

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

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

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



SEMIANNUAL REPORT

36TH FISCAL PERIOD
ENDED OCTOBER 31, 2020

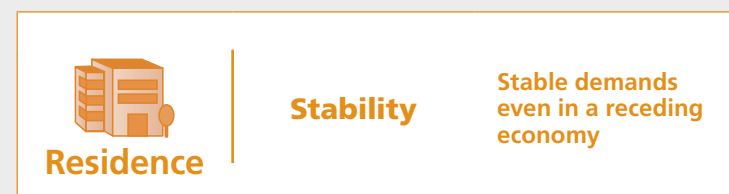
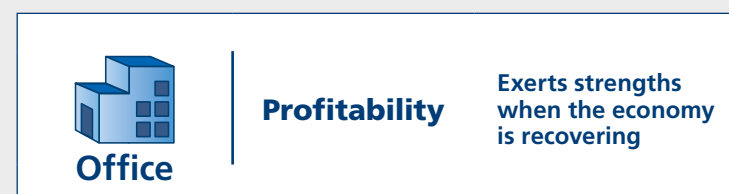
1. Comprehensive Support from **NTT Urban Development**, the Main Sponsor



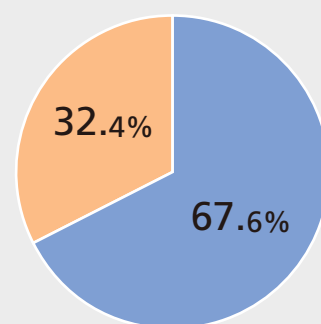
- Abundant track record of development and pipelines for office buildings
- Operating capability in real estate rental business
- Fund-raising capability based on its high credibility

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

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



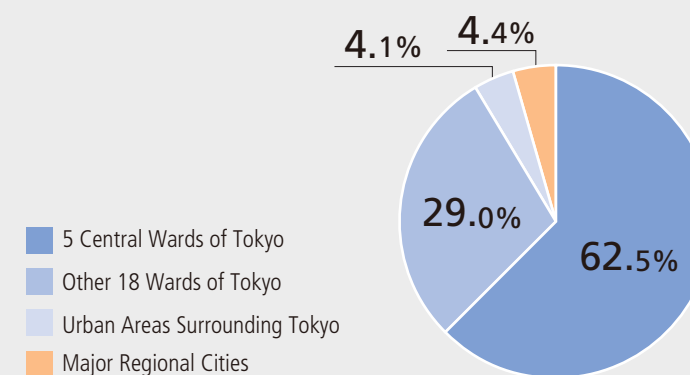
Portfolio Distribution by Asset Type
(October 2020)



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

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

Portfolio Distribution by Geographical Area
(October 2020)



MESSAGE TO OUR UNITHOLDERS



Takeshi Oodera
Executive Director
Premier Investment Corporation (PIC)



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

In the 36th fiscal period ended October 2020, PIC acquired Otemachi Financial City Grand Cube, a Class S building located in Chiyoda Ward, Tokyo, through a transaction for reshuffling of assets with NTT Urban Development Corporation (NTT UD).

Consequently, PIC's owned assets as of October 31, 2020 comprise 59 properties with 26 office buildings and 33 residential properties amounting to 246.7 billion yen in total. The occupancy rate of the entire portfolio stood at 96.8% as of that date.

For the 36th fiscal period, PIC posted operating revenues of 9,470 million yen, up 2.4%, and net income of 3,850 million yen, up 1.8%, both on a period-on-period basis. PIC secured a distribution per unit of 2,923 yen, which surpassed the forecast of 2,875 yen for the period announced in "Financial Report for the 35th Fiscal Period Ended April 30, 2020 (November 1, 2019 – April 30, 2020)," dated June 18, 2020.

Furthermore, in December 2020, PIC acquired Shinagawa Season Terrace, a Class S building located in Minato Ward, Tokyo, through a transaction for reshuffling of assets based on information provided by NTT UD.

In addition, it was arranged that Premier REIT Advisors Co., Ltd. (PRA), to which PIC has entrusted its asset management since its incorporation, will



Tomoyoshi Kosugi
President and CEO
Premier REIT Advisors Co., Ltd. (PRA)



merge with NTT Urban Development Asset Management Corporation, also an NTT UD Group company engaged in asset management operations, as of April 1, 2021, with the latter succeeding the former's business. The merger is expected to further enhance the asset management system and the compliance system of the relevant company, as well as expand opportunities for acquiring property information.

As these efforts show, PIC is making steady progress in expanding and improving the quality of its portfolio, while further reinforcing collaboration with the NTT Group.

With regard to the novel coronavirus infection (COVID-19), there are growing expectations for the development and supply of vaccines, although economic activities both within and outside Japan remain hard hit by the pandemic. PIC, which mainly invests in office buildings and residential properties in Central Tokyo, will closely monitor how the worsening business sentiment and the decreasing population inflow into Central Tokyo, etc. will impact its earnings, while determining to overcome this hardship by flexibly responding to the changing business environment.

Looking ahead, we at PIC will continue our utmost efforts to meet the expectations of our unitholders by realizing the steady growth of assets and stable management over the medium to long term in line with the growth strategy of the NTT Group. We appreciate and request your continued support and encouragement.

Table of Contents

Features of Premier Investment Corporation	1
Message to Our Unitholders	3
36th Fiscal Period Performance Highlights	4
Status of External Growth	6
Collaboration with the NTT Group	7
Strengthening Ties with NTT UD	8
Initiatives on ESG Awareness	9
Management Status in the 36th Fiscal Period	11
Financial Status in the 36th Fiscal Period	13
Property Portfolio	15
Information for Unitholders	18
Overview of Properties Owned (as of the end of the 36th fiscal period)	19
Organization of PIC	27

<Financial Section>

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

36TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

Financial Results Highlights

Distribution per Unit <small>(Note 1)</small>	35th Fiscal Period (ended April 2020)	¥ 2,872	(Note 1) Number of outstanding investment units at end of period: 35th Fiscal Period: 1,316,995 units 36th Fiscal Period: 1,316,995 units 37th Fiscal Period: 1,316,995 units (forecast)
	36th Fiscal Period (ended October 2020)	¥ 2,923	
	37th Fiscal Period (ending April 2021) <small>(Note 2)</small>	¥ 3,890 (forecast)	

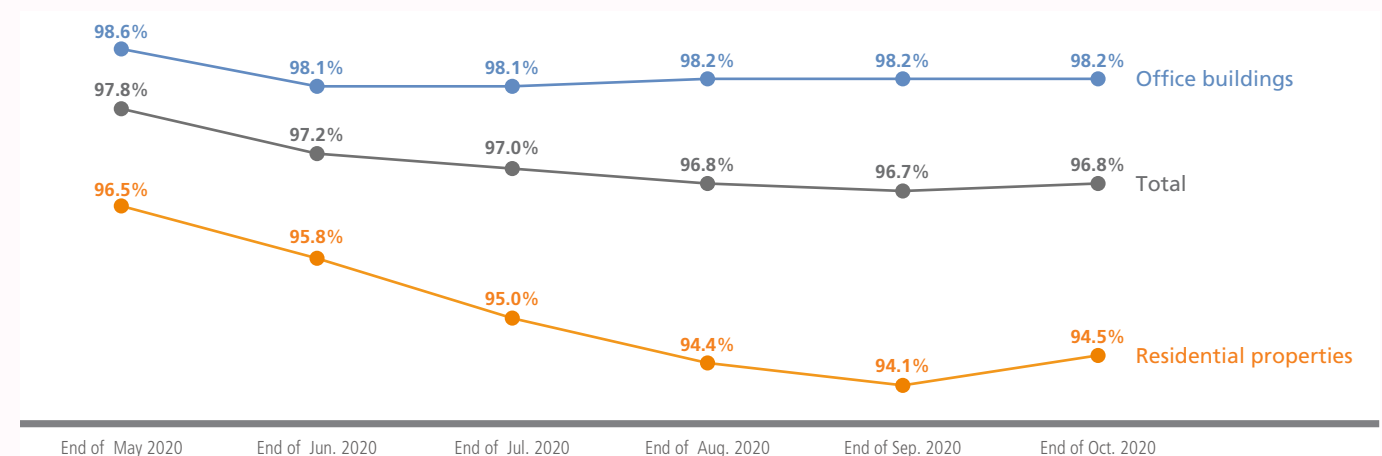
(Note 2) The figure is based on what was announced in the Financial Report for the 36th Fiscal Period Ended October 31, 2020 (May 1, 2020 – October 31, 2020) dated December 16, 2020.

(mm yen)

		35th Fiscal Period (ended April 2020)	36th Fiscal Period (ended October 2020)
Operating Revenues		9,249	9,470
Operating Income		4,175	4,248
Ordinary Income		3,783	3,852
Net Income		3,782	3,850
Total Assets		245,487	249,237
Net Assets		124,895	124,962
Net Assets Ratio		50.9%	50.1%
Net Assets per Unit		94,833 yen	94,884 yen
LTV (Note)	Total assets basis	44.6%	45.3%
	Market value basis	39.1%	39.6%

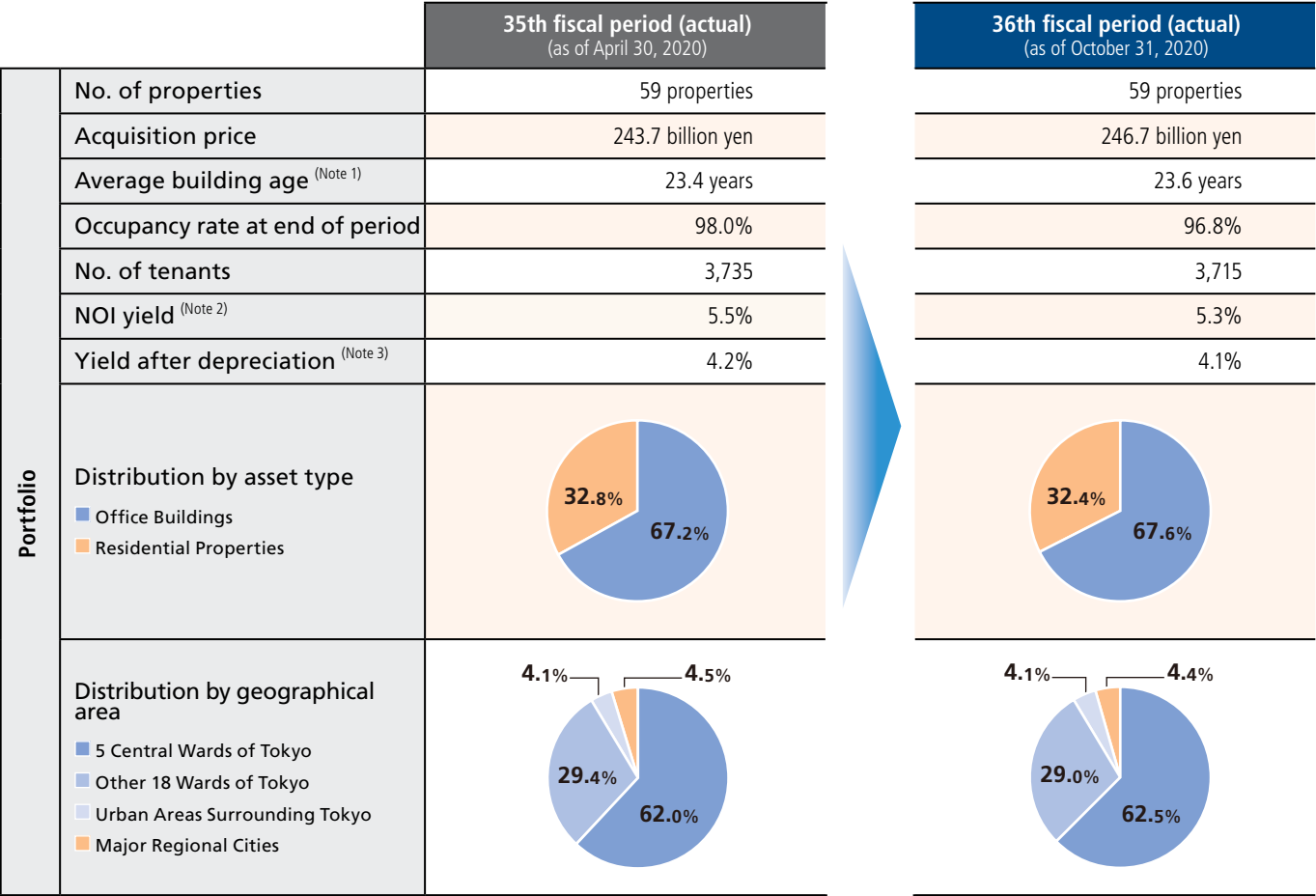
(Note) LTV (Total assets basis) = interest-bearing liabilities / total assets × 100
LTV (Market value basis) = interest-bearing liabilities / (appraisal value of owned beneficiary interests in trust + book value of preferred securities) × 100

Monthly Occupancy Rate for the 36th Fiscal Period



(Note) The value related to the property backing the preferred securities of an SPC is not included in the calculation of the occupancy rate.

Portfolio Status



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

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

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

STATUS OF EXTERNAL GROWTH

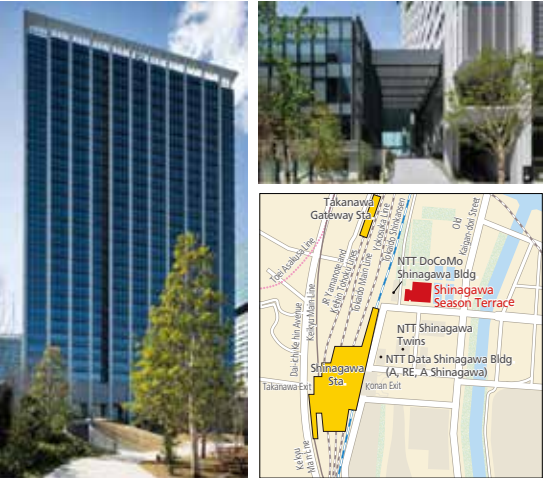
Reshuffling of Properties

PIC replaced a property with one owned by NTT UD (36th fiscal period) and conducted a transaction for property reshuffling with a domestic operating company based on pipeline support (provision of information) by NTT UD (37th fiscal period).



Property Acquired in the 37th Fiscal Period (Shinagawa Season Terrace)

- Realized acquisition of an urban multi-use building, featuring cutting-edge specifications and high scarcity value, through pipeline support by the sponsor.
- The interest in the property is held in co-ownership with NTT UD, the developer, to enhance the presence of the NTT UD group in the Konan area in Shinagawa, where the assets of the NTT Group are concentrated.



A Case of Urban Solutions by the NTT Group

- The property was developed as a large-scale public-private partnership development project utilizing three-dimensional urban planning by the Tokyo Metropolitan Government and four private businesses including NTT UD.
- It contributes to the creation of an “eco-friendly city” by featuring NTT’s unique capabilities in the latest ICT technologies as well as construction and infrastructure technologies.

Location Characteristics

- Located in Shinagawa, which continues to evolve as a location for a cluster of global companies with many railway lines and Shinkansen trains available, the property is approximately a six-minute walk from JR Shinagawa Station.
- With Takanawa Gateway Station, a new JR station, having opened in March 2020 and the Linear Chuo Shinkansen Line being constructed there, the area features excellent accessibility.

