

<http://www.pic-reit.co.jp/>

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

23RD FISCAL PERIOD
ENDED APRIL 30, 2014

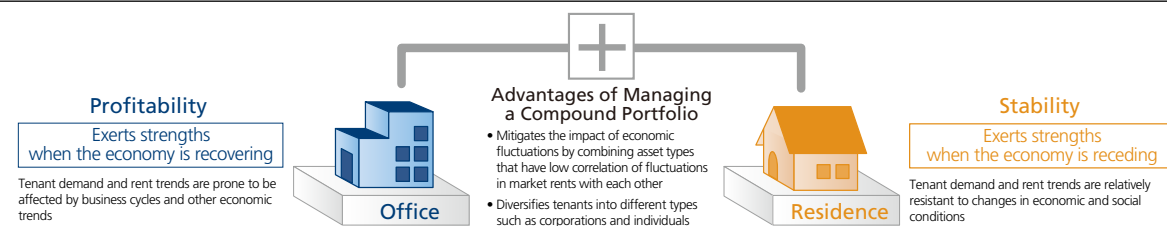
INVESTMENT POLICIES OF PREMIER INVESTMENT CORPORATION

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



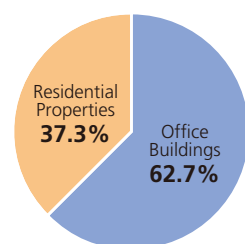
- Abundant track record of development and pipelines for office buildings
- Operating capability in real estate rental business
- Fund-raising capability based on its high credibility

2. A Compound Portfolio of Office Buildings and Residential Properties as Investment Targets

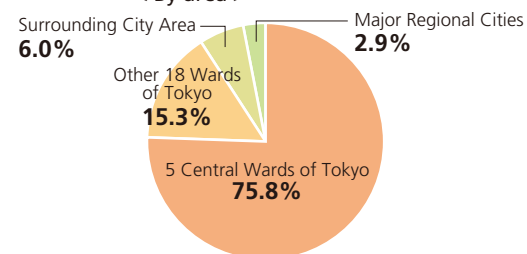


Investment Ratio of Portfolio (end of 23rd period)

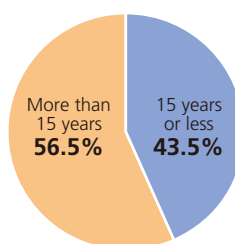
< By asset type >



< By area >



< By building age >



(Note) The respective investment ratios are indicated on an acquisition price basis. Furthermore, the value related to the property backing the preferred securities of an SPC is not included in the calculation of the investment ratio by building age.

Average Building Age by Asset Type (end of 23rd period)

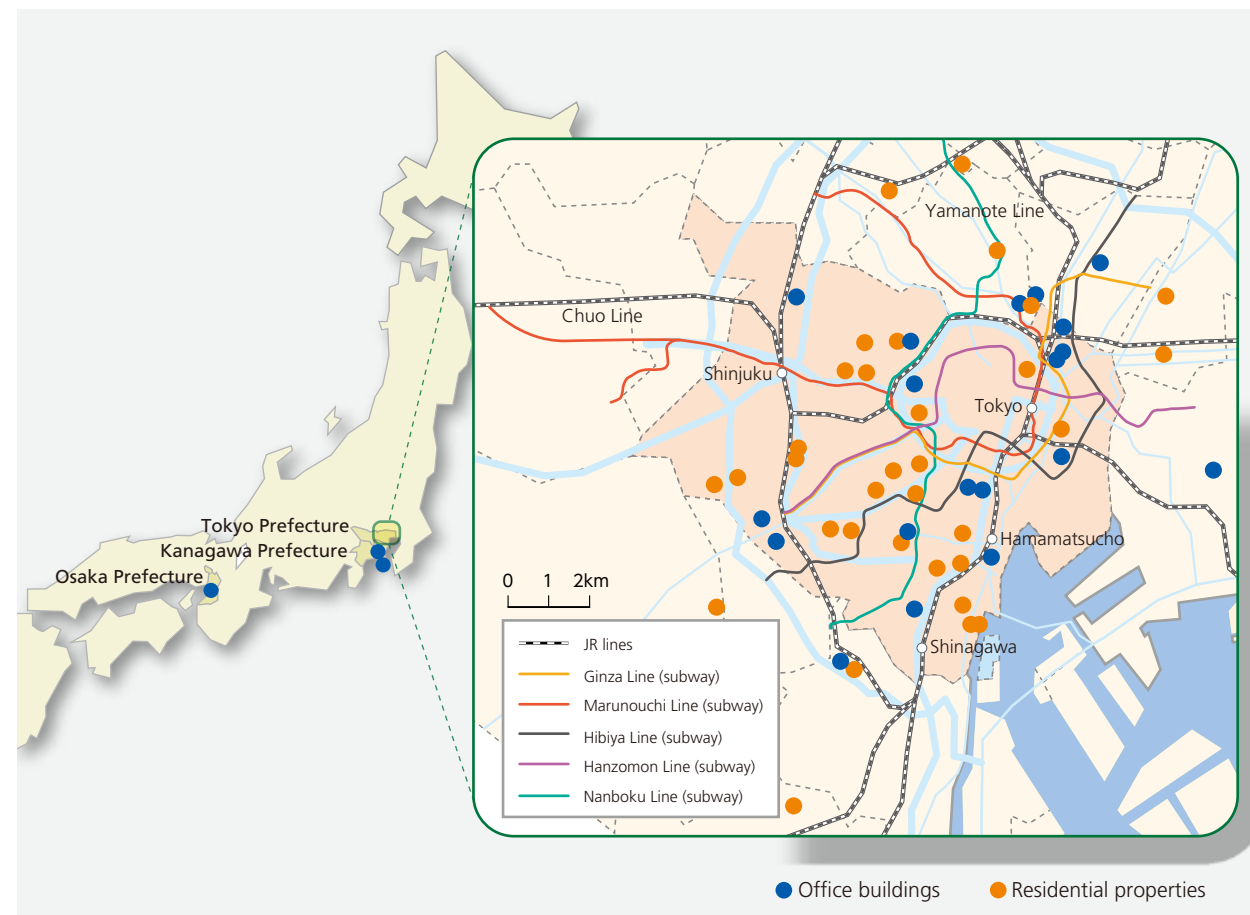
Office buildings	24.4 years
Residential properties	10.9 years
Entire portfolio	18.7 years

(Note) The average building age by asset type is the acquisition price weighted average building age of each property. Figures have been rounded down to the first decimal place. The calculation of the average building age by asset type does not include the figure of the property underlying the preferred securities.

