
Net income	¥ 1,309,232	¥ 1,519,501
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,309,232	1,519,501
Average number of units during the period	140,100 units	140,100 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2011 and April 30, 2011.

Note-12. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of October 31, 2011 and April 30, 2011, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2011	April 30, 2011
Due within one year	¥ 395,195	¥ 352,375
Due after one year	2,392,179	2,398,862
<b>TOTAL</b>	<b>¥ 2,787,374</b>	<b>¥ 2,751,238</b>

Note-13. 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 income, and this amount must exceed 90% of the “distributable income” which is defined in Article 67-15 of the Special Taxation Measures Law of Japan. No cash distributions exceeding the unappropriated income as set forth in Article 13, Paragraph 2 of the PIC’s Article of Incorporation were made.

Based on this policy, the board of directors of PIC resolved on January 16, 2012 and July 8, 2011 to make cash distributions of 1,309,234,500 yen and 1,519,524,600 yen for 140,100 units to unitholders of record on October 31, 2011 and April 30, 2011, respectively.

Income carried forward after the distributions for the six months ended October 31, 2011 and April 30, 2011 were as follows:

	October 31, 2011	April 30, 2011
Unappropriated income	¥ 1,309,285,328	¥ 1,519,577,406
Cash distributions declared	1,309,234,500	1,519,524,600
(Cash distribution declared per unit)	(9,345)	(10,846)
<b>INCOME CARRIED FORWARD</b>	<b>¥ 50,828</b>	<b>¥ 52,806</b>

Note-14. 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 in the future to hedge against interest rate fluctuations and other risks. However, PIC did not conduct derivative transactions in the fiscal periods under review.

*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 such measures as adjusting the ratio of the balance of loans with floating interest rates to the entire borrowings in accordance with the financing environment.

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 condition issues 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.

(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, 2011 and April 30, 2011 were as follows:

	Thousands of yen					
	October 31, 2011			April 30, 2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 2,326,676	¥ 2,326,676	¥ -	¥ 2,091,402	¥ 2,091,402	¥ -
(2) Cash and deposits held in trust	7,076,239	7,076,239	-	7,275,006	7,275,006	-
TOTAL ASSETS	¥ 9,402,916	¥ 9,402,916	¥ -	¥ 9,366,408	¥ 9,366,408	¥ -
Liabilities						
(1) Short-term loans	¥ 25,500,000	¥ 25,500,000	¥ -	¥ 22,290,000	¥ 22,290,000	¥ -
(2) Long-term loans payable due within one year	10,200,000	10,252,662	52,662	23,820,000	23,953,942	133,942
(3) Corporate bonds payable due within one year	10,000,000	10,061,100	61,100	-	-	-
(4) Long-term loans	39,062,500	39,282,651	220,151	29,237,500	29,231,372	(6,127)
(5) Corporate bonds	7,000,000	7,024,920	24,920	17,000,000	17,093,660	93,660
TOTAL LIABILITIES	¥ 91,762,500	¥ 92,121,333	¥ 358,833	¥ 92,347,500	¥ 92,568,975	¥ 221,475

\*1 The following methods are used to estimate the fair value of financial instruments:

- Assets**  
(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.
- Liabilities**  
(1) Short-term loans  
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.  
(2) Long-term loans payable due within one year and (4) long-term loans  
Fair values of these instruments are calculated based on the total amount of principals and interests discounted by rates estimated in the event that PIC conducts new borrowings corresponding to the remaining periods.  
(3) Corporate bonds payable due within one year and (5) corporate bonds  
Fair values of these instruments are calculated based on their market prices.