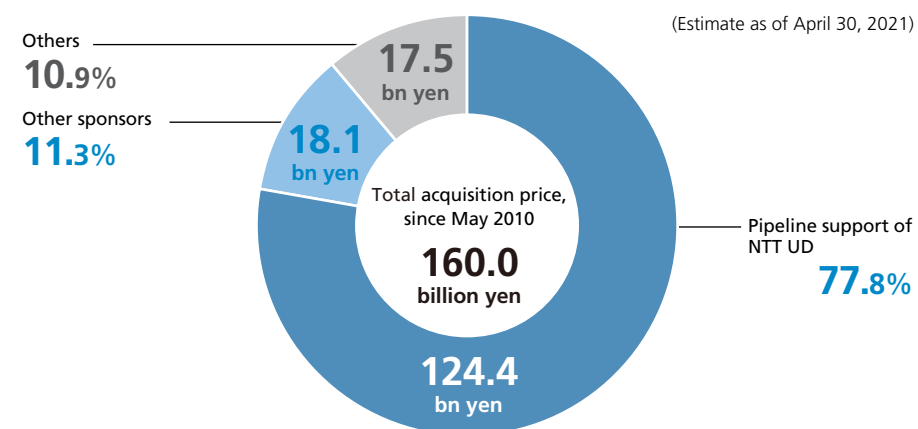
Property Characteristics

- The office floors are among the largest in Japan with a space of about 1,500 tsubos per floor. The property works to enhance business productivity by having restaurant tenants and conference rooms on the lower floors.
- It adopts cutting-edge facilities with superior energy-saving performance by effectively utilizing natural energy, etc., and has acquired multiple environmental certifications including CASBEE (New Construction) Rank S.

COLLABORATION WITH THE NTT GROUP

Status of Property Acquisition Sources

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



Top 10 Tenants Occupying PIC's Office Buildings (as of October 31, 2020)

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	NTT Facilities, Inc.	10,680m ²	6.1%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	10,525m ²	6.0%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m ²	4.3%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m ²	3.9%	Rokubancho Building
5	SoftBank Corp.	6,293m ²	3.6%	Sphere Tower Tennozu (Note 2)
6	NTT DATA Corporation	5,871m ²	3.4%	Urbannet Mita Building
7	NTT Finance Corporation	5,417m ²	3.1%	Urbannet Ikebukuro Building
8	NTT Data Business Systems Corporation	5,182m ²	3.0%	Urbannet Gotanda NN Building
9	NTT Learning Systems Corporation	4,801m ²	2.8%	Urbannet Azabu Building
10	FIELDS CORPORATION	3,106m ²	1.8%	KN Shibuya No.3
Total		66,240m ²	38.0%	

(Note 1) The ratio represents the percentage of the leased floor space of the relevant tenants to the gross area under lease of floors practically used for offices.

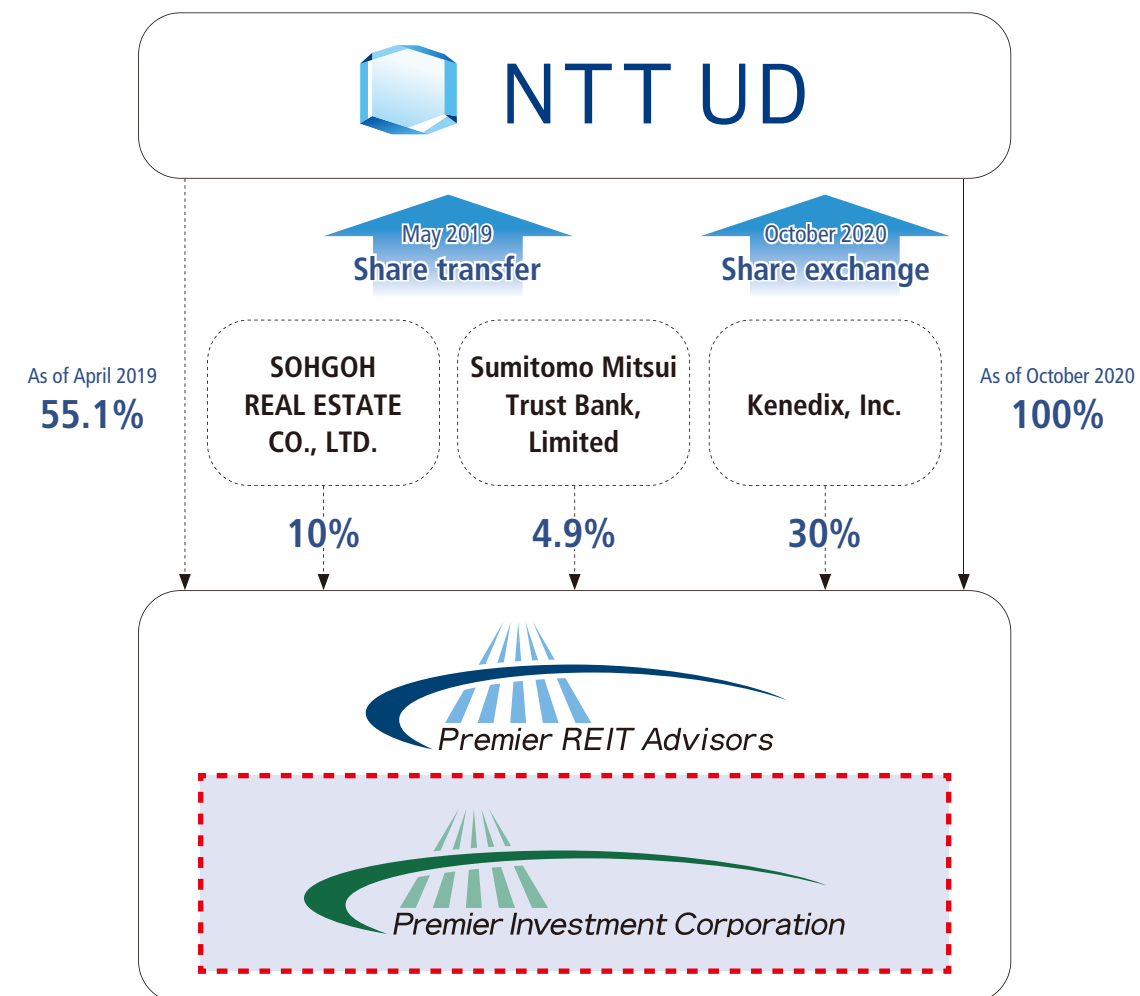
(Note 2) The leased floor space of Sphere Tower Tennozu indicates the figure corresponding to the substantial ownership ratio of PIC for the building portion of the property.

STRENGTHENING TIES WITH NTT UD

Strengthening Sponsorship of NTT UD (Making the Asset Manager a Wholly-Owned Subsidiary)

- NTT UD continued to acquire further shares of Premier REIT Advisors Co., Ltd. (PRA), to which PIC entrusts its asset management, to eventually make PRA a wholly-owned subsidiary in October 2020.
- With the Asset Manager becoming a wholly-owned subsidiary, collaboration with NTT UD, the sponsor, was further reinforced and also expanded opportunities for property acquisitions.

« Changes in the Capital Structure of PRA since 2019 »



INITIATIVES ON ESG AWARENESS

Acquisition of Environmental Certifications from External Bodies

GRESB (Fiscal 2020)

- PIC was selected as a "Sector Leader" (Diversified - Office/Residential) in Asia.
- PIC received "4 Stars" in the GRESB Rating, which awards applicants a relative evaluation based on the total GRESB score.
- In the GRESB Real Estate Assessment, PIC received a "Green Star" rating (for the fourth consecutive year).

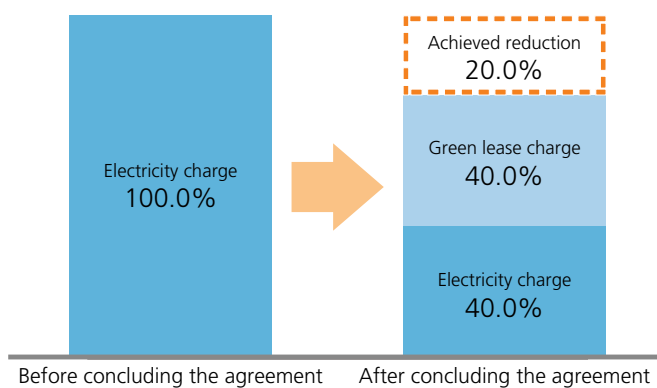


Conclusion of Green Lease Agreements

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

Gotanda NT Building	Landic Shimbashi Building
Landic Shimbashi 2 Building	Premier Toyochi Building

(Illustrative Chart of Cost Reduction at Tenants)



Certification for CASBEE for Real Estate

- PIC has acquired rank S (for 6 properties) and rank A (for 11 properties) certifications out of the 58 properties in its portfolio.

Assessment	Property name
Rank S	Granpark (newly certified in the 36th fiscal period)
	Urbannet Omori Building
	Sphere Tower Tennozu (newly certified in the 36th fiscal period)
	NTT CRED Okayama Building
	Urbannet Shizuoka Ote-machi Building
	Urban Ace Higobashi Building



Status of Acquisition of Environmental Certifications

(as of October 31, 2020)

	Number of properties acquiring certifications	Acquisition ratio (by number of properties)	Floor space of properties acquiring certifications	Acquisition ratio (by total floor area)
Certification for CASBEE for Real Estate	17	29.3%	188,280m ²	47.7%
DBJ Green Building Certification	3	5.2%	13,905m ²	3.5%
BELS	1	1.7%	6,868m ²	1.7%
Low-Carbon Model Building	3	5.2%	26,048m ²	6.6%

Society

Response to the Spread of COVID-19

For investors

- Proactively provided information, through teleconferences and other means, on the impact of the spread of COVID-19 on the operations of PIC.
 - * Individual meetings with institutional investors conducted (IR for the 35th fiscal period results).
 - 41 cases with domestic investors
 - 7 cases with overseas investors
- The financial results briefings were conducted online, instead of physical meetings (for the 35th and 36th fiscal periods). The question and answer sessions on the 36th period financial results for institutional investors were also conducted via conference calls.

For tenants

- Called attention to securing measures within buildings by putting up anti-infection posters.
- Reinforced hygiene management by placing alcohol disinfectants in common spaces.

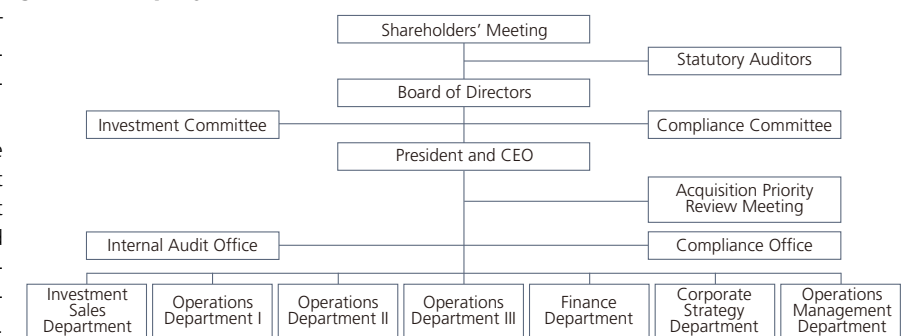
For officers and employees

- PRA, the Asset Manager, implemented a work system aiming to allow 70% of staff work from home, which is the target set forth by the NTT Group. Payment of work-from-home allowances also commenced.
- Promoted collaboration and platform creation, including online meetings, for the smooth implementation of work from home.
- Adopted a super-flextime system that does not set any core working hours, to promote a more time-flexible work style.

Governance: after the merger of the asset management companies

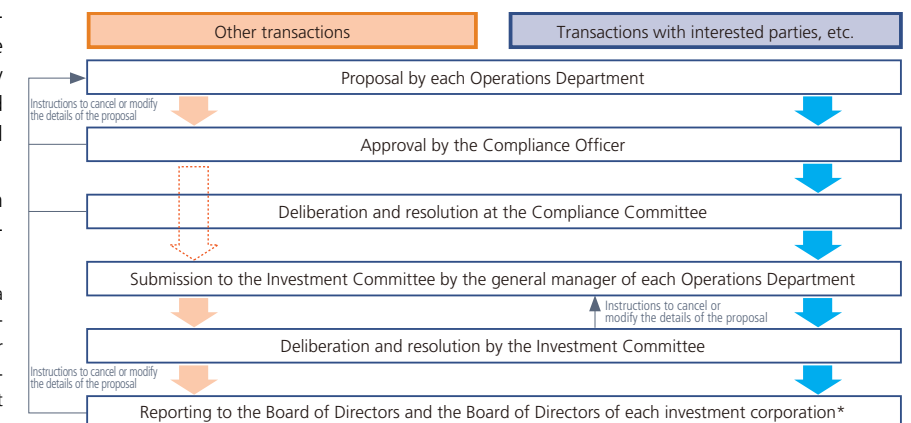
Organization Chart of the New Asset Management Company (Planned)

- PRA, the Asset Manager, will merge with NTT Urban Development Asset Management Corporation, which will succeed the entrusted operations of PIC.
- A new system will be employed, in which the operation managers of Operations Department I (management of PIC), Operations Department II (management of private placement REITs) and Operations Department III (management of private placement funds, etc.) will not concurrently serve as managers of other departments.



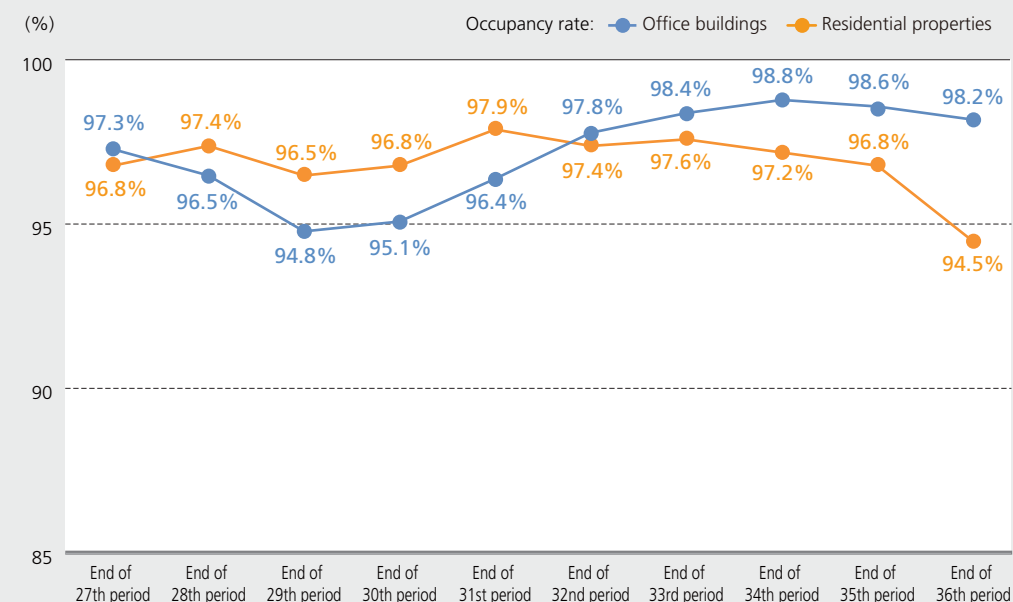
Decision-Making Flow on Investment Assets (Planned)

- Each Operations Department will prepare proposals for property transactions. After the Compliance Officer examines if there are any legal compliance issues in the proposals and approves them, the Investment Committee will deliberate on them and make a resolution.
- In order to reinforce the governance system, an external real estate appraiser will be newly added as a member of the Investment Committee.
- * For transactions with interested parties, etc. with a price beyond a certain standard amount, prior approval by the Board of Directors of PIC is required. For private placement funds, it is only required that a report is made to the Board of Directors of the asset management company.