3. Focused Investment on Assets in the Tokyo Economic Bloc



Portfolio Distribution (end of 23rd period)



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ESSAGE TO OUR UNITHOLDERS



H. Takano

Hiroaki Takano
Executive Director
Premier Investment Corporation



T. Okuda

Takahiro Okuda
President and CEO
Premier REIT Advisors Co., Ltd.
Consolidated subsidiary of NTT Urban
Development Corporation

Dear Investor,

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

PIC has maintained and enhanced a strong cooperative relationship with NTT Urban Development Corporation (NTTUD), the main sponsor, in terms of human resources and property sourcing. By acquiring four properties (total acquisition price of 25 billion yen) from NTTUD in the 23rd fiscal period (November 1, 2013 – April 30, 2014), PIC has steadily continued external growth, with its portfolio increasing to 58 properties and the asset size expanding to 224.4 billion yen as of the end of the fiscal period under review.

Moreover, entering the 24th fiscal period, a two-way transaction with the main sponsor also started successfully in May

2014, when PIC sold a relatively aged office building to NTTUD.

Looking at the Japanese economy in the 23rd fiscal period, a modest recovery trend continued with an improvement in corporate earnings and an increase in consumer spending. The reactionary drop of demand against the rush demand associated with the consumption tax rate hike in April 2014 has been kept within an expected range.

In the real estate rental market, we see a recovery trend in the occupancy rate, primarily for class S and class A buildings in central Tokyo, backed by the recovery in corporate performance. As the economy rebounds progressively going forward, it is expected that class B buildings will also show an improvement in occupancy and rent levels gradually spreading.

Under such a management environment, PIC acquired properties comprising three

office buildings (including preferred securities) and a residential property in the fiscal period under review by issuing new investment units through public offering in November 2013 and other financing measures, and posted operating revenues of 6,680 million yen, ordinary income of 2,215 million yen and net income of 2,213 million yen for the period.

Consequently, PIC decided to deliver distribution per unit of 10,121 yen, surpassing the forecast figure of 9,680 yen announced in the Financial Report for the Fiscal Period Ended October 31, 2013.

Looking ahead, we will continue our endeavors to increase the occupancy rate of owned properties and enhance our financial standing, as we aim to achieve stable management over the medium to long term. By doing so, we are resolved to meet the expectations of our unitholders. We appreciate and request your continued support and encouragement of PIC.

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RD FISCAL PERIOD PERFORMANCE HIGHLIGHTS

Financial Results Highlights

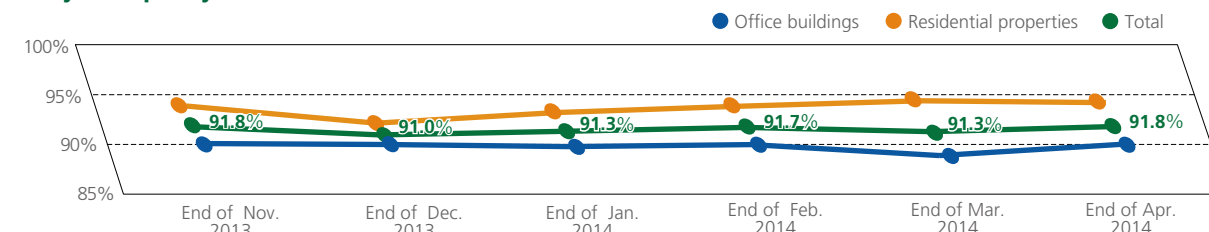
(Note 1) Distribution per Unit (yen)	22nd Fiscal Period (ended October 2013)	¥ 10,000	(Note 1) Number of outstanding investment units at end of period: 22nd Fiscal Period: 196,699 units 23rd Fiscal Period: 218,699 units 24th Fiscal Period: 218,699 units (forecast)
	23rd Fiscal Period (ended April 2014)	10,121	
	Forecast for 24th Fiscal Period (ending October 2014)	9,700	

(Note 2) The figure is based on what was announced in the Financial Report for the Fiscal Period Ended April 30, 2014 (November 1, 2013 – April 30, 2014) dated June 17, 2014.

	22nd Fiscal Period (ended October 2013)	23rd Fiscal Period (ended April 2014)
Operating Revenues (mm yen)	6,213	6,680
Operating Income (mm yen)	2,633	2,934
Ordinary Income (mm yen)	1,924	2,215
Net Income (mm yen)	1,922	2,213
Total Assets (mm yen)	203,445	228,560
Net Assets (mm yen)	87,667	96,274
Net Assets Ratio (%)	43.1	42.1
Net Assets per Unit (yen)	445,694	440,215

(Note) The number of outstanding investment units at the end of the 22nd and 23rd fiscal periods was 196,699 units and 218,699 units, respectively.

Monthly Occupancy Rate for the 23rd 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 for respective asset types.

Events Undertaken in the 23rd Fiscal Period

[Issuance of New Investment Units]

PIC conducted issuance of new investment units by 20,900 units through public offering on November 7, 2013 and by 1,100 units by way of secondary offering through over-allotment and through third-party allotment on December 4, 2013.

[Acquisition of Assets]

PIC acquired the following four properties (totaling 25,015 million yen) from NTT Urban Development Corporation, the main sponsor.

Property name	Granpark	Akihabara UDX (Note)	Urbancourt Ichigaya	Tradepia Yodoyabashi (Land)
Asset type	Office building		Residential property	Office building
Acquisition date	November 8, 2013			March 31, 2014
Financing for acquisition	Proceeds from issuance of new investment units through public offering and debt financing			Debt financing

(Note) Preferred securities issued by UDX Special Purpose Company, which are backed by an entire office building and its site.

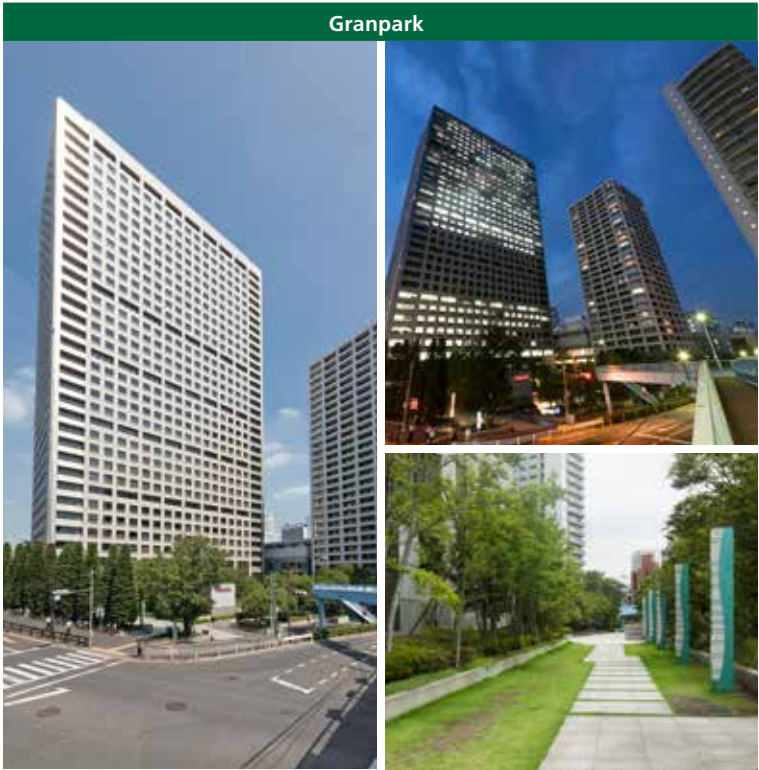
[Sale of Assets]

PIC executed transfer agreements for Iwamotocho Building and IPB Ochanomizu Building on March 26, 2014 (the 23rd fiscal period), and sold them on May 8 and May 20, 2014, respectively (the 24th fiscal period).