\*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 14,378,482 thousand yen) 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 for the following one year as of October 31, 2011 and April 30, 2011, are as follows:

	Thousands of yen	
	October 31, 2011	April 30, 2011
(1) Cash and deposits	¥ 2,326,676	¥ 2,091,402
(2) Cash and deposits held in trust	7,076,239	7,275,006
TOTAL	¥ 9,402,916	¥ 9,366,408

\*4 Planned repayment and redemption amounts of loans and corporate bonds for the following five years as of October 31, 2011 and April 30, 2011, are as follows:

	Thousands of yen				
	October 31, 2011				
	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
Short-term loans	¥ 25,500,000	¥ -	¥ -	¥ -	¥ -
Long-term loans	10,200,000	14,900,000	5,762,500	18,400,000	-
Corporate bonds	10,000,000	7,000,000	-	-	-
TOTAL	¥ 45,700,000	¥ 21,900,000	¥ 5,762,500	¥ 18,400,000	¥ -

	Thousands of yen				
	April 30, 2011				
	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
Short-term loans	¥ 22,290,000	¥ -	¥ -	¥ -	¥ -
Long-term loans	23,820,000	10,900,000	4,150,000	2,287,500	11,900,000
Corporate bonds	-	10,000,000	7,000,000	-	-
TOTAL	¥ 46,110,000	¥ 20,900,000	¥ 11,150,000	¥ 2,287,500	¥ 11,900,000

Note-15. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flow from Real Estate Property managed by UDX Special Purpose Company.

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, accordingly they are excluded from the disclosure of fair value.

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 sheet as of October 31, 2011 and April 30, 2011, the variations during the fiscal period and their fair values are as follows:

	Thousands of yen							
	October 31, 2011				April 30, 2011			
	Book value <sup>*1</sup> at May 1, 2011	Increase and decrease <sup>*2</sup> during the period	Book value <sup>*1</sup> at October 31, 2011	Fair value <sup>*3</sup> at October 31, 2011	Book value <sup>*1</sup> at October 31, 2010	Increase and decrease <sup>*2</sup> during the period	Book value <sup>*1</sup> at April 30, 2011	Fair value <sup>*3</sup> at April 30, 2011
Office buildings	¥ 69,369,436	¥ (222,958)	¥ 69,146,477	¥ 67,150,000	¥ 69,641,440	¥ (272,004)	¥ 69,369,436	¥ 67,170,000
Residential properties	77,336,690	(594,396)	76,742,294	66,072,000	72,271,325	5,065,365	77,336,690	64,817,000
TOTAL	¥ 146,706,126	¥ (817,354)	¥ 145,888,772	¥ 133,222,000	¥ 141,912,765	¥ 4,793,361	¥ 146,706,126	¥ 131,987,000

- \*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 acquisition). Other intangible fixed assets held in trust (totaling 3,328 thousand yen and 3,629 thousand yen as of October 31, 2011 and April 30, 2011) are not included.
- \*2 Major increases in the fiscal period ended October 31, 2011 are due to the capital expenditures (171,365 thousand yen) for installing OA-compatible floors and other works at The Kanagawa Science Park R&D Building, and major decreases are due to depreciation (989,021 thousand yen). Major increases in the fiscal period ended April 30, 2011 are due to the acquisition of Shibaura Island Bloom Tower (5,646,641 thousand yen) and the capital expenditures (119,102 thousand yen), and major decreases are due to depreciation (927,684 thousand yen).
- \*3 The fair values at the end of the fiscal period 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, 2011 and April 30, 2011 are as follows:

	Thousands of yen					
	May 1, 2011 to October 31, 2011			November 1, 2010 to April 30, 2011		
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income
Office buildings	¥ 2,251,713	¥ 1,178,455	¥ 1,073,258	¥ 2,552,599	¥ 1,203,637	¥ 1,348,962
Residential properties	2,464,038	1,348,508	1,115,529	2,470,168	1,275,373	1,194,795
TOTAL	¥ 4,715,752	¥ 2,526,964	¥ 2,188,787	¥ 5,022,768	¥ 2,479,011	¥ 2,543,757

\* 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 operating revenues from a single external customer account for less than 10% of the operating revenues on the profit and loss statements.

Note-18. Subsequent events

Issuance of new investment units

At the Board of Directors meetings held on October 26, 2011 and November 7, 2011, PIC resolved the issuance of new investment units through public offering and third-party allotment to use the funds for acquiring new properties and repayment of loans.