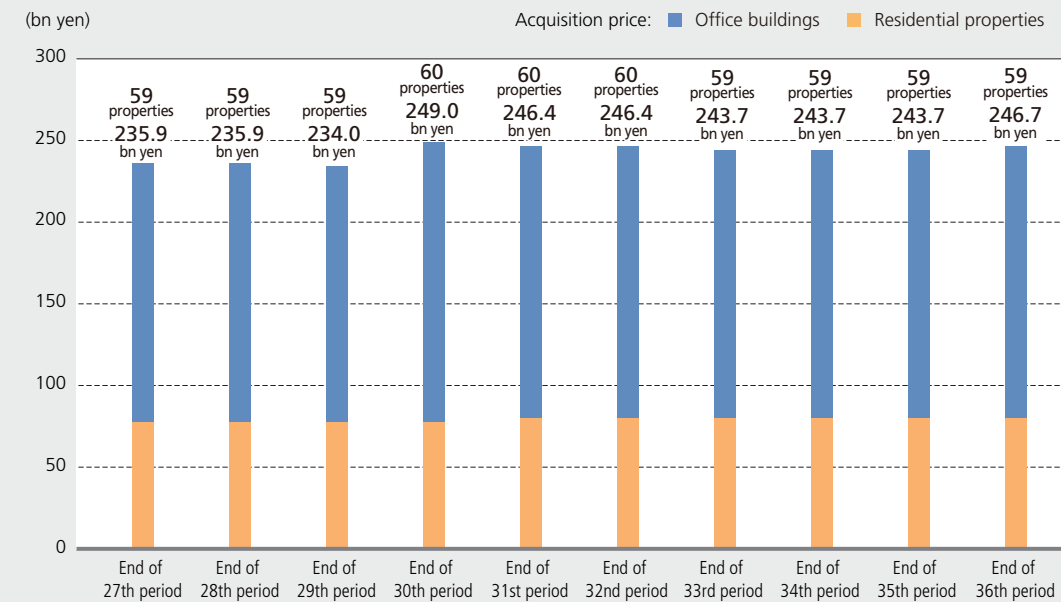


MANAGEMENT STATUS IN THE 36TH FISCAL PERIOD

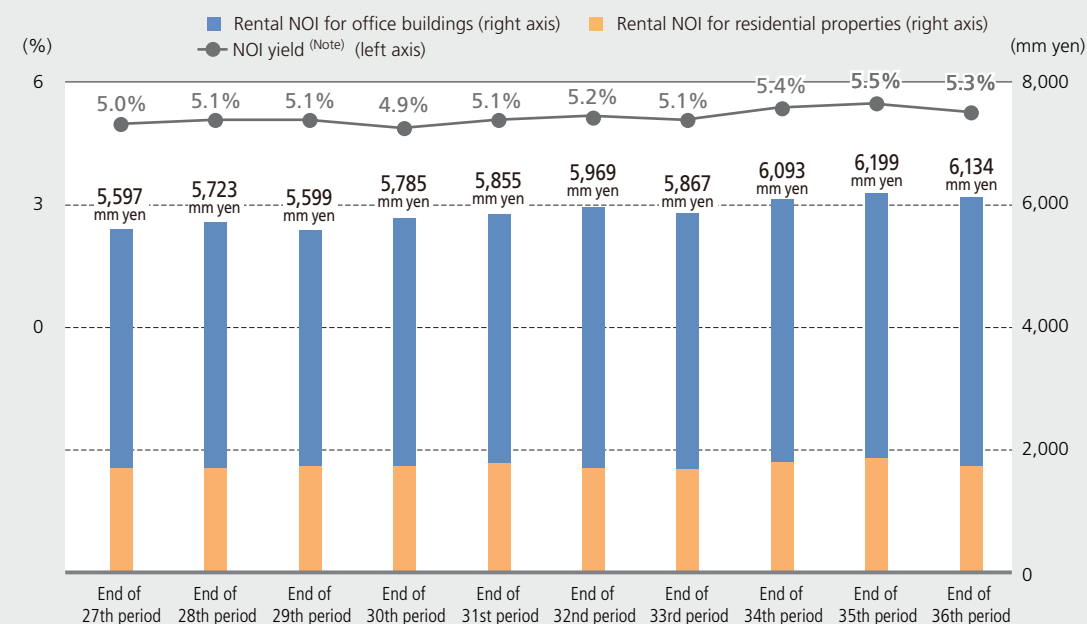
Changes in Occupancy Rates



Changes in Asset Size



Changes in NOI and NOI Yields

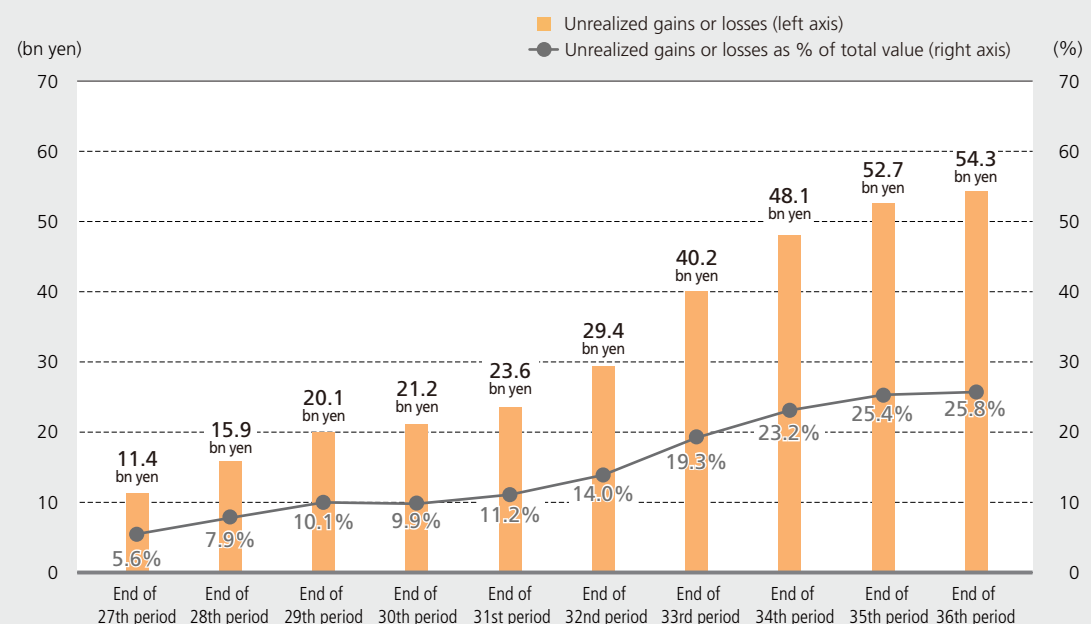


(Note) NOI yield = annualized rental NOI* / investment value**

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

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

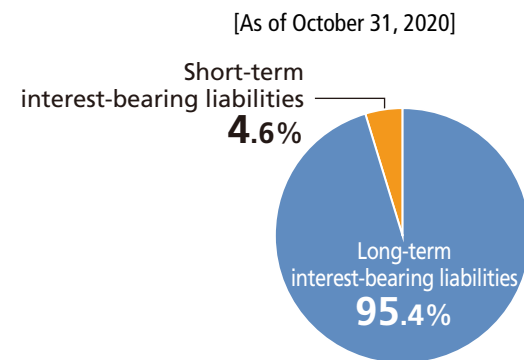
Changes in Unrealized Gains or Losses



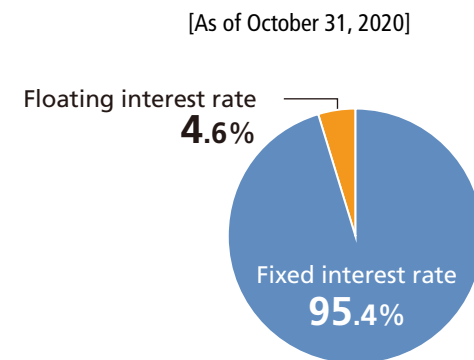
FINANCIAL STATUS IN THE 36TH FISCAL PERIOD

Status of Interest-Bearing Liabilities

Ratios of Long-Term and Short-Term Borrowings ^(Note)

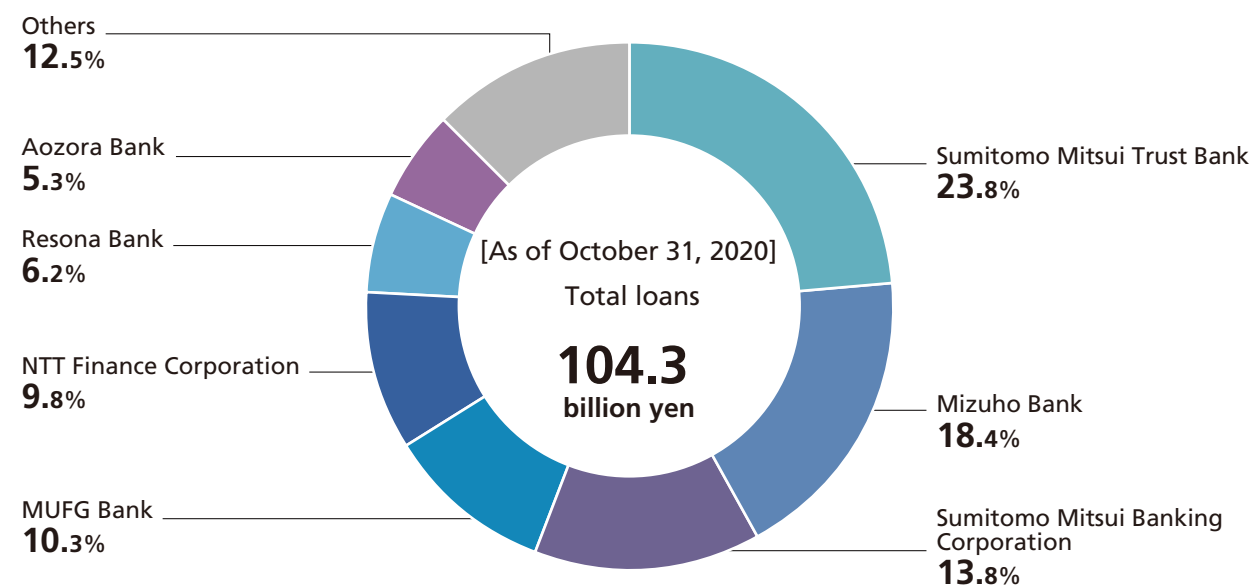


Ratios of Fixed and Floating Interest Rate Borrowings

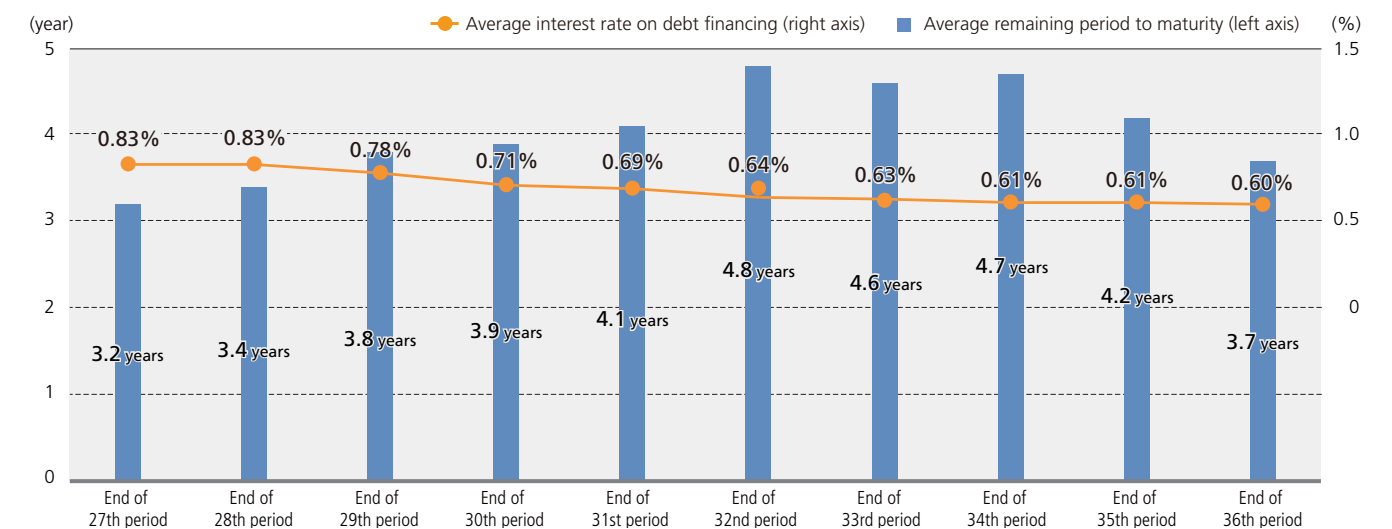


(Note) Classification is made by the periods from the drawdown dates for loans and from the issue dates for corporate bonds.