PROPERTY ACQUISITIONS
IN THE 23RD FISCAL PERIOD

POINT

- Asset acquisition of 4 properties totaling 25,015 million yen in the 23rd fiscal period
- Acquired blue-chip properties by taking advantage of the pipeline support of NTTUD to promote external growth
- NOI yield higher than the existing portfolio
- The NOI yield of the newly acquired assets surpasses that of the existing portfolio
- Acquisition of property in a major regional city
- Tradepia Yodoyabashi (Land) is land with leasehold interest, located in Osaka, with a land lease agreement executed with NTTUD





Asset type	Office building		Residential property	
Seller	NTTUD		NTTUD	
Type of ownership	15% quasi co-ownership interest of beneficiary interest in trust for the fee simple ownership and the co-ownership of the land and co-ownership of the building as trust properties Approximately 13% quasi co-ownership interest for the entire site and building in effect		Beneficiary interest in trust for fee simple ownership of both the land and the building	
Acquisition date	November 8, 2013		November 8, 2013	
Acquisition price	11,490 million yen		1,385 million yen	
Appraisal value upon acquisition	11,600 million yen		1,400 million yen	
Location	5 Central Wards of Tokyo		5 Central Wards of Tokyo	
Area	Minato Ward, Tokyo		Shinjuku Ward, Tokyo	
Site	16,449.37 m ²		2,277.68 m ²	
Total floor space	160,042.88 m ²		3,662.97 m ²	
Construction completion	August 1996		January 1993	
Occupancy rate at end of period	78.4%		86.2%	
Appraisal NOI yield (Note 3)	4.7%		5.7%	

Reference:

PROPERTY SALE
IN THE 24TH FISCAL PERIOD

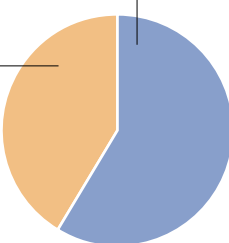
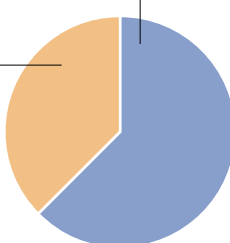
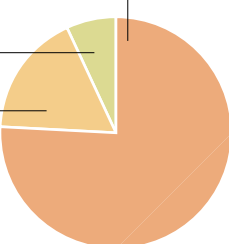
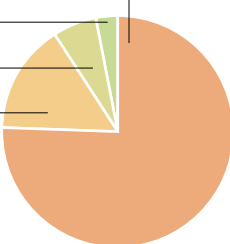
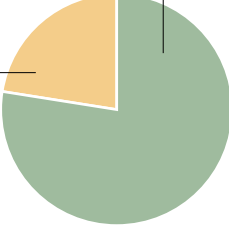
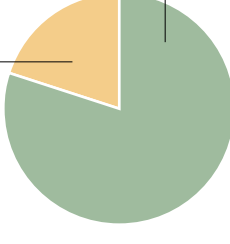
PORTFOLIO STATUS

<div>POINT</div> <div>Conducted asset replacement in the portfolio</div>		
	<div>Iwamotocho Building</div> 	<div>IPB Ochanomizu Building</div> 
Asset type	Office building	Office building
Transferee	NTTUD	Juntendo University
Transfer date	May 8, 2014	May 20, 2014
Sale price	6,915 million yen	1,570 million yen
Appraisal value upon sale	6,320 million yen	1,240 million yen
Gain on sale (estimate)	8 million yen	206 million yen
Location	5 Central Wards of Tokyo	Other 18 Wards of Tokyo
	Chiyoda Ward, Tokyo	Bunkyo Ward, Tokyo
Area	Site	460.41 m ²
	Total floor space	2,314.89 m ²
Construction completion	November 1973	March 1992
Occupancy rate at end of period	72.2%	100.0%
Rental NOI yield ^(Note)	2.8%	5.4%
Use of proceeds from sale	The proceeds were used to partially repay the four loans that matured on May 9 through May 22, 2014 (9,187million yen in total)	

(Note) Rental NOI yield has been calculated by using the formula of [annualized rental NOI (*) / investment value (**)] of each property for the fiscal period (rounded down to the first decimal place)

* Annualized rental NOI = annualized figure of [real estate rental income + depreciation] of each property for the fiscal period

** Investment value = book value as of the end of the period (after depreciation) of each property for the fiscal period

	End of the 22nd Fiscal Period (as of October 31, 2013)	End of the 23rd Fiscal Period (as of April 30, 2014)
Number of properties	55 properties	58 properties (including a property that represents additional acquisition)
Total acquisition price	199.4 billion yen	224.4 billion yen
Average building age ^(Note 1)	18.2 years	18.7 years
Occupancy rate at end of period ^(Note 1)	92.0%	91.8%
Portfolio NOI yield ^{(Note 1) (Note 2)}	4.0%	4.1%
Diversification by asset type	<div>Office Buildings 58.8%</div> <div>Residential Properties 41.2%</div> 	<div>Office Buildings 62.7%</div> <div>Residential Properties 37.3%</div> 
Area composition	<div>5 Central Wards of Tokyo 76.0%</div> <div>Surrounding City Area 6.7%</div> <div>Other 18 Wards of Tokyo 17.2%</div> 	<div>5 Central Wards of Tokyo 75.8%</div> <div>Major Regional Cities 2.9%</div> <div>Surrounding City Area 6.0%</div> <div>Other 18 Wards of Tokyo 15.3%</div> 
Acquisition source	<div>Sponsor Support 77.7%</div> <div>Others 22.3%</div> 	<div>Sponsor Support 80.2%</div> <div>Others 19.8%</div> 

(Note 1) The calculation of the average building age, occupancy rate at end of period and portfolio NOI yield does not include the figures of the property underlying the preferred securities.