- PIC completed the public offering of 53,000 units on November 14, 2011, the payment date, at an offering price of 250,066 yen per unit. The total paid amount (issue price) from this offering was 12,816,248 thousand yen. The date of issuance and the starting date for calculating dividends are November 14, 2011 and November 1, 2011, respectively. As a result of the issuance of new investment units, the unitholders’ capital was 84,774,152 thousand yen with 193,100 units outstanding as of November 14, 2011.

- PIC completed the third-party allotment of 3,599 units on December 12, 2011, at an offering price of 250,066 yen per unit. The total paid amount (issue price) from this offering was 870,295 thousand yen. The date of issuance and the starting date for calculating dividends are December 12, 2011 and November 1, 2011, respectively. As a result of the issuance of new investment units, the unitholders’ capital was 85,644,448 thousand yen with 196,699 units outstanding as of December 12, 2011.

Loans

PIC borrowed 19,600 million yen on November 18, 2011 in order to fund the acquisition of the real estate trust beneficial interest trust in Urbannet Mita building and six other properties that were acquired as of November 18, 2011 (as described in the below Acquisition of properties) and the expenses related to the acquisition.

The lenders and other information on this 19,600 million yen loan are as indicated below:

- Under an unsecured and unguaranteed loan agreement with Development Bank of Japan Inc., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation and Mitsubishi UFJ Trust and Banking Corporation effective November 16, 2011, PIC received 7,600 million yen on November 18. The interest rate of the loan is TIBOR (for each interest calculation period) plus 0.6%, and the loan will mature on November 16, 2012.

\*Repayment before maturity - Of the short-term loan above (initial loan amount of 7,600 million yen), PIC repaid 1,200 million yen as of December 16, 2011 using proceeds from the issuance of new investment units through third-party allotment (refer to “Issuance of new investment units” above).

- Under an unsecured and unguaranteed loan agreement with Development Bank of Japan Inc., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation and Mitsubishi UFJ Trust and Banking Corporation effective November 16, 2011, PIC received 12,000 million yen on November 18. The interest rate of the loan is 1.16500%, and the loan will mature on November 18, 2014.

PIC borrowed 20,000 million yen on December 8, 2011 in order to repay 20,000 million yen in a short-term loan borrowed on December 8, 2010.

The lenders and other information on this 20,000 million yen loan are as indicated below:

- Under an unsecured and unguaranteed loan agreement with Aozora Bank, Ltd., NTT Finance Corporation, Resona Bank, Limited, The Chuo Mitsui Trust and Banking Company Limited and Mitsui Sumitomo Insurance Company, Limited effective December 6, 2011, PIC received 11,000 million yen on December 8. The interest rate of the loan is 1.29375%, and the loan will mature on December 8, 2015.
- Under an unsecured and unguaranteed loan agreement with The Chuo Mitsui Trust and Banking Company Limited, Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank, Ltd. effective December 6, 2011, PIC received 9,000 million yen on December 8. The interest rate of the loan is 1.43375%, and the loan will mature on December 8, 2016.

Acquisition of properties

Pursuant to the basic investment policy and other policies, PIC purchased the following:

- On November 18, 2011, trust beneficiary interest in Urbannet Mita Building for 10,300 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 3-10-1 Mita, Minato Ward, Tokyo, with an area of 2,489.67m<sup>2</sup>, total floor space of 13,987.76m<sup>2</sup>, and total leasable space of 10,103.39m<sup>2</sup>. Construction was completed in September 1987.

- On November 18, 2011, trust beneficiary interest in Urbannet Azabu Building for 5,000 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 1-6-15 Minami Azabu, Minato Ward, Tokyo, with an area of 1,052.82m<sup>2</sup>, total floor space of 6,486.42m<sup>2</sup>, and total leasable space of 4,801.06m<sup>2</sup>. Construction was completed in April 1992.