Breakdown of Lenders



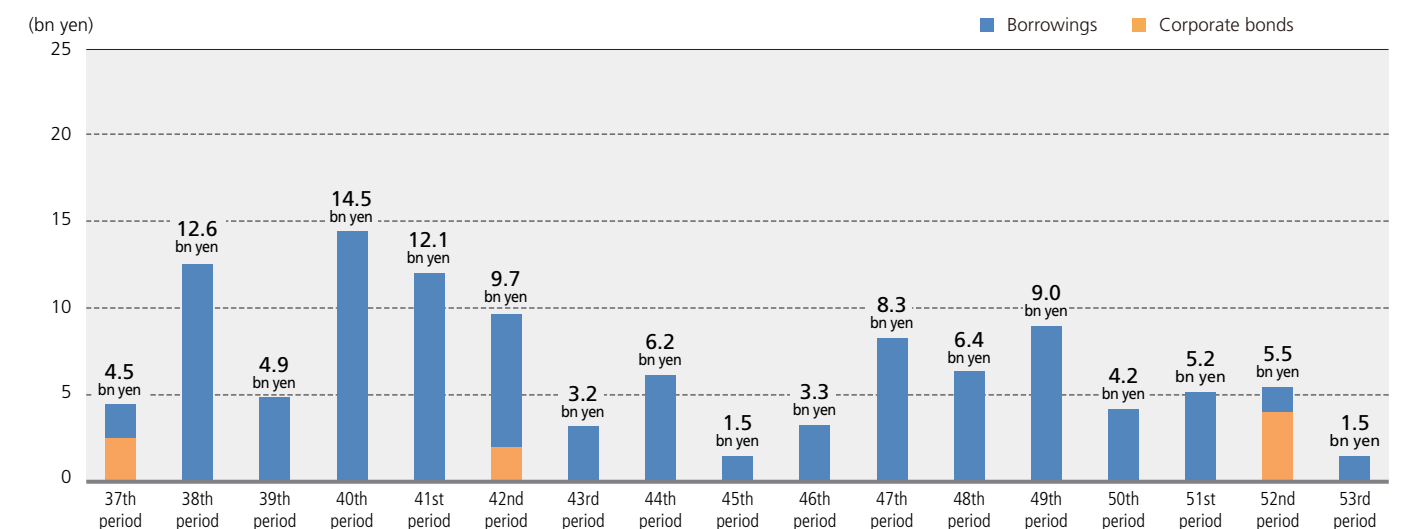
Changes in the Average Interest Rate and Average Remaining Period to Maturity



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

Repayment Schedule of Interest-Bearing Liabilities

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



Credit Rating Status

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

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

[36th Fiscal Period (as of October 31, 2020)]

No.	Area	Property Name <small>(Note 1)</small>	Acquisition Price (mm yen) <small>(Note 2)</small>	Share (%) <small>(Note 3)</small>	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) <small>(Note 4)</small>	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Office Buildings										
A01	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.6%	100.0	206	83	122	10.6	
A02		Landic Shimbashi 2 Building	7,045	2.9%	100.0	243	104	138	12.9	
A03		Premier Dogenzaka Building	1,727	0.7%	100.0	87	28	59	5.5	
A04		KN Shibuya No.3	5,348	2.2%	100.0	266	90	176	10.6	
A05		Takadanobaba Center Building	5,118	2.1%	100.0	263	109	154	2.0	
A06		Rokubancho Building	7,860	3.2%	100.0	(Note 5)	(Note 5)	185	10.8	
A10		Urbannet Mita Building	10,300	4.2%	100.0	316	144	171	7.2	
A11		Urbannet Azabu Building	5,000	2.0%	100.0	(Note 5)	(Note 5)	78	10.5	
A15		Granpark	11,490	4.7%	98.6	478	212	266	12.0	
A16		Urbannet Kojimachi Building	3,600	1.5%	100.0	166	70	96	10.0	
A17		Otemachi Financial City Grand Cube	4,680	1.9%	100.0	80	19	60	8.6	
B02	Other 18 Wards of Tokyo	Premier Toyochō Building	4,310	1.7%	100.0	114	105	9	16.2	
B03		Ueno TH Building	4,380	1.8%	100.0	128	89	38	12.8	
B04		Gotanda NT Building	4,100	1.7%	100.0	99	39	60	14.3	
B05		Ueno Tosei Building	5,900	2.4%	100.0	215	103	112	10.7	
B06		Urbannet Ikebukuro Building	13,600	5.5%	100.0	756	401	355	13.0	
B07		Urbannet Omori Building	4,800	1.9%	100.0	249	123	125	6.8	
B08		Sphere Tower Tennozu	15,000	6.1%	99.6	596	344	252	8.3	
B09		Urbannet Gotanda NN Building	5,250	2.1%	100.0	208	80	128	9.7	
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.4%	100.0	150	88	62	10.2	
C02		The Kanagawa Science Park R&D Building	6,556	2.7%	88.0	404	269	134	10.4	
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.5%	88.6	256	232	23	14.4	
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.7%	100.0	108	47	61	9.0	
G04		Urbannet Shizuoka Building	1,119	0.5%	100.0	76	34	41	9.0	
G05		Urban Ace Higobashi Building	4,600	1.9%	100.0	249	172	77	6.3	
Subtotal			25 properties	146,910	59.5%	98.2	6,165	3,172	2,992	-

(continued on next page)

(cont'd)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Residential Properties										
D01	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.1%	94.7	153	65	88	7.4	
D02		Park Axis Meiji-Jingumae	2,604	1.1%	88.8	56	20	35	9.9	
D04		Cabin Arena Akasaka	1,330	0.5%	94.2	41	15	26	10.	
D05		Cabin Arena Minami-Aoyama	1,070	0.4%	90.0	35	16	18	11.2	
D06		Bureau Kioicho	1,840	0.7%	100.0	38	11	27	11.6	
D08		Roppongi Green Terrace	4,678	1.9%	100.0	141	51	89	10.3	
D09		Premier Stage Shibakoen II	2,181	0.9%	89.2	55	27	28	11.5	
D11		Langue Tower Kyobashi	927	0.4%	89.6	36	15	20	12.5	
D12		Premier Stage MitaKeidaimae	1,580	0.6%	96.6	51	19	31	14.3	
D13		Premier Rosso	1,662	0.7%	100.0	56	22	34	14.0	
D14		Premier Blanc Yoyogikouen	2,330	0.9%	98.7	69	34	35	13.1	
D15		Premier Stage Uchikanda	1,723	0.7%	93.2	62	23	38	13.8	
D16		Premier Stage Ichigayakawadacho	1,460	0.6%	98.4	49	19	30	13.1	
D17		Walk Akasaka	2,043	0.8%	91.2	51	24	26	13.9	
D18		Premier Stage Shibakoen	1,585	0.6%	93.2	47	20	27	16.1	
D19		MEW	1,556	0.6%	96.5	39	23	15	13.9	
D20		Shibaura Island Air Tower	7,590	3.1%	94.5	354	243	110	11.2	
D21		Storia Akasaka	3,930	1.6%	82.4	91	36	54	11.7	
D22		Renai Shinjuku-Gyoen Tower	6,500	2.6%	93.0	187	105	81	7.2	
D23		Shibaura Island Bloom Tower	5,500	2.2%	97.3	288	174	114	10.0	
D24		Questcourt Harajuku	4,500	1.8%	94.6	145	56	89	12.7	
D25		Urbancourt Ichigaya	1,385	0.6%	86.8	60	26	33	12.0	
D26		Premier Stage Azabu-Juban	1,420	0.6%	88.9	37	17	19	14.6	
D27		Premier Stage Sasazuka	1,080	0.4%	96.3	32	11	20	10.5	
E01	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.4%	100.0	29	9	19	12.1	
E02		Premier Garden Hongo	975	0.4%	100.0	34	8	25	12.1	
E03		Premier Grande Magome	1,560	0.6%	93.9	42	16	26	15.7	
E04		Premier Nozze Yutenji	1,525	0.6%	100.0	41	20	20	13.6	
E05		Premier Stage Yushima	1,803	0.7%	98.9	52	29	23	17.2	
E06		Premier Stage Komagome	1,830	0.7%	95.2	54	45	9	18.0	
E07		Premier Stage Otsuka	1,310	0.5%	93.8	43	36	7	22.5	
E08		Premier Stage Honjo-Azumabashi	2,640	1.1%	92.7	81	140	-58	14.7	
E09		Premier Stage Ryogoku	1,496	0.6%	92.1	46	25	21	12.8	
Subtotal			33 properties	79,894	32.4%	94.5	2,611	1,415	1,196	-

(continued on next page)

(cont'd)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Preferred Securities (Office Building)									
Z01	5 Central Wards of Tokyo	UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 6)	19,940	8.1	-	-	-	-	-
Subtotal 1 property			19,940	8.1	-	-	-	-	-
Total 59 properties			246,744	100.0	96.8	8,776	4,588	4,188	8.4

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

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

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

(Note 4) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures.

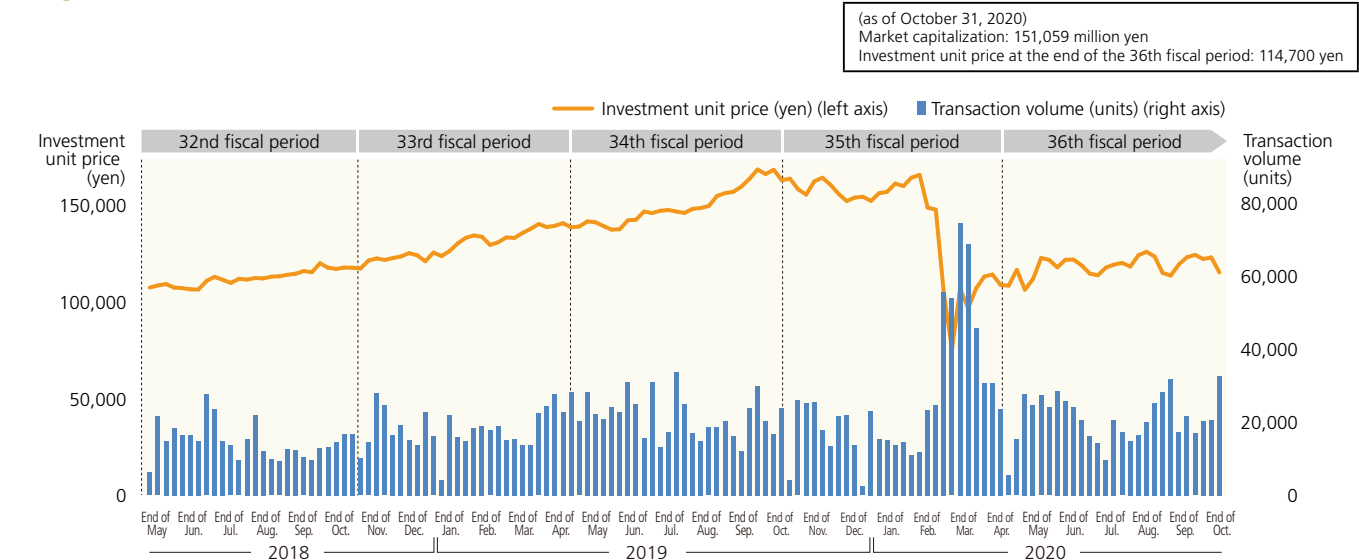
In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.

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

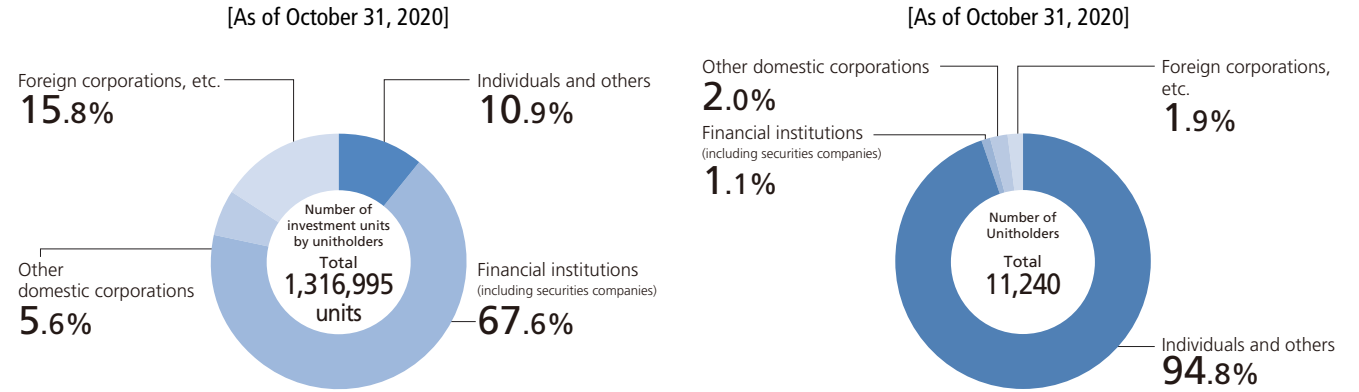
(Note 6) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

INFORMATION FOR UNITHOLDERS

Investment Unit Status Changes in Investment Unit Price of PIC

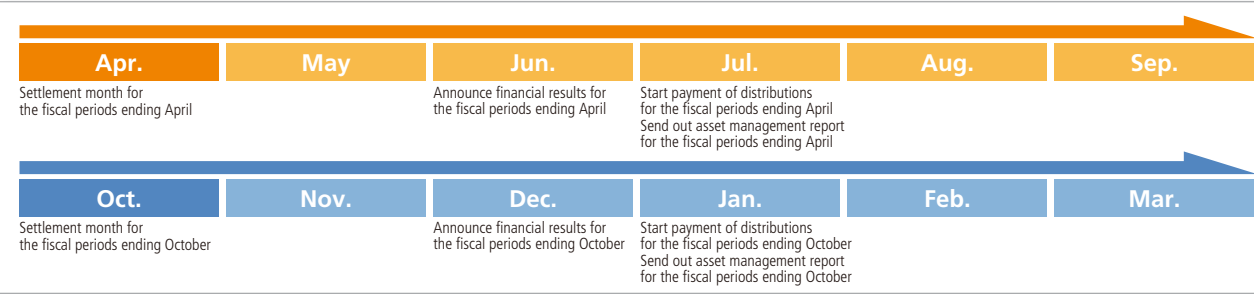


Number of Investment Units by Unitholders and Number of Unitholders



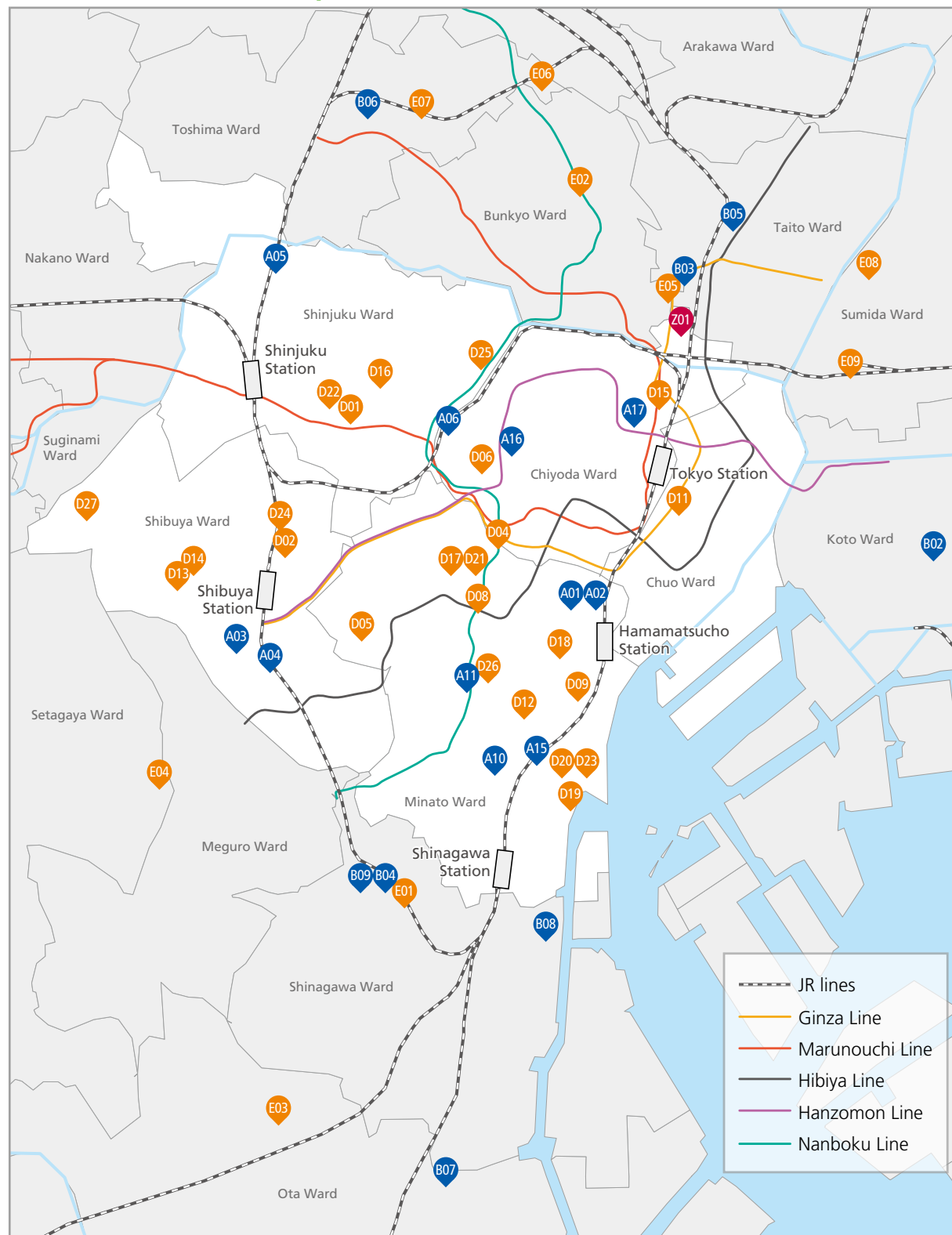
(Note) The investment unit ratio has been rounded down to the first decimal place.