(Note 2) Portfolio NOI yield has been calculated by using the formula of [annualized rental NOI (*) / period-average investment value before depreciation (**)] of owned properties for the fiscal period (rounded down to the first decimal place)

* Annualized rental NOI = annualized figure of [real estate rental income + depreciation] of owned properties for the fiscal period

** Period-average investment value before depreciation = [average figure of (book value as of the end of the period + accumulated depreciation) at the beginning and the end of the fiscal period + deposits and guarantees paid as of the end of the fiscal period] of owned properties for the fiscal period

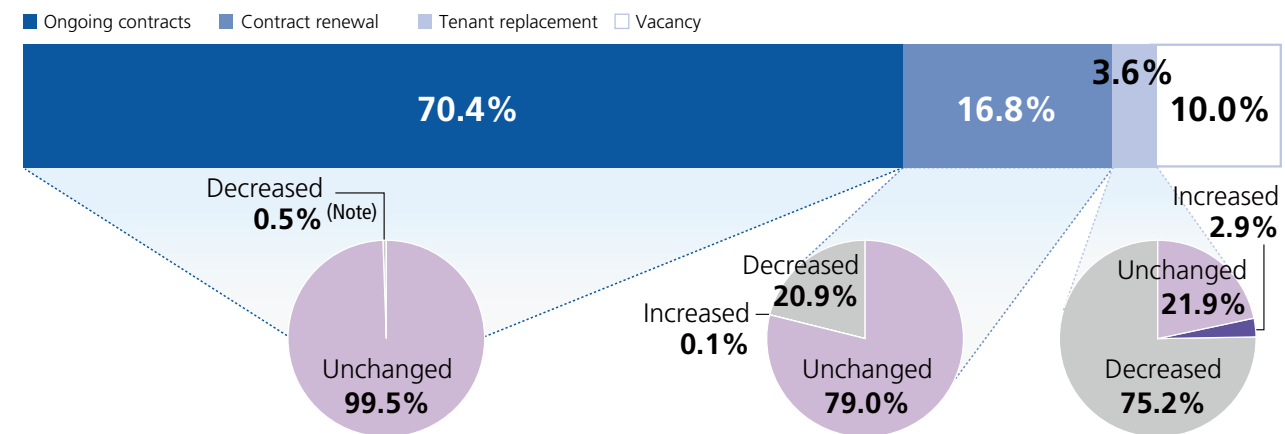
MANAGEMENT STATUS IN THE 23RD FISCAL PERIOD

Rent Trends

Office buildings: Upon contract renewal, rents remained unchanged for 79.0% of such contracts

The graphs show how rents changed (increased, remained unchanged or decreased) in the 23rd fiscal period by contract status.

Office Buildings

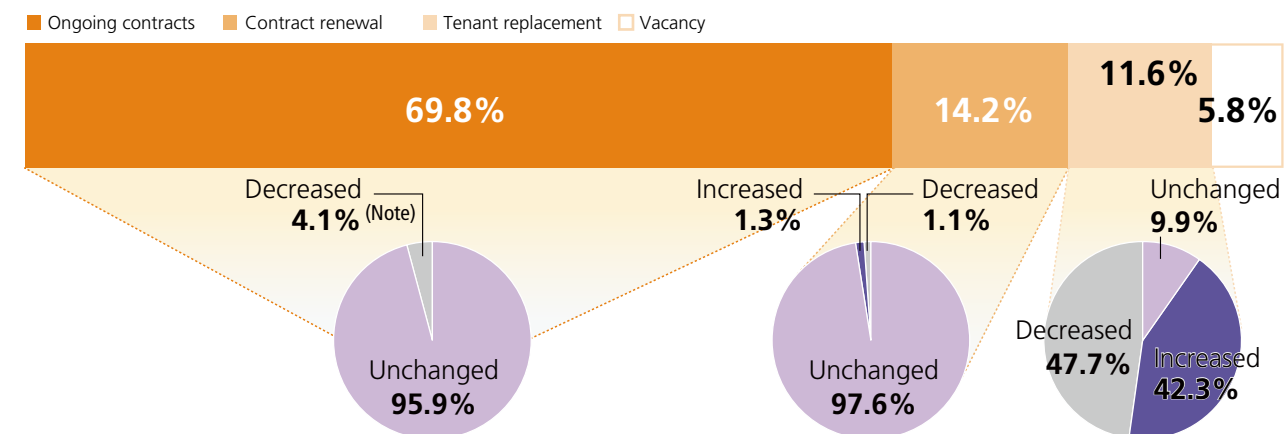


(Note) Rent revisions conducted within the contract period are extremely exceptional.

Residential properties: upon contract renewal, rents were revised upward for 42.3% of such contracts

The graphs show how rents changed (increased, remained unchanged or decreased) in the 23rd fiscal period by contract status.

Residential properties

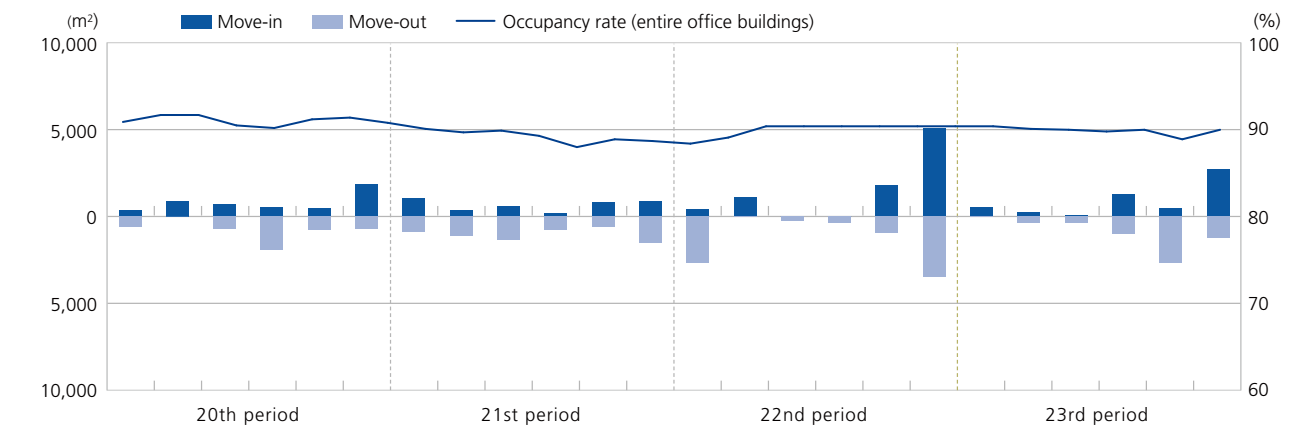


(Note) Rent revisions conducted within the contract period are extremely exceptional.