- On November 18, 2011, trust beneficiary interest in Urbannet Ichigaya Building for 1,650 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 25-5 Haraikatamachi, Shinjuku Ward, Tokyo, with an area of 1,207.48m<sup>2</sup>, total floor space of 4,217.01m<sup>2</sup>, and total leasable space of 2,760.05m<sup>2</sup>. Construction was completed in December 1993.

- On November 18, 2011, trust beneficiary interest in Kanda Chuodori Building for 2,450 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 2-3-3 Kajicho, Chiyoda Ward, Tokyo, with an area of 484.74m<sup>2</sup>, total floor space of 3,214.44m<sup>2</sup>, and total leasable space of 2,654.39m<sup>2</sup>. Construction was completed in January 1989.

- On November 18, 2011, trust beneficiary interest in NU Kannai Building for 3,300 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 223-1 Yamashitacho, Naka Ward, Yokohama City, Kanagawa, with an area of 1,726.58m<sup>2</sup>, total floor space of 10,963.91m<sup>2</sup>, and total leasable space of 7,983.69m<sup>2</sup>. Construction was completed in February 1987.

- On November 18, 2011, trust beneficiary interest in Ueno Tosei Building for 5,900 million yen. The acquisition was financed with proceeds from the offering and loans described above. This office building is located 4-27-3 Higashi Ueno, Taito Ward, Tokyo, with an area of 966.28m<sup>2</sup>, total floor space of 6,868.83m<sup>2</sup>, and total leasable space of 5,432.43m<sup>2</sup>. Construction was completed in May 2007.

- On November 18, 2011, trust beneficiary interest in Questcourt Harajuku for 4,500 million yen. The acquisition was financed with proceeds from the offering and loans described above. This residential property is located 3-59-4 Sendagaya, Shibuya Ward, Tokyo, with an area of 2,507.75m<sup>2</sup>, total floor space of 5,408.95m<sup>2</sup>, and total leasable space of 4,729.19m<sup>2</sup>. Construction was completed in January 2004.

Transfer of property

Based on the basic policy and other rules of asset management designated in the Articles of Incorporation, PIC transferred the following property:

- On February 1, 2012, Premier Stage Nihonbashi Kayabacho based on the real estate trust beneficiary interest transfer agreement concluded on October 26, 2011. The property was acquired by PIC on March 26, 2004 for 2,430 million yen. The book value of the property was 2,225 million yen as of October 31, 2011, resulting in a difference of 174 million yen from the planned transfer price. It was appriased at 2,400 million yen as of October 20, 2011 by Aoyama Realty Advisors, Inc. This residential property is located 3-4-1, Nihonbashi Kayabacho, Chuo Ward, Tokyo, with an area of 479.93m<sup>2</sup>, total floor space of 4,540.70m<sup>2</sup>, and total leasable space of 3,455.68m<sup>2</sup>. Construction was completed in February 2004.

# OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED OCTOBER 31, 2011 AND APRIL 30, 2011

## 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 18th Fiscal Period	Amount Paid before the 18th Fiscal Period
YS Kaigan Building	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2011 – December 2012	143,789	-	-
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2007 – October 2013	129,041	8,476	72,073
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 - April 2015	33,750	2,266	8,677

### 2. Capital Expenditures during the 18th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 18th fiscal period (May 1, 2011 - October 31, 2011) for the portfolio owned by PIC. Capital expenditures during the period totaled 171,365 thousand yen. This, combined with maintenance and repair expenditures of 170,265 thousand yen that were classified as operating expenses for the period, means a total of 341,630 thousand yen was spent on construction. Other than these, moreover, PIC conducted restoration work for assets damaged by the Great East Japan Earthquake during the fiscal period, and the cost of the restoration work was charged against the allowance for disaster loss (10,078 thousand yen) PIC recorded as of the end of the 17th fiscal period.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Installation of OA-compatible floors	July 2011 - September 2011	20,655
Kanagawa Science Park R&D Building	Kawasaki, Kanagawa	Renovation of high voltage switchboards	May 2011 - May 2011	17,749
Landic Shimbashi Building 1	Minato Ward, Tokyo	Renewal of sanitary facilities	October 2011 - October 2011	14,343
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Seismic reinforcement	August 2011 - October 2011	12,768
Landic Shimbashi Building 1	Minato Ward, Tokyo	Renewal of elevator halls	October 2011 - October 2011	10,138
Other construction	-	-	-	95,711
Total				171,365