Annual Schedule



OVERVIEW OF PROPERTIES OWNED (AS OF THE END OF THE 36TH FISCAL PERIOD)

Distribution of Portfolio Properties



5 Central Wards of Tokyo

- | | | |
|--|-------------------------------------|--|
| A01 Landic Shimbashi Building | D01 Park Axis Yotsuya Stage | D18 Premier Stage Shibakoen |
| A02 Landic Shimbashi 2 Building | D02 Park Axis Meiji-Jingumae | D19 MEW |
| A03 Premier Dogenzaka Building | D04 Cabin Arena Akasaka | D20 Shibaura Island Air Tower |
| A04 KN Shibuya No.3 | D05 Cabin Arena Minami-Aoyama | D21 Storia Akasaka |
| A05 Takadanobaba Center Building | D06 Bureau Kioicho | D22 Renai Shinjuku-Gyoen Tower |
| A06 Rokubancho Building | D08 Roppongi Green Terrace | D23 Shibaura Island Bloom Tower |
| A10 Urbannet Mita Building | D09 Premier Stage Shibakoen II | D24 Questcourt Harajuku |
| A11 Urbannet Azabu Building | D11 Langue Tower Kyobashi | D25 Urbancourt Ichigaya |
| A15 Granpark | D12 Premier Stage MitaKeidaimae | D26 Premier Stage Azabu-Juban |
| A16 Urbannet Kojimachi Building | D13 Premier Rosso | D27 Premier Stage Sasazuka |
| A17 Otemachi Financial City Grand Cube | D14 Premier Blanc Yoyogikouen | Z01 UDX Special Purpose Company Preferred Securities (Akihabara UDX) |
| | D15 Premier Stage Uchikanda | |
| | D16 Premier Stage Ichigayakawadacho | |
| | D17 Walk Akasaka | |

Other 18 Wards of Tokyo

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

Urban Areas Surrounding Tokyo



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

Major Regional Cities



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

Preferred Securities (Office Building)5 Central Wards of Tokyo



Photo by Kawasumi Architectural Office

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

Office Buildings5 Central Wards of Tokyo



Landic Shimbashi Building
(Minato Ward, Tokyo)



Landic Shimbashi 2 Building
(Minato Ward, Tokyo)

5 Central Wards of Tokyo



Otemachi Financial City Grand Cube
(Chiyoda Ward, Tokyo)

5 Central Wards of Tokyo



Premier Dogenzaka Building
(Shibuya Ward, Tokyo)



KN Shibuya No.3
(Shibuya Ward, Tokyo)



Takadanobaba Center Building
(Shinjuku Ward, Tokyo)



Rokubancho Building
(Chiyoda Ward, Tokyo)

Office BuildingsOther 18 Wards of Tokyo



Premier Toyochro Building
(Koto Ward, Tokyo)



Ueno TH Building
(Bunkyo Ward, Tokyo)



Gotanda NT Building
(Shinagawa Ward, Tokyo)



Ueno Tosei Building
(Taito Ward, Tokyo)

5 Central Wards of Tokyo



Urbannet Mita Building
(Minato Ward, Tokyo)



Urbannet Azabu Building
(Minato Ward, Tokyo)



Granpark
(Minato Ward, Tokyo)



Urbannet Kojimachi Building
(Chiyoda Ward, Tokyo)

Other 18 Wards of Tokyo



Urbannet Ikebukuro Building
(Toshima Ward, Tokyo)



Urbannet Omori Building
(Ota Ward, Tokyo)



Sphere Tower Tennozu
(Shinagawa Ward, Tokyo)



Urbannet Gotanda NN Building
(Shinagawa Ward, Tokyo)

(Overview of Properties Owned (as of the end of the 36th fiscal period))

Office Buildings

Urban Areas Surrounding Tokyo

C01



Premier Yokohama Nishiguchi Building
(Yokohama City, Kanagawa)

C02




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

Office Buildings


Major Regional Cities

G02




NTT CRED Okayama Building
(Okayama City, Okayama)

G03




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

G04



Urbannet Shizuoka Building
(Shizuoka City, Shizuoka)

G05




Urban Ace Higobashi Building
(Osaka City, Osaka)

Residential Properties


5 Central Wards of Tokyo

D01




Park Axis Yotsuya Stage
(Shinjuku Ward, Tokyo)

D02




Park Axis Meiji-Jingumae
(Shibuya Ward, Tokyo)

D04



Cabin Arena Akasaka
(Minato Ward, Tokyo)


D05



Cabin Arena Minami-Aoyama
(Minato Ward, Tokyo)


5 Central Wards of Tokyo

D06




Bureau Kioicho
(Chiyoda Ward, Tokyo)

D08




Roppongi Green Terrace
(Minato Ward, Tokyo)

D09



Premier Stage Shibakoen II
(Minato Ward, Tokyo)


D11



Langue Tower Kyobashi
(Chuo Ward, Tokyo)


5 Central Wards of Tokyo

D12




Premier Stage MitaKeidaimae
(Minato Ward, Tokyo)

D13




Premier Rosso
(Shibuya Ward, Tokyo)

D14



Premier Blanc Yoyogikouen
(Shibuya Ward, Tokyo)

D15



Premier Stage Uchikanda
(Chiyoda Ward, Tokyo)

5 Central Wards of Tokyo

D16



Premier Stage Ichigayakawadacho
(Shinjuku Ward, Tokyo)

D17



Walk Akasaka
(Minato Ward, Tokyo)

D18



Premier Stage Shibakoen
(Minato Ward, Tokyo)

D19




MEW
(Minato Ward, Tokyo)

(Overview of Properties Owned (as of the end of the 36th fiscal period))


5 Central Wards of Tokyo

D20




Shibaura Island Air Tower
(Minato Ward, Tokyo)

D21




Storia Akasaka
(Minato Ward, Tokyo)

D22



Renai Shinjuku-Gyoen Tower
(Shinjuku Ward, Tokyo)


D23



Shibaura Island Bloom Tower
(Minato Ward, Tokyo)


5 Central Wards of Tokyo

D24




Questcourt Harajuku
(Shibuya Ward, Tokyo)

D25




Urbancourt Ichigaya
(Shinjuku Ward, Tokyo)

D26



Premier Stage Azabu-Juban
(Minato Ward, Tokyo)

D27




Premier Stage Sasazuka
(Shibuya Ward, Tokyo)

Residential Properties


Other 18 Wards of Tokyo

E01




B-Site Osaki
(Shinagawa Ward, Tokyo)

E02




Premier Garden Hongo
(Bunkyo Ward, Tokyo)

E03



Premier Grande Magome
(Ota Ward, Tokyo)


E04



Premier Nozze Yutenji
(Setagaya Ward, Tokyo)


Other 18 Wards of Tokyo

E05




Premier Stage Yushima
(Bunkyo Ward, Tokyo)

E06




Premier Stage Komagome
(Toshima Ward, Tokyo)

E07



Premier Stage Otsuka
(Toshima Ward, Tokyo)

E08



Premier Stage Honjo-Azumabashi
(Sumida Ward, Tokyo)

Other 18 Wards of Tokyo

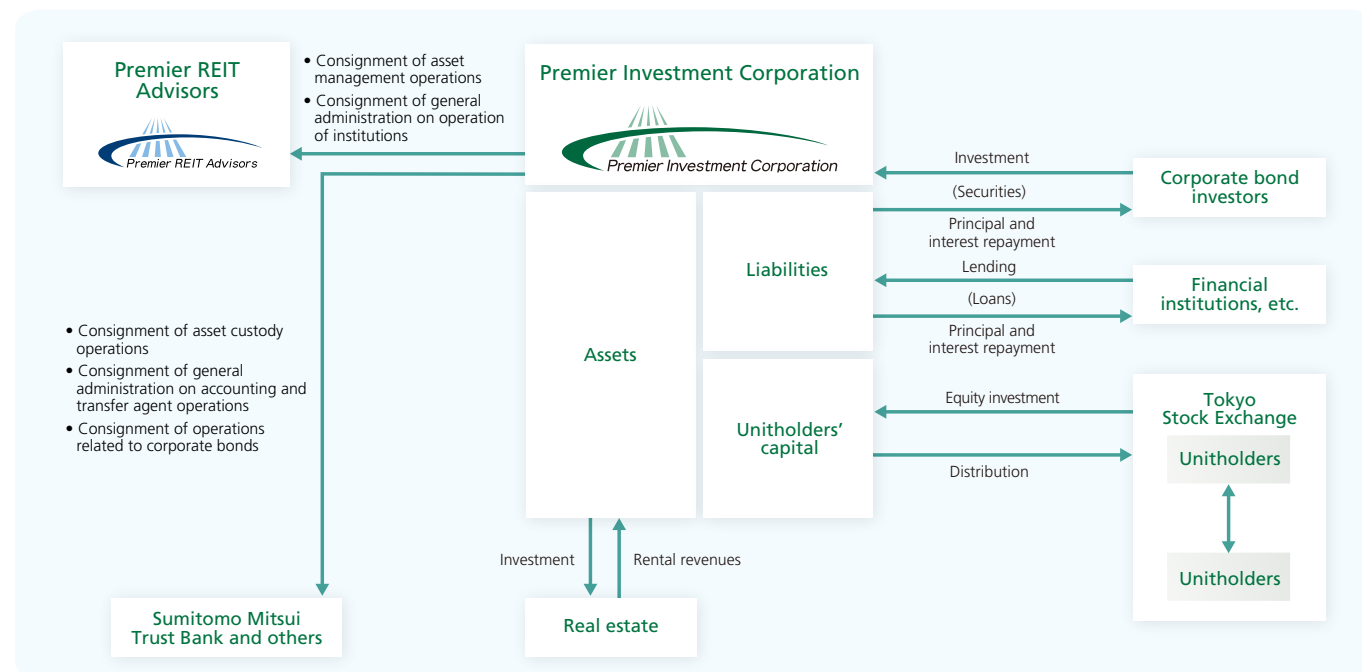
E09



Premier Stage Ryogoku
(Sumida Ward, Tokyo)

Structure of PIC

(as of October 31, 2020)

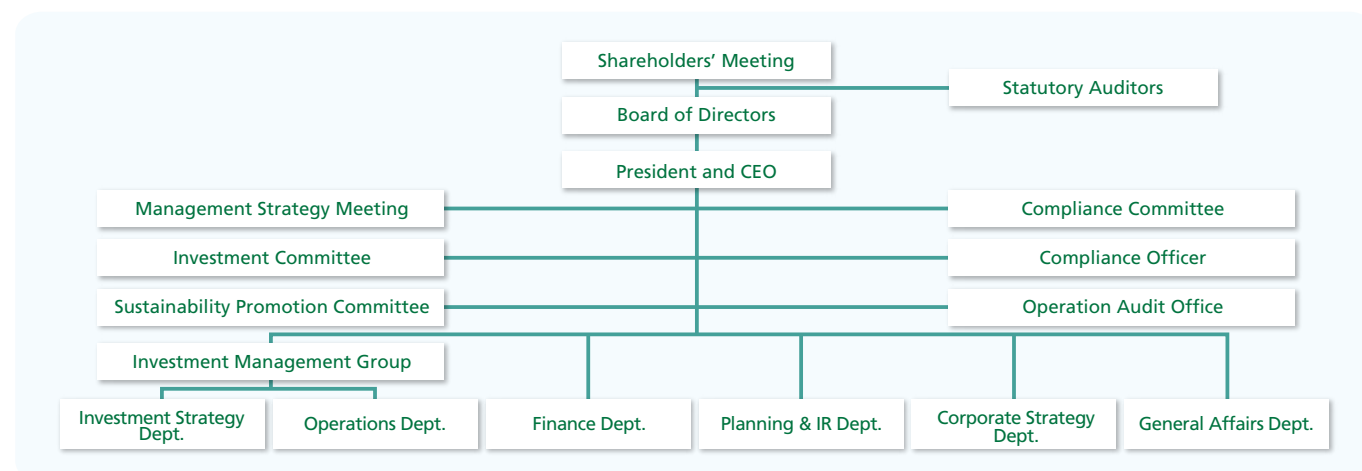


(Note) The above chart shows the major part of PIC's structure.