Occupancy Rates

Office buildings: Period-average occupancy rate stood at approximately 90%

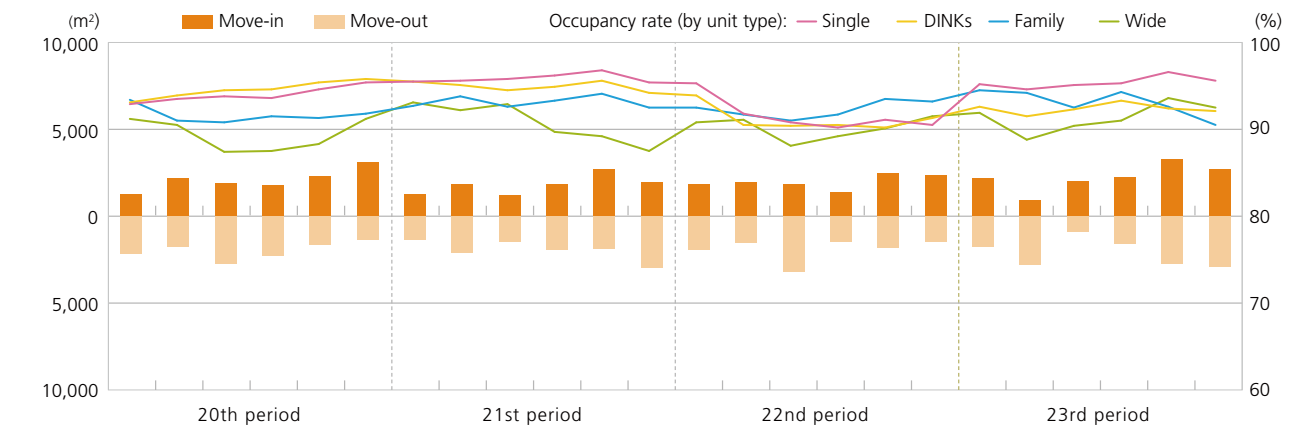
Office Buildings



(Note) Move-in and move-out are indicated by square meter (m²), while the occupancy rate is indicated by percentage (%).

Residential properties: Occupancy remained stable, with period-average occupancy rate standing at approximately 94%

Residential properties

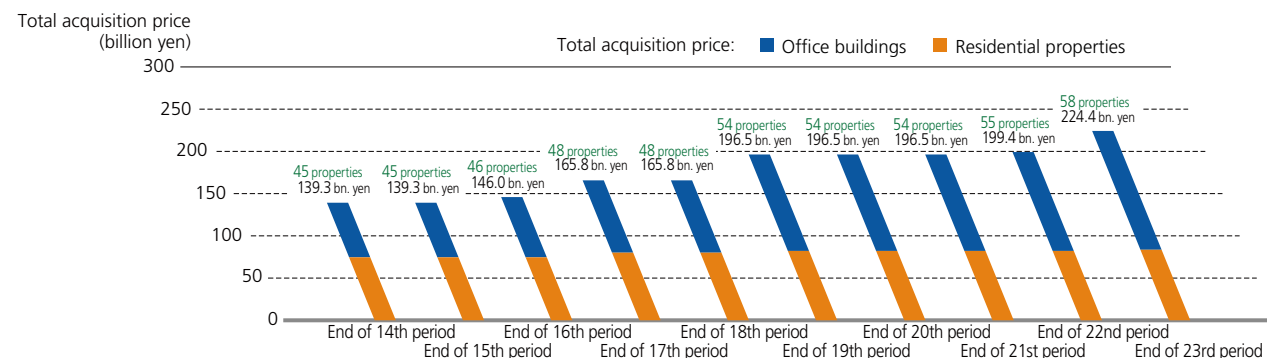


(Note 1) The Wide type represents a large residential unit designed for expatriates and their families.

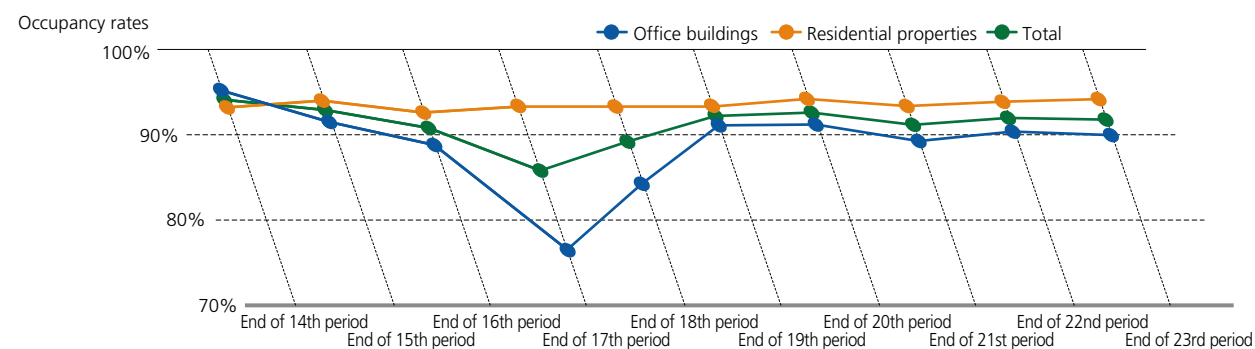
(Note 2) Move-in and move-out are indicated by square meter (m²), while the occupancy rate is indicated by percentage (%).

OPERATING PERFORMANCE IN THE 23RD FISCAL PERIOD

Growth in Asset Size

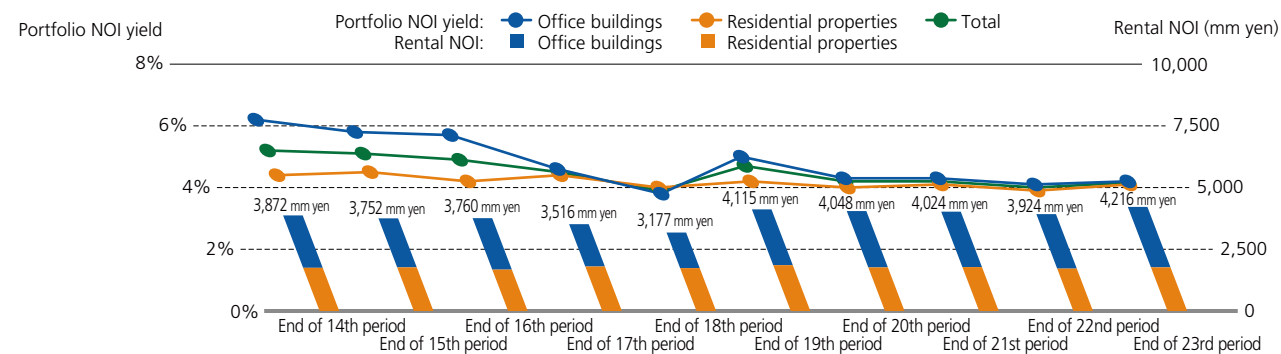


Changes in Period End Occupancy Rates



(Note) The calculation of the occupancy rate by asset type does not include the figure of the underlying property for the preferred securities.