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

(thousands of yen)					
Item \ Fiscal Period	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)
Deposits at end of the preceding period	280,195	285,945	291,695	297,445	345,941
Deposits made during the period	5,750	5,750	5,750	48,496	14,323
Amounts used from deposits during the period	-	-	-	-	-
Deposits carry forward to the next period	285,945	291,695	297,445	345,941	360,264

## OVERVIEW OF FUND PROCURMENT

### 1. Refinance and Repayment of Borrowings

(1) Of the 5,410 million yen in total comprising 3,120 million yen in long-term loans borrowed on May 22, 2009 and 2,290 million yen in short-term loans borrowed on May 21, 2010, PIC refinanced 5,400 million yen through 2,000 million yen in short-term loans and 3,400 million yen on long-term loans borrowed on May 20, 2011. PIC repaid the remaining 10 million yen using cash on hand.

(2) Of the 10,500 million yen in long-term loans borrowed on July 31, 2007, PIC refinanced 10,000 million yen through 3,500 million yen in short-term loans and 6,500 million yen on long-term loans borrowed on July 29, 2011. PIC repaid the remaining 500 million yen using cash on hand.

#### Details of New Borrowings in the 18th Fiscal Period

Amount	¥5,400 million		¥10,000 million	
	¥2,000 million	¥3,400 million	¥3,500 million	¥6,500 million
Drawdown date	May 20, 2011	May 20, 2011	July 29, 2011	July 29, 2011
Lenders	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (1,100 million yen) and Sumitomo Mitsui Banking Corporation (900 million yen)	The Chuo Mitsui Trust and Banking Company, Limited (2,200 million yen) and Resona Bank, Limited (1,200 million yen)	The Sumitomo Trust and Banking Co., Ltd. (2,500 million yen) and Mizuho Corporate Bank, Ltd. (1,000 million yen)	The Chuo Mitsui Trust and Banking Company, Limited (3,000 million yen), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (1,500 million yen), Aozora Bank, Ltd. (1,000 million yen) and Sumitomo Mitsui Banking Corporation (1,000 million yen)
Principal repayment date	May 18, 2012	May 20, 2014	July 27, 2012	July 29, 2015
Principal repayment method	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity
Interest rate	Floating rate: TIBOR + 0.70000% corresponding to the respective interest periods	Fixed rate: 1.36125%	Floating rate: TIBOR + 0.60000% corresponding to the respective interest periods	Fixed rate: 1.39250%
Collateral / guarantee	Unsecured and unguaranteed	Unsecured and unguaranteed	Unsecured and unguaranteed	Unsecured and unguaranteed