Overview of Asset Manager

(as of October 31, 2020)

Trade name	Premier REIT Advisors Co., Ltd.
Paid-in capital	300 million yen
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (100.0%)



To the Board of Directors of Premier Investment Corporation:

Opinion

We have audited the accompanying financial statements of Premier Investment Corporation ("the Investment Corporation"), which comprise the balance sheet as at October 31, 2020, the profit and loss statement, statement of changes in unitholders' equity and cash flow statement for the six months period then ended, and notes, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Investment Corporation as at October 31, 2020, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Investment Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note-19 to the financial statements, which states that the Investment Corporation acquired a new property, sold a property and borrowed funds subsequent to October 31, 2020. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Investment Corporation's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties including the design, implementation and maintenance of the Investment Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

田澤治郎

Jiro Tazawa
Designated Engagement Partner
Certified Public Accountant

松本大明

Hiroaki Matsumoto
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
January 27, 2021

BALANCE SHEETS

AS OF APRIL 30, 2020 AND OCTOBER 31, 2020

	Thousands of yen	
	April 30, 2020	October 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-14)	¥ 3,333,411	¥ 3,776,202
Cash and deposits held in trust (Note-3) (Note-14)	13,390,185	13,969,799
Tenant receivables	108,075	128,405
Prepaid expenses	170,287	118,159
Income taxes refund receivables	105,300	99,232
Other current assets	99	99
TOTAL CURRENT ASSETS	17,107,359	18,091,899
LONG-TERM ASSETS		
Property and equipment		
Buildings held in trust (Note-4)	90,515,225	91,700,196
Structures held in trust (Note-4)	2,024,871	2,068,108
Tools, furniture and fixtures held in trust (Note-4)	520,237	620,489
Less accumulated depreciation (Note-4)	(31,325,466)	(32,636,437)
Land held in trust (Note-4)	143,795,118	146,615,648
Construction in progress held in trust (Note-4)	19,483	3,635
Total property and equipment, net	205,549,470	208,371,641
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	354	331
Other intangible fixed assets (Note-4)	2,741	1,370
Total intangible fixed assets	1,780,698	1,779,304
Investments and other assets		
Investment securities (Note-14) (Note-15)	20,035,175	20,035,175
Deferred tax assets (Note-10)	3,372	1,741
Other deposits	10,000	10,000
Long-term prepaid expenses	343,733	293,134
Other deposits held in trust	630,697	630,697
Total investment and other assets	21,022,979	20,970,748
TOTAL LONG-TERM ASSETS	228,353,147	231,121,694
Deferred assets		
Corporate bond issuance costs	27,030	23,749
Total deferred assets	27,030	23,749
TOTAL ASSETS	¥ 245,487,537	¥ 249,237,343

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 1,561,134	¥ 1,867,606
Short-term loans payable (Note-7) (Note-14)	2,000,000	5,200,000
Long-term loans payable due within one year (Note-7) (Note-14)	2,000,000	9,400,000
Corporate bonds payable due within one year (Note-6) (Note-14)	2,500,000	2,500,000
Accrued expenses	115,413	113,863
Distributions payable	12,719	14,770
Income taxes payable	1,365	605
Consumption taxes payable	121,198	75,437
Business office taxes payable	10,252	5,535
Rents received in advance	1,360,958	1,288,195
Deposits received	62,057	62,589
Other current liabilities	300	-
Total current liabilities	9,745,398	20,528,603
LONG-TERM LIABILITIES		
Long-term loans payable (Note-7) (Note-14)	97,100,000	89,700,000
Corporate bonds (Note-6) (Note-14)	6,000,000	6,000,000
Tenant security deposits held in trust	7,747,055	8,045,918
Total long-term liabilities	110,847,055	103,745,918
TOTAL LIABILITIES	120,592,454	124,274,521
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	120,350,148	120,350,148
Units authorized – 10,000,000 units as of April 30, 2020 – 10,000,000 units as of October 31, 2020		
Units issued and outstanding – 1,316,995 units as of April 30, 2020 – 1,316,995 units as of October 31, 2020		
Surplus		
Reserve for reduction entry	762,316	762,316
Unappropriated retained earnings	3,782,618	3,850,356
Total unitholders' equity	124,895,083	124,962,821
TOTAL NET ASSETS	124,895,083	124,962,821
TOTAL LIABILITIES AND NET ASSETS	¥ 245,487,537	¥ 249,237,343

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

PROFIT AND LOSS STATEMENTS

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
OPERATING REVENUES AND EXPENSES		
Operating revenues		
Rental revenues (Note-8)	¥ 7,779,975	¥ 7,853,877
Other rental revenues (Note-8)	947,306	939,767
Gains from sale of properties (Note-9)	-	191,075
Dividend income	522,565	485,897
Operating expenses		
Property operating expenses (Note-8)	4,482,323	4,601,020
Asset management fees	381,830	384,271
Directors' compensation	4,200	4,200
Custodian fees	11,359	11,396
Administration fees	83,020	84,317
Audit fees	8,500	8,500
Other expenses	103,193	128,125
Operating income	4,175,420	4,248,786
NON-OPERATING REVENUES AND EXPENSES		
Non-operating revenues		
Interest income	80	80
Return of unclaimed distribution	1,051	763
Other non-operating revenues	31	258
Non-operating expenses		
Interest expenses	364,173	368,630
Interest expenses on corporate bonds	22,998	23,216
Amortization of corporate bond issuance costs	3,280	3,280
Other non-operating expenses	2,362	2,377
Ordinary income	3,783,769	3,852,383
Income before income taxes	3,783,769	3,852,383
Income taxes (Note-10)		
Current	2,784	605
Deferred	(1,631)	1,630
Net income	3,782,616	3,850,147
Income carried forward	2	209
UNAPPROPRIATED RETAINED EARNINGS	¥ 3,782,618	¥ 3,850,356

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

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

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

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus				Total Unitholders' Equity	
		Voluntary Retained Earnings		Unappropriated Retained Earnings	Total Surplus		
Reserve for Reduction Entry		Total Voluntary Retained Earnings					
BALANCE AT OCTOBER 31, 2019	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,677,052	¥ 4,439,368	¥ 124,789,517	¥ 124,789,517
Changes during the period							
Cash distributions paid				(3,677,050)	(3,677,050)	(3,677,050)	(3,677,050)
Net income				3,782,616	3,782,616	3,782,616	3,782,616
Total changes during the period	-	-	-	105,566	105,566	105,566	105,566
BALANCE AT APRIL 30, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,782,618	¥ 4,544,934	¥ 124,895,083	¥ 124,895,083
Changes during the period							
Cash distributions paid				(3,782,409)	(3,782,409)	(3,782,409)	(3,782,409)
Net income				3,850,147	3,850,147	3,850,147	3,850,147
Total changes during the period	-	-	-	67,737	67,737	67,737	67,737
BALANCE AT OCTOBER 31, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,850,356	¥ 4,612,672	¥ 124,962,821	¥ 124,962,821

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

CASH FLOW STATEMENTS

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 3,783,769	¥ 3,852,383
Depreciation	1,433,222	1,456,926
Amortization of corporate bond issuance costs	3,280	3,280
Interest income	(80)	(80)
Return of unclaimed distributions	(1,051)	(763)
Interest expenses	387,172	391,846
Decrease (increase) in tenant receivables	31,605	(20,330)
Increase (decrease) in accounts payable	(129,804)	207,599
Increase (decrease) in consumption taxes payable	47,419	(45,760)
Increase (decrease) in rents received in advance	12,143	(72,763)
Increase (decrease) in deposits received	(17,155)	532
Decrease in carrying amounts of property and equipment held in trust due to sale	-	1,580,914
Other	(9,388)	46,077
SUBTOTAL	5,541,134	7,399,862
Interest received	80	80
Interest paid	(334,132)	(341,762)
Income taxes (paid) refund	(3,192)	4,703
Net cash provided by (used in) operating activities	5,203,890	7,062,883
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(1,215,958)	(5,759,745)
Proceeds from tenant security deposits held in trust	331,942	458,567
Payments of tenant security deposits held in trust	(282,566)	(159,704)
Net cash provided by (used in) investing activities	(1,166,583)	(5,460,883)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	-	5,200,000
Repayments of short-term loans payable	-	(2,000,000)
Repayments of long-term loans payable	(650,000)	-
Payments of distributions	(3,673,995)	(3,779,594)
Net cash provided by (used in) financing activities	(4,323,995)	(579,594)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(286,687)	1,022,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,010,284	16,723,596
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(Note-3) ¥ 16,723,596	¥ 17,746,001

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

NOTES TO FINANCIAL STATEMENTS

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

Note-1. Organization and basis of presentation

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

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

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

As of October 31, 2020, PIC had total unitholders’ capital of 120,350,148 thousand yen with 1,316,995 units outstanding.

As of October 31, 2020, PIC owned a portfolio of 25 office buildings, 33 residential properties and preferred securities of an SPC (59 properties in total). Total acquisition costs of those properties were 246,744 million yen, with the investment ratio by asset type standing at 59.5% for office buildings, 32.4% for residential properties and 8.1% for others (preferred securities).

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

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

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

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

Note-2. Summary of significant accounting policies

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

(b) Valuation standard and method for securities –

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

(c) Depreciation and amortization –

Property and equipment – Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on estimated useful lives.

The ranges of useful lives used in the computation of depreciation are generally as follows:

Buildings held in trust	3-68 years
Structures held in trust	3-56 years
Tools, furniture and fixtures held in trust.....	3-15 years

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

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

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. There were no capitalized property-related taxes for the six months ended April 30, 2020, and capitalized property-related taxes totaling 15,732 thousand yen for the six months ended October 31, 2020.

(f) Method of hedge accounting – Special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting.

Hedging instruments and hedged items – Hedging instruments: interest rate swap transactions, Hedged items: interest expenses on loans payable.

Hedging policy – PIC conducts derivative transactions to hedge interest rate fluctuation risks for loans payable with floating interest rates based on the “Asset Management Target and Policies” provided in its Articles of Incorporation and the risk management regulations on derivative transactions.

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

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

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

Furthermore, the following material accounts are separately stated on the balance sheet for assets in trust recognized in relevant accounts.

- (1) Cash and deposits held in trust
- (2) Buildings held in trust, structures held in trust, tools, furniture and fixtures held in trust, land held in trust, and construction in progress held in trust
- (3) Leasehold held in trust
- (4) Other intangible fixed assets held in trust
- (5) Other deposits held in trust
- (6) Tenant security deposits held in trust

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

Note-3. Cash and cash equivalents

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
Cash and deposits	¥ 3,333,411	¥ 3,776,202
Cash and deposits held in trust	13,390,185	13,969,799
CASH AND CASH EQUIVALENTS	¥ 16,723,596	¥ 17,746,001

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

Property and equipment and intangible fixed assets held in trust as of April 30, 2020 and October 31, 2020 consisted of the following:

	Thousands of yen					
	April 30, 2020			October 31, 2020		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 90,515,225	¥ 29,865,402	¥ 60,649,822	¥ 91,700,196	¥ 31,098,949	¥ 60,601,246
Structures	2,024,871	1,171,712	853,159	2,068,108	1,211,122	856,985
Tools, furniture and fixtures	520,237	288,350	231,886	620,489	326,365	294,124
Land	143,795,118	-	143,795,118	146,615,648	-	146,615,648
Construction in progress	19,483	-	19,483	3,635	-	3,635
SUBTOTAL	236,874,936	31,325,466	205,549,470	241,008,079	32,636,437	208,371,641
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,469	6,115	354	6,469	6,138	331
Other	34,839	32,098	2,741	34,839	33,468	1,370
SUBTOTAL	1,818,911	38,213	1,780,698	1,818,911	39,607	1,779,304
TOTAL	¥ 238,693,848	¥ 31,363,679	¥ 207,330,168	¥ 242,826,990	¥ 32,676,045	¥ 210,150,945

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

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

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

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

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

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

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

Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	April 30, 2020 (Amount)	Increase	Decrease	October 31, 2020 (Amount)				
SHORT-TERM LOANS								
Mizuho Bank, Ltd.	2,000,000	-	2,000,000	-	0.19997	Jul. 31, 2020	*2	Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Trust Bank, Limited	-	2,200,000	-	2,200,000	0.19964	May 31, 2021		Unsecured and non-guaranteed Floating rate
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.23964	May 31, 2021		Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000				
Mizuho Bank, Ltd.	-	2,000,000	-	2,000,000	0.21883	Jul. 30, 2021		Unsecured and non-guaranteed Floating rate
SUBTOTAL	2,000,000	5,200,000	2,000,000	5,200,000				
LONG-TERM LOANS ^{*3 *4}								
Mizuho Bank, Ltd.	2,400,000	-	-	2,400,000	0.91125	Sep. 30, 2021	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.87000	Mar. 31, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.91375	Apr. 28, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	-	3,500,000	0.86625	Jul. 29, 2022		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,800,000	-	-	1,800,000				
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000				
MUFG Bank, Ltd.	3,000,000	-	-	3,000,000	0.80125	Aug. 31, 2022		Unsecured and non-guaranteed Fixed rate
The Norinchukin Bank	2,500,000	-	-	2,500,000				
Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000				
Aozora Bank, Ltd.	3,000,000	-	-	3,000,000	0.73875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	3,000,000	-	-	3,000,000	0.72875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	3,000,000	-	-	3,000,000				
Mitsui Sumitomo Insurance Co., Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				

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Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	April 30, 2020 (Amount)	Increase	Decrease	October 31, 2020 (Amount)				
NTT Finance Corporation	2,000,000	-	-	2,000,000	0.41375	Jan. 29, 2021	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
Aozora Bank, Ltd.	700,000	-	-	700,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,040,000	-	-	2,040,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,140,000	-	-	1,140,000				
MUFG Bank, Ltd.	1,220,000	-	-	1,220,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	4,000,000	-	-	4,000,000	0.73500	Nov. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Banking Corporation	3,200,000	-	-	3,200,000	0.24000	May 31, 2021		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,800,000	-	-	1,800,000				
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42875	May 31, 2023		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	4,000,000	-	-	4,000,000	0.53250	May 31, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	3,300,000	-	-	3,300,000	0.59880	May 30, 2025		Unsecured and non-guaranteed Fixed rate
The Bank of Fukuoka	2,000,000	-	-	2,000,000	0.28875	Aug. 31, 2023		Unsecured and non-guaranteed Fixed rate
The 77 Bank, Ltd.	1,000,000	-	-	1,000,000				
The Nomura Trust and Banking Co., Ltd.	1,000,000	-	-	1,000,000				
HIGASHI-NIPPON BANK, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	1,100,000	-	-	1,100,000	0.40005	Mar. 27, 2023		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.54505	Mar. 27, 2025		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	2,600,000	-	-	2,600,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,200,000	-	-	1,200,000				
MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	0.66649	Apr. 30, 2026		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.76755	Jul. 24, 2028		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	750,000	-	-	750,000	0.49877	Feb. 29, 2024		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.23375	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	750,000	-	-	750,000	0.65125	Mar. 30, 2029		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	750,000	-	-	750,000				

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Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay- ment	Use of funds	Remarks
	April 30, 2020 (Amount)	Increase	Decrease	October 31, 2020 (Amount)				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.19520	Mar. 29, 2024	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.37880	Sep. 30, 2026		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	1,200,000	-	-	1,200,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc. MUFG Bank, Ltd.	2,000,000 2,000,000	- -	- -	2,000,000 2,000,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
SUBTOTAL	99,100,000	-	-	99,100,000				
TOTAL	¥ 101,100,000	¥ 5,200,000	¥ 2,000,000	¥ 104,300,000				

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

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

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

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

(thousands of yen)				
	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥	19,450,000	19,800,000	9,500,000	4,800,000

Note-8. Rental revenues and expenses

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 6,614,580	¥ 6,705,401
Common area charges	1,165,395	1,148,475
Subtotal	7,779,975	7,853,877
Other rental revenues		
Parking fees	230,574	224,746
Facility fees	58,688	52,191
Incidental revenues	529,038	557,459
Miscellaneous income	129,005	105,369
Subtotal	947,306	939,767
TOTAL REAL ESTATE RENTAL REVENUES	8,727,282	8,793,645
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,055,563	1,039,578
Utilities	560,486	577,151
Real estate taxes	607,606	630,059
Insurance	10,753	10,914
Maintenance and repairs	607,704	705,090
Trust fees	29,327	28,763
Depreciation	1,431,851	1,455,555
Miscellaneous expenses	179,029	153,905
TOTAL REAL ESTATE RENTAL EXPENSES	4,482,323	4,601,020
REAL ESTATE RENTAL INCOME	¥ 4,244,959	¥ 4,192,624

Note-9. Gains from sale of properties

There were no gains from sale of properties for the six months ended April 30, 2020.

Gains from sale of properties for the six months ended October 31, 2020 were as follows:

	Thousands of yen
	October 31, 2020
	Urbannet Ichigaya Building
Revenues from sale of properties	¥ 1,778,000
Cost of properties	1,580,914
Other expenses for sale	6,010
GAINS FROM SALE OF PROPERTIES	¥ 191,075

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 April 30, 2020 and October 31, 2020:

	April 30, 2020	October 31, 2020
Statutory tax rate	31.46%	31.46%
Adjustments		
Deductible cash distributions	(31.45)	(31.42)
Other	0.02	0.02
EFFECTIVE TAX RATE	0.03%	0.06%

Under PIC’s distribution policy, cash distributions are made in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan for the fiscal period to qualify for conditions as set forth in the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, PIC treated the cash distributions as tax deductions 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 April 30, 2020 and October 31, 2020 were as follows:

	Thousands of yen	
	April 30, 2020	October 31, 2020
Deferred tax assets		
Enterprise taxes	¥ 3,372	¥ 1,741
Total of deferred tax assets	3,372	1,741
NET DEFERRED TAX ASSETS	¥ 3,372	¥ 1,741

Note-11. Per unit information

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

	April 30, 2020	October 31, 2020
Net assets per unit	¥ 94,833	¥ 94,884
Net income per unit	2,872	2,923

*1 The net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding for the respective six-month period.
Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2020 and October 31, 2020.