Changes in NOI Yields



(Note 1) Portfolio NOI yield has been calculated by using the formula of [annualized rental NOI (*) / period-average investment value before depreciation (**)] of owned properties for the fiscal period (rounded down to the first decimal place)

* Annualized rental NOI = annualized figure of [real estate rental income + depreciation] of owned properties for the fiscal period

** Period-average investment value before depreciation = [average figure of (book value as of the end of the period + accumulated depreciation) at the beginning and the end of the fiscal period + deposits and guarantees paid as of the end of the fiscal period] of owned properties for the fiscal period

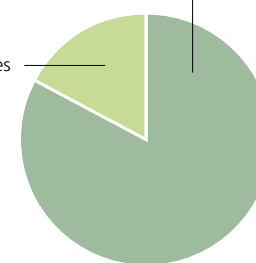
(Note 2) The figure of the underlying property for the preferred securities is not included in the calculations

Status of Interest-Bearing Liabilities

Borrowing period (Note)

End of the 23rd fiscal period

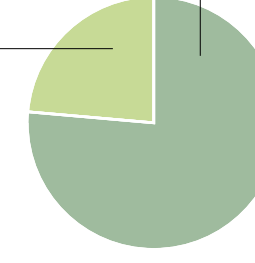
Long-term interest-bearing liabilities **82.8%**
Short-term interest-bearing liabilities **17.2%**



Interest rate type

End of the 23rd fiscal period

Fixed interest rate **76.6%**
Floating interest rate **23.4%**

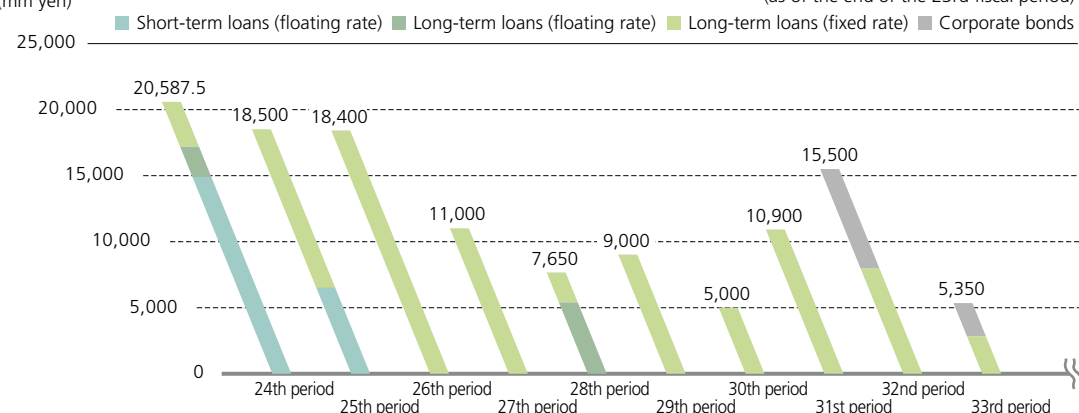


(Note) Borrowing periods are counted from the drawdown dates for borrowings and from the issue dates for corporate bonds.

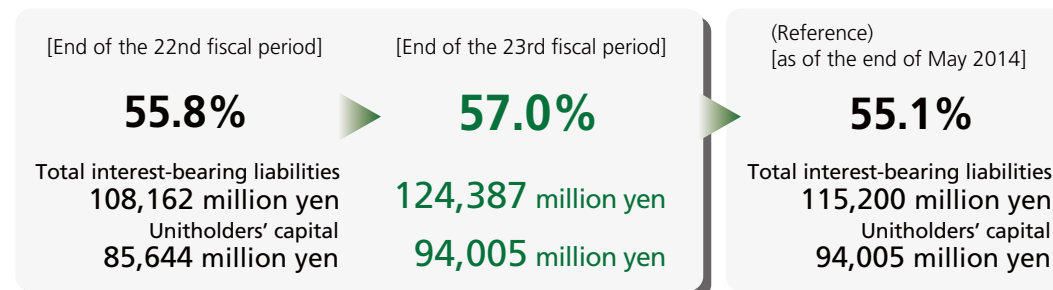
Diversification of Repayment Dates for Interest-Bearing Liabilities

(mm yen)

(as of the end of the 23rd fiscal period)



Changes in LTV (Note)



(Note) LTV represents the figure calculated by using the formula of interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital) x 100.

23rd Fiscal Period (as of April 30, 2014)

No.	Area	Property Name (Note 1)	Acquisiton Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Office Buildings									
A1	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.8	92.7	166	81	84	10.6
A2		Landic Shimbashi 2 Building	7,045	3.1	100.0	199	95	103	12.9
A3		Premier Dogenzaka Building	1,727	0.8	100.0	74	31	43	5.5
A4		KN Shibuya No.3	5,348	2.4	100.0	(Note 5)	(Note 5)	119	10.6
A5		Takadanobaba Center Building	5,118	2.3	91.1	246	127	119	2.0
A6		Rokubancho Building	7,860	3.5	100.0	(Note 5)	(Note 5)	146	10.8
A7		Ougaku Building	1,796	0.8	100.0	64	27	36	14.2
A8		YS Kaigan Building	5,100	2.3	53.7	75	68	6	10.6
A9		Iwamotocho Building (Note 6)	6,700	3.0	72.2	181	116	65	12.2
A10		Urbannet Mita Building	10,300	4.6	99.9	261	118	143	7.2
A11		Urbannet Azabu Building	5,000	2.2	100.0	(Note 5)	(Note 5)	80	10.5
A12		Urbannet Ichigaya Building	1,650	0.7	100.0	(Note 5)	(Note 5)	30	7.0
A13		Kanda Chuodori Building	2,450	1.1	58.4	78	34	43	14.0
A14		Urbannet Irifune Building	2,900	1.3	100.0	(Note 5)	(Note 5)	105	10.8
A15		Granpark (Note 7)	11,490	5.1	78.4	377	161	216	12.0
B1	Other 18 Wards of Tokyo	IPB Ochanomizu Building (Note 6)	1,456	0.6	100.0	50	24	26	8.7
B2		Premier Toyocho Building	4,310	1.9	44.2	59	61	-2	16.2
B3		Ueno TH Building	4,380	2.0	61.7	89	60	28	12.8
B4		Gotanda NT Building	4,100	1.8	89.1	82	47	34	14.3
B5		Ueno Tosei Building	5,900	2.6	100.0	209	92	116	10.7
C1	Surrounding City Area	Nisso No.3 Building (Note 8)	3,558	1.6	100.0	158	69	88	10.2
C2		The Kanagawa Science Park R&D Building	6,556	2.9	97.3	389	251	137	10.4
C4		NU Kannai Building	3,300	1.5	100.0	176	95	81	14.3
G1	Major Regional Cities	Tradepia Yodoyabashi (Land) (Note 9)	6,500	2.9	100.0	(Note 5)	(Note 5)	(Note 5)	—
Subtotal			120,885	53.9	90.0	3,795	1,911	1,883	—
Residential Properties									
D1	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.3	85.6	148	78	69	7.4
D2		Park Axis Meiji-Jingumae	2,604	1.2	94.6	54	21	32	9.9
D3		Sun Palace Minami-Azabu	1,150	0.5	100.0	30	24	6	5.3
D4		Cabin Arena Akasaka	1,330	0.6	100.0	37	15	21	10.1
D5		Cabin Arena Minami-Aoyama	1,070	0.5	94.3	35	18	17	11.2
D6		Bureau Kioicho	1,840	0.8	100.0	37	14	23	11.6
D7		Homat Woodville	5,090	2.3	92.1	117	70	47	7.4
D8		Roppongi Green Terrace	4,678	2.1	100.0	110	61	48	10.3
D9		Premier Stage Shibakoen II	2,181	1.0	97.6	55	26	28	11.5
D11		Langue Tower Kyobashi	927	0.4	98.3	35	17	17	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.7	95.0	52	19	33	14.3
D13		Premier Rosso	1,662	0.7	98.2	52	23	28	14.0