### 2. Other Repayments

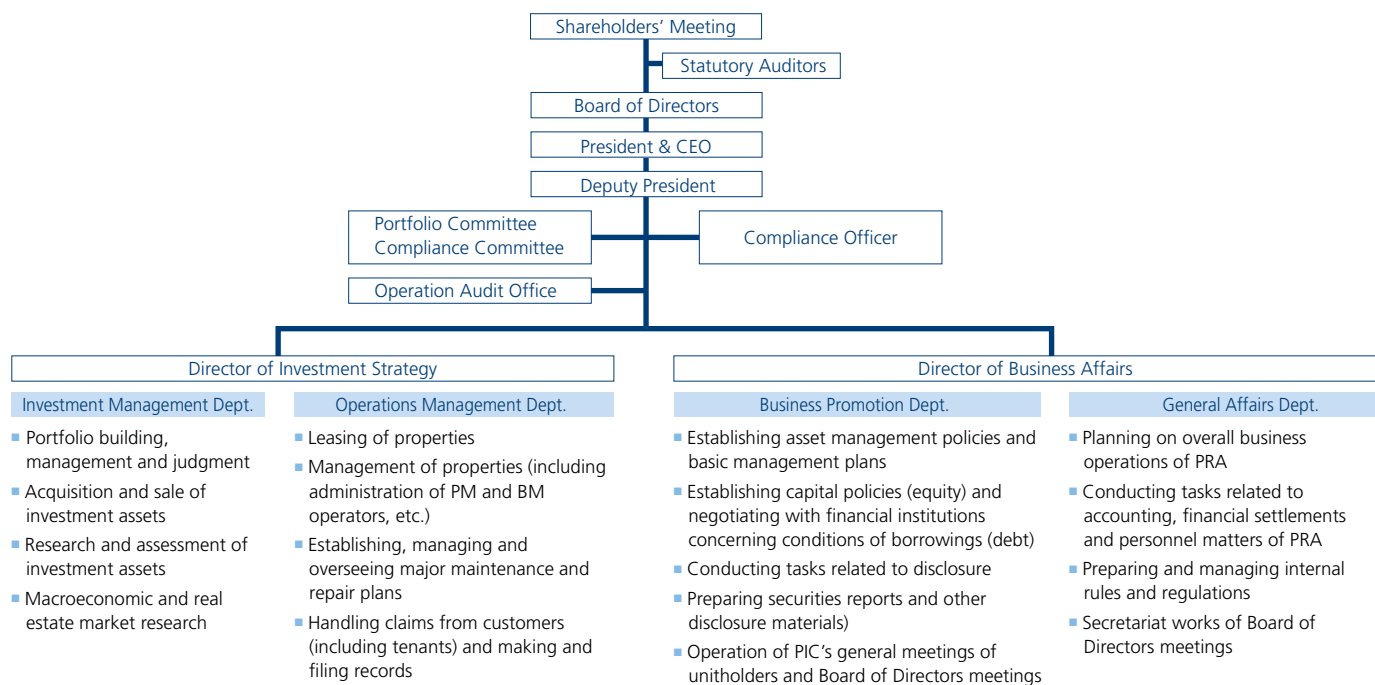
On May 31, 2011 and August 31, 2011, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of a long-term loan borrowed from Development Bank of Japan Inc. on May 22, 2009) using cash on hand.

As a result of the above, PIC's interest-bearing liabilities totaled 91,762.5 million yen as of October 31, 2011. The breakdown is as follows: 25,500 million yen in short-term loans, 49,262.5 million yen in long-term loans (including long-term loans due within one year), and 17,000 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 72.2%.

# ASSET MANAGER OVERVIEW

Trade name	Premier REIT Advisors Co., Ltd.
Line of business	Asset management business in accordance with the Financial Instruments and Exchange Act
President & CEO	Kimito Muragishi
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo
Paid-in capital	300 million yen (as of March 31, 2011)
Major shareholders and their shareholdings	<b>NTT Urban Development Corporation (shareholding: 53.1%)</b> The sole general real estate company within the NTT (Nippon Telegraph and Telephone Corporation) Group, with a stable financial base and high credibility as an NTT Group company.
	<b>Ken Corporation Ltd. (shareholding: 30.0%)</b> An integrated real estate think tank with strong expertise in brokerage, planning and management of high-grade rental residences primarily in central Tokyo.
	<b>SOHGOH REAL ESTATE CO., LTD. (shareholding: 10.0%)</b> A total solution provider in real estate that provides prime living spaces by taking advantage of its Group's comprehensive capabilities centering on condominium development services.
	<b>The Chuo Mitsui Trust and Banking Company Limited (shareholding: 4.9%)</b> A leading trust bank claiming achievements in structured finance operations that are of the highest level among Japanese banks, and boasting brokerage results at the forefront of the real estate industry.

## Organization Chart of Premier REIT Advisors (PRA) and Major Assignments



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