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
Net income	¥ 3,782,616	¥ 3,850,147
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	3,782,616	3,850,147
Averaged number of units during the period	1,316,995 units	1,316,995 units

Note-12. Leases

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

	Thousands of yen	
	April 30, 2020	October 31, 2020
Due within one year	¥ 972,826	¥ 1,127,590
Due after one year	2,954,785	3,374,951
TOTAL	¥ 3,927,611	¥ 4,502,541

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

[April 30, 2020]

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

[October 31, 2020]

In accordance with this policy, PIC declared a total distribution of 3,849,576,385 yen as distribution of income for the 36th fiscal period (payment to start on January 21, 2021), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 36th fiscal period.

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

	April 30, 2020	October 31, 2020
Unappropriated retained earnings	¥ 3,782,618,851	¥ 3,850,356,701
Cash distributions declared	3,782,409,640	3,849,576,385
(Cash distribution declared per unit)	(2,872)	(2,923)
INCOME CARRIED FORWARD	¥ 209,211	¥ 780,316

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 only to hedge against interest rate fluctuation risks arising from liabilities.

Description of financial instruments, their respective risks and risk management structure - Short-term loans, long-term loans and corporate bonds are means of fund procurement primarily for acquiring trust beneficiary interests and repaying interest-bearing liabilities. Although loans and corporate bonds are exposed to liquidity risk upon the arrival of repayment dates, PIC manages the risk by such measures as working to maintain and enhance its ability to procure funds from the capital market through issuing investment units, by controlling the ratio of interest-bearing liabilities to total assets within a range considered appropriate, creating fund procurement plans as early as possible by regularly checking liquidity on hand through making monthly cash payment schedules, etc., and preparing necessary funds based on such plans.

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

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

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

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

	Thousands of yen					
	April 30, 2020			October 31, 2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference
ASSETS						
(1) Cash and deposits	¥ 3,333,411	¥ 3,333,411	¥ -	¥ 3,776,202	¥ 3,776,202	¥ -
(2) Cash and deposits held in trust	13,390,185	13,390,185	-	13,969,799	13,969,799	-
TOTAL ASSETS	¥ 16,723,596	¥ 16,723,596	¥ -	¥ 17,746,001	¥ 17,746,001	¥ -
LIABILITIES						
(3) Short-term loans payable	¥ 2,000,000	¥ 2,000,000	¥ -	¥ 5,200,000	¥ 5,200,000	¥ -
(4) Long-term loans payable due within one year	2,000,000	2,003,263	3,263	9,400,000	9,429,822	29,822
(5) Corporate bonds payable due within one year	2,500,000	2,507,525	7,525	2,500,000	2,502,725	2,725
(6) Long-term loans payable	97,100,000	97,879,808	779,808	89,700,000	90,315,344	615,344
(7) Corporate bonds	6,000,000	5,948,880	(51,120)	6,000,000	5,930,380	(69,620)
TOTAL LIABILITIES	¥ 109,600,000	¥ 110,339,477	¥ 739,477	¥ 112,800,000	¥ 113,378,271	¥ 578,271
(8) Derivative Transactions	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

*1 The following methods are used to estimate the fair value of financial instruments:
(1) **Cash and deposits and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) **Short-term loans payable** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.

(4) Long-term loans payable due within one year and (6) long-term loans payable - For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note 16. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that PIC borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that PIC borrows new loans corresponding to the remaining periods.

(5) Corporate bonds payable due within one year and (7) corporate bonds - Fair values of these instruments are calculated based on their market prices.

(8) Derivative Transactions - Refer to Note 16. Derivative Transactions below.

*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:

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

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

	Thousands of yen					
	April 30, 2020					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Cash and deposits	¥ 3,333,411	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	13,390,185	-	-	-	-	-
TOTAL	¥ 16,723,596	¥ -	¥ -	¥ -	¥ -	¥ -
	Thousands of yen					
	October 31, 2020					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Cash and deposits	¥ 3,776,202	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	13,969,799	-	-	-	-	-
TOTAL	¥ 17,746,001	¥ -	¥ -	¥ -	¥ -	¥ -

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

	Thousands of yen					
	April 30, 2020					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Short-term loans payable	¥ 2,000,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	2,000,000	12,350,000	26,600,000	10,950,000	7,750,000	39,450,000
Corporate bonds	2,500,000	-	-	2,000,000	-	4,000,000
TOTAL	¥ 6,500,000	¥ 12,350,000	¥ 26,600,000	¥ 12,950,000	¥ 7,750,000	¥ 43,450,000
	Thousands of yen					
	October 31, 2020					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Short-term loans payable	¥ 5,200,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	9,400,000	19,450,000	19,800,000	9,500,000	4,800,000	36,150,000
Corporate bonds	2,500,000	-	2,000,000	-	-	4,000,000
TOTAL	¥ 17,100,000	¥ 19,450,000	¥ 21,800,000	¥ 9,500,000	¥ 4,800,000	¥ 40,150,000

Note-15. Investment securities

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

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

Note-16. Derivative transactions

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

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

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			April 30, 2020			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 73,180,000	¥ 73,180,000	*	-
Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2020			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 73,180,000	¥ 73,180,000	*	-

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

Note-17. Rental property

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

	Thousands of yen							
	April 30, 2020				October 31, 2020			
	Book value at November 1, 2019 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at April 30, 2020 ^{*1}	Fair value at April 30, 2020 ^{*3}	Book value at May 1, 2020 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at October 31, 2020 ^{*1}	Fair value at October 31, 2020 ^{*3}
Office buildings	¥ 139,029,595	¥ 168,379	¥ 139,197,975	¥ 176,144,000	¥ 139,197,975	¥ 3,228,652	¥ 142,426,628	¥ 180,284,400
Residential properties	68,585,901	(456,449)	68,129,452	83,910,000	68,129,452	(406,505)	67,722,947	84,180,000
TOTAL	¥ 207,615,497	¥ (288,069)	¥ 207,327,427	¥ 260,054,000	¥ 207,327,427	¥ 2,822,147	¥ 210,149,575	¥ 264,464,400

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

*2 Of the increases and decreases in rental properties during the period, major increases in the fiscal period ended April 30, 2020 are due to the capital expenditures (1,156,571 thousand yen) for owned properties, and major decreases are due to the depreciation (1,431,851 thousand yen). Major increases in the fiscal period ended October 31, 2020 are due to the acquisition of Otemachi Financial City Grand Cube (4,716,504 thousand yen) and the capital expenditures (1,157,961 thousand yen) for owned properties, and major decreases are due to the sale of Urbannet Ichigaya Building (1,580,914 thousand yen) and the depreciation (1,455,555 thousand yen).

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

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

	Thousands of yen					
	April 30, 2020			October 31, 2020		
	Real estate rental revenues	Real estate rental expenses	Real estate rental income	Real estate rental revenues	Real estate rental expenses	Real estate rental income
Office buildings	¥ 6,064,140	¥ 3,135,171	¥ 2,928,968	¥ 6,181,948	¥ 3,185,734	¥ 2,996,214
Residential properties	2,663,142	1,347,151	1,315,990	2,611,696	1,415,286	1,196,409
TOTAL	¥ 8,727,282	¥ 4,482,323	¥ 4,244,959	¥ 8,793,645	¥ 4,601,020	¥ 4,192,624

* 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-18. Segment information

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

(b) Related information -

- (i) Information by product/service category** - Description has been omitted because operating revenues from external customers in a single product/service category account for over 90% of the operating revenues on the profit and loss statements.
- (ii) Information on geographical area** -

Operating revenues - Description has been omitted because operating revenues from external customers in Japan account for over 90% of the operating revenues on the profit and loss statements.

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

Note-19. Subsequent events

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

	Shinagawa Season Terrace	
OVERVIEW OF THE ACQUISITION OF PROPERTY		
Type of property*1	Beneficiary interest in a real estate trust	
Acquisition price*2	12,200 million yen	
Appraisal value*3	12,200 million yen (as of November 1, 2020) [Appraiser] Aoyama Realty Advisors Inc.	
Seller*4	A domestic corporation	
Contract date	December 16, 2020	
Acquisition date	December 21, 2020	
OVERVIEW OF THE PROPERTY HELD IN TRUST		
Location (residential indication)	1-2-70 Konan, Minato Ward, Tokyo	
Use of building*5	Office, store, warehouse, parking lot, clinic, hall, etc.	
Area	Land*5*6	49,547.86m²
	Total floor space*5*7	202,666.94m²
	Total leasable space*8	6,265.21m²
Structure of building*5	Steel and reinforced concrete structure with a flat-topped roof, 32 stories and 1 basement floor	
Construction completion*5	January 2015	

^{*1} PIC acquired 49.0% quasi co-ownership interest of the beneficiary interest in trust of which the main trust properties are co-ownership interest (18.0%) of compartmentalized ownership in stores, halls and clinics on the 1st to 3rd floors, and offices on the 6th to 10th floors and 18th to 26th floors; co-ownership interest (approx. 3.4%) of compartmentalized ownership in offices on the 5th floor; quasi co-ownership interest (approx. 9.5%) of leasehold for the building site based on a land lease agreement; and quasi co-ownership interest (18.0%) of right to use the land surrounding the building site that is leased for a fee based on a land lease agreement.

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

^{*3} The price equivalent to the quasi co-ownership interest (49.0%) of the beneficiary interest in trust that PIC acquired is indicated.

^{*4} The name of the domestic corporation is not disclosed as consent to disclosure has not been obtained from the said corporation.

^{*5} The descriptions for “Use of building,” “Area” of the land, “Total floor space” of the building, “Structure of building” and “Construction completion” are based on the information indicated in the certificate of registered matters.

^{*6} The “Area” of the land is the area of the entire land of a single parcel, and indicates the sum total of 11,130.61m², which is the area of the building site (land of the leasehold) and 38,417.25m², which is the area usable in terms of floor-area ratio.

^{*7} The “Total floor space” of the building indicates the total floor space of the entire building, but does not include the warehouse of a reinforced-concrete structure with a concrete roof and 1 basement floor (49.70m²), which is part of the trust properties.

^{*8} The “Total leasable space” indicates the total leasable space for the end tenants corresponding to the quasi co-ownership interest (49.0%) of the beneficiary interest in trust acquired by PIC, as NTT Urban Development Corporation collects rents from each end tenant of the entire building and distributes the revenue to the co-owners of the property in accordance with their respective ownership interests.

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

	Urbannet Kojimachi Building	
OVERVIEW OF THE SALE OF PROPERTY		
Type of property	Beneficiary interest in a real estate trust	
Sale price* ¹	5,550 million yen	
Acquisition date	January 22, 2015	
Acquisition price* ²	3,600 million yen	
Book value	3,626 million yen (as of October 31, 2020)	
Impact on income	PIC plans to record 1,920 million yen in gain on sale of properties as operating revenues for the six months ending April 30, 2021	
Appraisal value	5,530 million yen (as of October 31, 2020) [Appraiser] Japan Real Estate Institute	
Buyer* ³	A domestic corporation	
Contract date	December 16, 2020	
Sale date	December 21, 2020	
OVERVIEW OF THE PROPERTY HELD IN TRUST		
Location (residential indication)	1-6-2 Kojimachi, Chiyoda Ward, Tokyo	
Use of building* ⁴	Office	
Area	Land* ⁴	839.00m ²
	Total floor space* ⁴	6,231.10m ²
	Total leasable space	4,262.95m ²
Structure of building* ⁴	Steel-framed reinforced concrete structure with a flat-topped roof, 8 stories and 2 basement floors	
Construction completion* ⁴	May 1987	

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

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

^{*3} The name of the domestic corporation is not disclosed as consent to disclosure has not been obtained from the said corporation.

^{*4} The descriptions for “Use of building,” “Area” of the land, “Total floor space” of the building, “Structure of building” and “Construction completion” are based on the information indicated in the certificate of registered matters.

(C) Borrowing of funds - PIC borrowed funds, as described below, in order to finance the acquisition of Shinagawa Season Terrace, as described in (a) Acquisition of property above, as well as part of the expenses related to the acquisition:

Lenders	Sumitomo Mitsui Trust Bank, Limited		Mizuho Bank, Ltd.	NTT Finance Corporation
Amount of debt finance	3,000 million yen	1,000 million yen	3,000 million yen	2,000 million yen
Drawdown date	December 21, 2020			
Repayment date	November 29, 2024	November 30, 2028	November 30, 2029	
Repayment method	Lump-sum repayment upon maturity			
Interest rate (p.a.), etc.	Fixed rate (*): 0.29755%	Fixed rate (*): 0.46500%	Fixed rate: 0.49755%	Fixed rate (*): 0.51755%
Collateral / Guarantee	Unsecured and non-guaranteed			

* PIC conducted interest rate swap transactions for the balance of borrowings in order to reduce the interest rate fluctuation risk.

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

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. Please note that the planned construction expenditures shown below may include portions that will be recorded as expenses for accounting purposes.

Name	Address	Purpose	Scheduled Period	Planned Construction Expenditures (thousands of yen)		
				Total	Amount Paid during the 36th Fiscal Period	Amount Paid before the 36th Fiscal Period
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of hot water supply facilities	February 2019 – April 2023	883,239	48,034	130,838
Urban Ace Higobashi Building	Osaka City, Osaka	Work on countermeasures for long-period ground motion	February 2019 – December 2020	456,958	236,937	402,601
Rokubancho Building	Chiyoda Ward, Tokyo	Renovation of elevator equipment	June 2020 – April 2021	87,185	-	-
Urbannet Omori Building	Ota Ward, Tokyo	Renovation of automatic fire alarm systems	December 2020 – April 2021	32,080	-	-
NTT CRED Okayama Building	Okayama City, Okayama	Renovation of air conditioning systems	September 2020 – November 2020	22,716	-	-
Urbannet Gotanda NN Building	Shinagawa Ward, Tokyo	Renovation of office automation floors	December 2020 – April 2021	21,119	-	-

2. Capital Expenditures during the 36th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 36th fiscal period (May 1, 2020 – October 31, 2020) for the portfolio owned by PIC. Capital expenditures during the period totaled 1,157,961 thousand yen. This amount, combined with maintenance and repair expenditures of 705,090 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,863,051 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urban Ace Higobashi Building	Osaka City, Osaka	Work on countermeasures for long-period ground motion	February 2019 – October 2020	236,937
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of sanitary facilities	March 2020 – October 2020	201,027
NTT CRED Okayama Building	Okayama City, Okayama	Renovation and construction work	April 2020 – June 2020	81,977
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of central monitoring devices	May 2020 – October 2020	69,160
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of hot water supply facilities	July 2020 – October 2020	48,034
Urbannet Azabu Building	Minato Ward, Tokyo	Renovation of automatic fire alarm systems	June 2020 – October 2020	45,470
Questcourt Harajuku	Shibuya Ward, Tokyo	Renovation of air conditioning systems	June 2020 – August 2020	33,932
Premier Yokohama Nishiguchi Building	Yokohama City, Kanagawa	Renovation of sanitary facilities	August 2020 – October 2020	31,495
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of air conditioning systems	July 2020 – October 2020	21,965
Other construction		-	—	387,960
Total				1,157,961

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

Item	Fiscal Period	Thousands of yen	
		35th Fiscal Period (November 1, 2019 – April 30, 2020)	36th Fiscal Period (May 1, 2020 – October 31, 2020)
Deposits at end of the preceding period		601,941	609,117
Deposits made during the period		14,323	14,323
Amounts used from deposits during the period		7,147	-
Deposits carried forward to the next period		609,117	623,440

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, etc.