No.	Area	Property Name (Note 1)	Acquisiton 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)	
D14	5 Central Wards of Tokyo	Premier Blanc Yoyogikouen	2,330	1.0	98.3	62	33	28	13.1
D15		Premier Stage Uchikanda	1,723	0.8	82.1	49	21	28	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.7	96.9	46	17	28	13.1
D17		Walk Akasaka	2,043	0.9	80.3	44	29	14	13.9
D18		Premier Stage Shibakoen	1,585	0.7	100.0	43	18	24	16.1
D19		MEW	1,556	0.7	96.3	34	21	12	13.9
D20		Shibaura Island Air Tower	7,590	3.4	95.2	323	234	89	11.2
D21		Storia Akasaka	3,930	1.8	90.2	85	40	44	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	2.9	97.7	178	103	75	7.2
D23		Shibaura Island Bloom Tower	5,500	2.5	95.8	268	159	108	10.0
D24		Questcourt Harajuku	4,500	2.0	88.3	147	55	91	12.7
D25		Urbancourt Ichigaya (Note 7)	1,385	0.6	86.2	49	30	19	12.0
E1	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.5	100.0	29	10	18	12.1
E2		Premier Garden Hongo	975	0.4	93.1	29	13	15	12.1
E3		Premier Grande Magome	1,560	0.7	93.9	42	24	17	15.7
E4		Premier Nozze Yutenji	1,525	0.7	100.0	38	17	20	13.6
E5		Premier Stage Yushima	1,803	0.8	97.1	51	29	22	17.2
E6		Premier Stage Komagome	1,830	0.8	94.4	50	28	22	18.0
E7		Premier Stage Otsuka	1,310	0.6	89.6	40	20	20	22.5
E8		Premier Stage Honjo-Azumabashi	2,640	1.2	93.9	79	43	35	14.7
E9		Premier Stage Ryogoku	1,496	0.7	97.7	46	23	22	12.8
Subtotal			83,634	37.3	94.2	2,508	1,368	1,139	—
Preferred Securities (Office Building)									
Z1	—	UDX Special Purpose Company Preferred Securities (Note 10)	19,940	8.9	—	—	—	—	—
Subtotal			19,940	8.9	—	—	—	—	—
Total			224,459	100.0	91.8	6,303	3,280	3,023	9.0

(Note 1) PIC has acquired the assets listed in the table in the form of either beneficiary interests in real estate trust or preferred securities.

(Note 2) The acquisition price of respective properties indicates the value (transaction price depicted in the sales agreement, etc.) that does not include incidental expenses accompanying the acquisition of the relevant real estate or preferred securities (such as transaction brokerage fees and tax and public dues.)

(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 or leaseholder constitute more than 80% of the total rental revenues for this property, and the major tenant or leaseholder has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.

(Note 6) PIC executed transfer agreements for Iwamotocho Building and IPB Ochanomizu Building on March 26, 2014 (the 23rd fiscal period), and sold the former on May 8 and the latter on May 20, 2014, respectively (the 24th fiscal period).

(Note 7) In the 22nd fiscal period, PIC executed a transfer agreement for the property on October 18, 2013, and had the property delivered on November 8, 2013.

(Note 8) The property name was changed to Premier Yokohama Nishiguchi Building as of July 1, 2014 (the 24th fiscal period).

(Note 9) In the 23rd fiscal period, PIC executed a transfer agreement for the property on March 26, 2014, and had the property delivered on March 31, 2014.

(Note 10) 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. On November 8, 2013, PIC additionally acquired 14,100 units (5% of total units outstanding) of the preferred securities.

OVERVIEW OF PIC

Features of PIC

Characteristics and Basic Policy of PIC

Integrates Know-How in Real Estate and Finance

PIC conducts asset management that takes advantage of the expertise and experience nourished primarily by NTT Urban Development Corporation, which is engaged in the real estate business and serves as the main sponsor of Premier REIT Advisors Co., Ltd., as well as by the Ken Corporation Group and SOHGOH REAL ESTATE Group, which are also engaged in the real estate business, and the Sumitomo Mitsui Trust Group including Sumitomo Mitsui Trust Bank, Limited, a financial institution.

Aims to Maximize Real Estate Value

Real estate is an important asset indispensable for the national economy. PIC aims to maximize the interests of its unitholders by enhancing the profitability of such real estate.

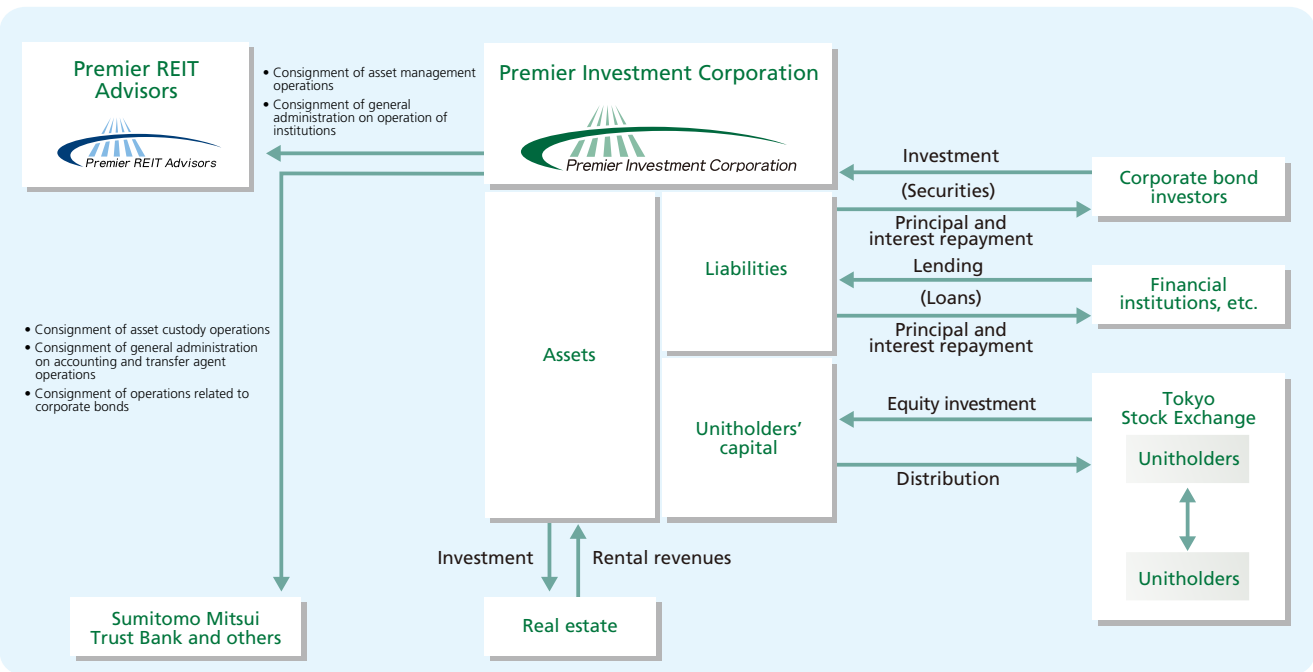
Firmly Holds a Dynamic and Sound Financial Balance