(1) PIC borrowed 3,200 million yen in total in short-term loans to partly fund the acquisition of the beneficiary interest in a real estate trust for Otemachi Financial City Grand Cube, which PIC acquired as of June 12, 2020. The following table shows the breakdown, including the lenders, of the 3,200 million yen in the short-term loans:

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

(2) PIC refinanced the 2,000 million yen in total in a short-term loan borrowed on July 31, 2019 into short-term loans on July 31, 2020. The following table shows the overview, including the lenders, of the 2,000 million yen in the short-term loan:

Lenders	Mizuho Bank, Ltd.
Amount of Debt Finance	2,000 million yen
Drawdown Date	July 31, 2020
Principal Repayment Date	July 30, 2021
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Floating rate: (1-month TIBOR + 0.16%)
Collateral/Guarantee	Unsecured and non-guaranteed

As a result of the above, PIC’s interest-bearing liabilities totaled 112,800 million yen as of October 31, 2020. The breakdown is as follows: 5,200 million yen in short-term loans, 99,100 million yen in long-term loans (including long-term loans due within one year) and 8,500 million yen in corporate bonds (including corporate bonds due within one year). Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 95.4%.

2. Credit Ratings

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

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

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

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

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

PRA has established such Asset Management Guidelines based on the belief that they should be most suited to the basic policy for managing the assets of PIC in light of the existing market environment and economic conditions. The following is a summary of the Guidelines:

2. Portfolio Management Standards Based on Basic Policy

1. Holding Period

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

2. Acquisition Standards

A) Acquisition Standards

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

prices of and the expected income from relevant investment assets, fluctuations in asset values and their forecasted fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, earthquake resistance performance, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, status of insurance and other factors, and select investments after considering the importance of these assets in the portfolio structure. In doing so, steps shall be taken to construct a portfolio that clearly classifies the strategic position of these investment assets.

B) Use [▶see table on page 53](#)

- a. PIC shall invest in real estate, its leasehold interest or surface rights (chijo-ken), real estate in trust underlying its beneficial interests, its leasehold interest or surface rights, and real estate underlying equity investments in real estate backed securities or anonymous partnerships (hereinafter, “Real Estate Backed Securities, etc.”), its leasehold interests or surface rights (collectively referred to as “Investment Real Estate”), all of which shall be primarily for office and residential uses. However, such properties may in some cases be used partially for retail or other purposes. Consequently, the office buildings and residential properties acquired by PIC may include properties that are partially used for retail or other purposes.
- b. In consideration of the characteristics of each real estate use indicated in the table on page 53, PIC works to ensure diversification of property uses by investing primarily in

both office buildings and residential properties while assigning a relatively high importance to office buildings, aiming to minimize the adverse effects of changes in economic and social conditions on PIC’s earnings and ensure creation of stable cash flow over the medium to long term.

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

C) Areas [▶see table on page 54](#)

- a. As noted above, PIC’s investments are focused primarily in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation, and in Major Regional Cities.
- b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, PIC diversifies its investment targeting to achieve a geographical split as indicated in the table on page 54 for both office buildings and residential properties (each of which is set at 100% in the table).

Use

Use	Key Investment Points <small>(Note 1)</small>
Office Buildings	<div><div>a.</div><div>In the real estate market of Japan, office buildings are relatively less individualized and are available in a greater stock compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned office buildings as its primary investment target.</div></div> <div><div>b.</div><div>Demand from tenants (lessees) for office buildings may fluctuate, due to business cycles and other economic trends. Consequently, this might adversely affect PIC's profitability with regard to its office buildings. However, compared to real estate for other uses, office buildings are generally expected to generate relatively higher levels of profitability.</div></div> <div><div>c.</div><div>PIC will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.</div></div>
Residential Properties	<div><div>a.</div><div>PIC invests in Japanese rental residential properties commanding relatively high quality in terms of designs of exteriors, entrances and other areas, specifications of story height, exterior walls and other items, total floor space, floor plans and other aspects.</div></div> <div><div>b.</div><div>Rental residential properties are relatively resistant to adverse changes in economic and social conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. Due to such characteristics, PIC has positioned rental residential properties as part of the main investment target for the purpose of stabilizing cash flow and diversifying investment assets.</div></div> <div><div>c.</div><div>As of the date of this document, PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will expand and diversify over the medium to long term due to the effects of the recent demand for returning to city centers and lifestyle changes. However, if PRA determines that the aforementioned characteristics have been damaged due to changes in the market or other reasons, different investment decisions may be made.</div></div> <div><div>d.</div><div>Since tenants of rental residential properties are particularly selective about geographical areas, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends and other factors in accordance with the characteristics of respective property types.</div></div>
<div>(Classification by type of residential properties)</div> <div>Wide</div>	<div><div>a.</div><div>This type refers to residential properties specially planned and designed for expatriates (i.e., persons dispatched or set off from abroad to offices established in the Tokyo Economic Bloc by Western and multinational companies) under limited location conditions in accordance with their lifestyles.</div></div> <div><div>b.</div><div>Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in a. above, these tenants have higher creditworthiness than those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants appears to be low.</div></div> <div><div>c.</div><div>Because the properties with this type of units are in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected due to its scarcity and other features. Also, depending on the quality of management performance, differences in profitability may arise regarding investments in these properties.</div></div>
Family	<div><div>a.</div><div>This type refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children), and are designed to meet their lifestyles.</div></div> <div><div>b.</div><div>Generally, these families tend to place emphasis on neighborhood scenes and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.</div></div>
DINKs	<div><div>a.</div><div>This type refers to residential properties intended for young households (without children) where both partners work, and are designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.")</div></div> <div><div>b.</div><div>Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties appear to be in short supply in such areas and said households of DINKs earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div></div>
Single	<div><div>a.</div><div>This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div></div> <div><div>b.</div><div>Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties are expected to continue yielding stable profitability going forward.</div></div> <div><div>c.</div><div>Since the 5 Central Wards of Tokyo ^(Note 2), especially Minato, Shinjuku and Shibuya Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</div></div>

(Note 1) The “Key Investment Points” in the table above reflect the current views of PRA as of the date of this document. These points may change due to future economic and real estate market trends. Moreover, they provide no guarantee of future trends regarding the degree of importance of properties for different uses, future earnings yield thereon or other considerations.

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

D) Asset Size per Property

▶see table below

a. Office buildings

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

b. Residential properties

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

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

E) Due Diligence ▶see table on page 55

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

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

F) Standards for Tenant Selection

▶see table below

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

sary, databases of outside research agencies and other materials will be used. When examination results of credit checks and other matters are recognized to be satisfactory, judgment will be made on the appropriateness of executing a lease agreement after comprehensively considering rent level, term of lease, amount of deposit, type of tenant business, balance with other tenants in the subject property, size and configuration of desired space, and other matters.

b. Concerning current tenants and new tenants with whom lease agreements have been concluded, PIC as a rule intends to maintain long-term relationships to the fullest extent possible. However, in Japan, the term of a lease agreement for both office buildings and residential properties is usually two years. Moreover, many agreements include provisions that allow tenants to cancel the agreement by providing notice in advance for a certain period of time. Such provisions are also included in many of the lease agreements for the investment assets of PIC.

Asset Size per Property

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

Areas

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

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

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

(Note 3) Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although PIC makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring the investment assets.

Standards for Tenant Selection

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

Due Diligence

Item		Details
Economic Inspection	Tenant inspection	1. Financial credibility, status of rent collection, etc. of tenants 2. Tenants' business types, number of tenants, purposes of use, etc. (including household conditions for residential properties) 3. Past occupancy rates, rent trends and future expectations 4. Proportion occupied by each tenant, diversification of tenants, etc.
	Market research	1. Market rents, occupancy rates, trends in competing properties and tenant demand, etc.
	Income-related	1. Inspection of competitive strength, including ability to attract tenants and resale potential 2. Lease agreement levels, lease agreement structures, and possibility of renewal of such agreements 3. Expense levels, structures of agreements related to expenses, and possibility of renewal of such agreements 4. Inspection of appropriate levels of rents and expenses, and possibility of projected future expense burdens 5. Comparison of maintenance and repair plans with actual funds accumulated
Physical Inspection	Location	1. Condition of roadways, access to primary means of transport (e.g., passenger trains), numbers of users of primary means of transport 2. Location and accessibility of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties) 3. Status of sunlight, vistas, views, noise, etc. (all of which are specific to residential properties) 4. Area's name value, reputation, scale, etc.
	Construction, facilities and specifications	1. For both office buildings and residential properties: Design, primary structure, building age, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rental floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor load, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rental rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
	Earthquake resistance	1. Achievement of abilities in line with new earthquake-resistant construction standards (the earthquake-resistant construction standards based on the Building Standards Act revised in 1981) or equivalent or higher standards 2. In principle, the probable maximum loss (PML) value caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more for acquiring the property.
	Property management	1. Compliance with applicable laws and regulations (specifically, the Fire Service Act, City Planning Act and other building-related laws and regulations), etc. 2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 3. Quality of property management, existence or non-existence of and terms of management bylaws, and the quality and financial credibility of a property management company
	Environment, ground characteristics, etc.	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs 2. Soil quality, land use history, status of soil contamination, etc.
		Matters relating to rights in a property, including the following items, will be carefully investigated, considering the reliability of titles of former owners and other parties. Particularly careful investigations are required with regard to properties with complex title arrangements such as those for which PIC does not hold any ownership or not hold ownership independently (e.g., properties for which PIC holds co-ownership or compartmentalized ownership or leased land).
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 2. Existence or non-existence of registration of rights for a site where the building is located, existence or non-existence of (i) restrictions on separate disposition of a building and the right for a site where a property is located and (ii) registrations thereof, and (iii) proportions of ownership shares 3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term maintenance and repair plans 4. Existence or non-existence of (i) special agreements prohibiting separation of co-ownership interest and (ii) registration thereof, appropriate measures concerning such matters as requests for separation of co-ownership interest and sales of said co-ownership interests, and obligations and rights between such owners 5. Compartmentability of compartmentalized ownership 6. Status of collateral established before acquisition of the property by PIC, terms of such collateral agreement, and whether any such collateral agreement is to be succeeded 7. Terms of agreements, special agreements, etc. which are executed with lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (including whether they are corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
	Property line inspection	1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
	Tenant attributes	1. Purpose of use by tenants, and formats of agreements with tenants 2. Existence or non-existence of any disputes with tenants

G) Amount of Investment

- a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each investment asset will be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.) as a rule.
- b. On the other hand, the maximum ratio of the investment amount of a single investment asset will, in principle, be 25% of the total amount invested in the investment assets after investing in that single asset, and an investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

3. Sales Standards

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

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

a. Strategic classifications

Classification	Strategic Significance
Core Assets	Assets with respect to which the basic policy is to carry over in the long term for the purpose of ensuring medium- to long-term stability of earnings.
Active Assets	The investment assets with higher liquidity, from which earnings based mainly on medium- to long-term rent income (income gains) are obtained, provided that the total returns (income gains plus capital gains) including earnings from sale (capital gains) based on the increased asset values (value enhancement) from the increase in the income gains after acquisition, are also intentionally and proactively sought.

- 1) The targets of the investment assets classified by PIC as active assets are as follows: The amount of investment per investment asset is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.
- 2) The upper limit on active assets as a proportion of the portfolio shall be 20% as a rule.
- b. Specific cases where sale will be considered
- 1) When a strategic sale would contribute to earnings of PIC:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
- 2) When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- 3) When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not

be achieved even with additional allocation of capital.

[Example 2] When another investment asset with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the asset to lose importance in the portfolio structure.

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

C) The Investment Real Estate related to the investment assets to be sold will be sold through measures such as the acceptance of competitive bids over a limited period and use of competitive real estate brokers and specialized agents, so that sales at high prices can be realized.

4. Policy for Investment in Development Projects

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

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

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

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

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

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

6. Insurance Policy

Determination as to whether or not the investment assets should be insured against earthquake damage will be made by comparing the effects of such a disaster with the cost of casualty insurance premiums, using the PML value of the entire portfolio as a basis. If any individual property has a high PML value, taking out an earthquake insurance policy on such individual property will be considered.

(Note) Probable Maximum Loss (PML) refers to the maximum estimated rate of loss resulting from an earthquake. Although there is no single precise definition of PML, as used here, PML refers to the ratio (in terms of percentage) of projected construction costs to restore the damaged building to the state before suffering damage to total reconstruction work costs (replacement price) for the said building when there occurs the strongest earthquake (Probable Maximum Earthquake (PME): a major earthquake occurring once every 475 years with a 10% probability of occurrence during every fifty-year period) expected to occur in the area where the building is located. Furthermore, the PML value does not consider the impact of destruction of neighboring buildings or damages by water, fire or other causes.

7. Financial Policy

A) Loans and Corporate Bonds

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

b. In the case of borrowing funds in accordance with above a., PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover, in order to flexibly respond to the capital needs for the acquisition of new investment assets, repayment of security deposits or other monies in custody for tenants, or other events, PIC may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or PIC may conclude agreements on the reservation of loans at any time it requires.

c. When borrowing funds in accordance with above a., the said funds shall only be borrowed from qualified institutional investors designated by the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”) (on the condition, however, that they are the institutional investors designated in the “Special Tax Measures for an Investment Corporation” under the Act on Special Measures Concerning Taxation).

d. PIC may offer its investment assets as collateral for borrowed funds or the issuance of corporate bonds.

e. PIC shall aim to maintain the ratio of the balance of loans and issued corporate bonds to total assets (Note) at 60% or less. However, in connection with the acquisition of new investment assets and other circumstances, this ratio may tentatively exceed 60% for a short period of time.

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

B) Issuance of Investment Units for Subscription

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

3. Property Management Policy

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

B) PRA shall select the best possible party to contract with for the provision of property management services for each acquired investment property by considering the

details of quantitative and qualitative analyses as described below, and past experience in relation to each acquired investment property. PRA shall negotiate with such service providers the particulars concerning services, payments and other matters. (Refer to the table below.)

C) PIC may accumulate a long-term maintenance and repair reserve, a reserve for payments, a reserve for distributions and other similar reserves and allowances as deemed necessary to maintain the investment assets or enhance their value.

D) PIC will endeavor to take measures such as maintaining appropriate allocation rates of investments and taking out insurance against losses (e.g., fire and general liability insurance) in order to avoid major declines and fluctuations in earnings caused by disasters, move-outs of tenants and other factors.

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

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

4. Disclosure Policy

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

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

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

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

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

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

2. Distributions in Excess of Earnings

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

Standards for Selection of Property Manager

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

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

3. Distribution Method

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

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

4. Limitation on Cash Distributions

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

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