PIC has executed basic agreements on loans with various financial institutions including Sumitomo Mitsui Trust Bank, Limited to establish a framework that allows dynamic financing (fund procurement) in line with property acquisitions. In addition, PIC makes it a basic policy to keep its loan-to-value ratio (interest-bearing liabilities / total assets) at 60% or lower, giving consideration to possible issuance of new investment units in a stable manner and other financing activities. Through this and other measures, PIC firmly holds a sound financial standing.

Endeavors to Disclose Information in a Timely and Appropriate Manner

PIC believes that its top priority mission is to conduct appropriate business management and return profits stably to the satisfaction of its unitholders. PIC will endeavor to proactively conduct information disclosure and IR activities so that a larger number of unitholders can fully understand the characteristics of its management policies and strategies on investment target areas.

Structure of PIC



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

OVERVIEW OF ASSET MANAGER

Company Overview

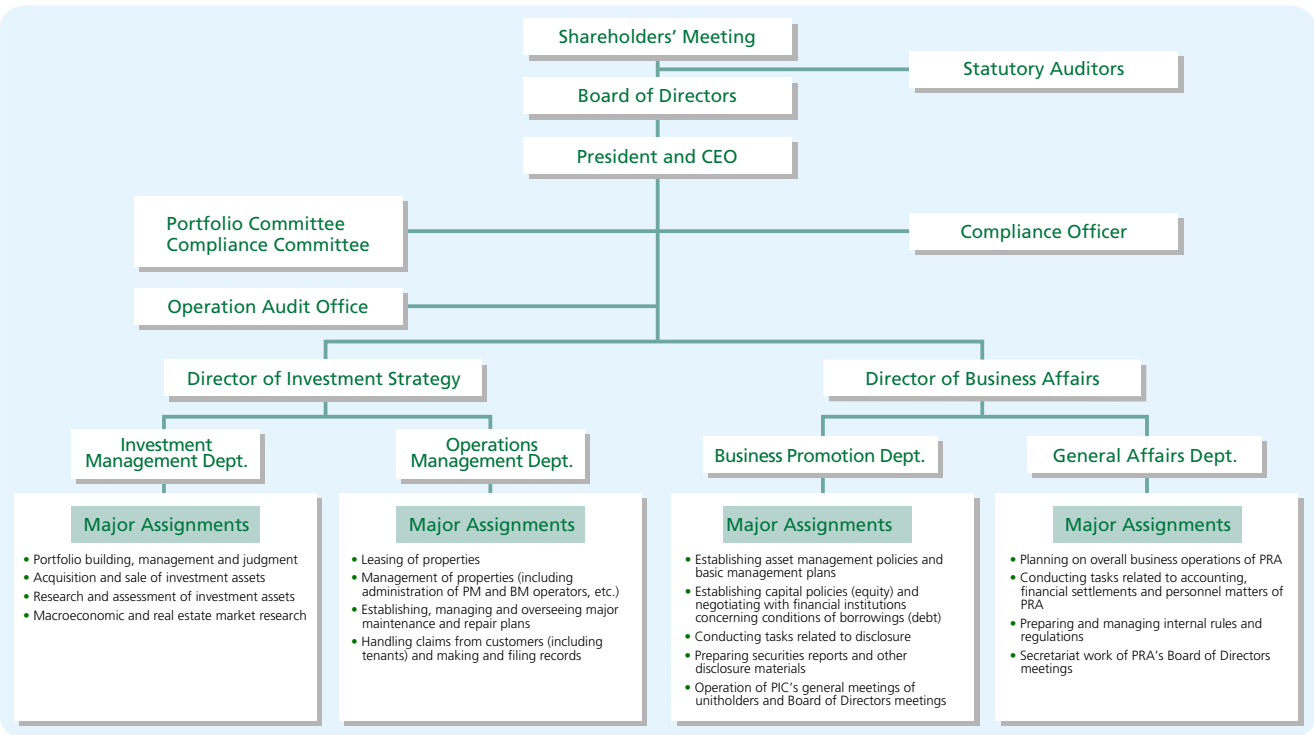
Trade name	Premier REIT Advisors Co., Ltd.
Paid-in capital	300 million yen (as of March 31, 2014)
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (53.1%), Ken Corporation Ltd. (30.0%), SOHGOH REAL ESTATE CO., LTD. (10.0%), Sumitomo Mitsui Trust Bank, Limited (4.9%) and Nikko Properties Co., Ltd. (2.0%)

Corporate History

July 17, 2001	Premier REIT Advisors Co., Ltd. established
August 31, 2001	Obtained license as real estate transaction agent
October 29, 2001	Obtained license as discretionary transaction agent under the Building Lots and Building Transactions Business Act
February 19, 2002	Obtained license as asset management agent for investment corporation under the Act on Investment Trusts and Investment Corporations prior to the revision by the Act for Partial Revision of the Securities and Exchange Act (Act No. 65 of 2006)
July 26, 2007	Obtained approval of subsidiary business for affairs related to the operation of the administrative instruments of investment corporations under the Act on Investment Trusts and Investment Corporations prior to the revision by the Act for Partial Revision of the Securities and Exchange Act
September 30, 2007	Acquired deemed registration for investment management business under the Financial Instruments and Exchange Act ^(Note)
May 14, 2010	Became a consolidated subsidiary of NTT Urban Development Corporation

(Note) Premier REIT Advisors Co., Ltd. is deemed to have been registered for investment management business as of September 30, 2007, applicable to Article 159-1 of the Supplementary Provisions of the Act for Partial Revision of the Securities and Exchange Act.

Organization of Premier REIT Advisors (PRA)



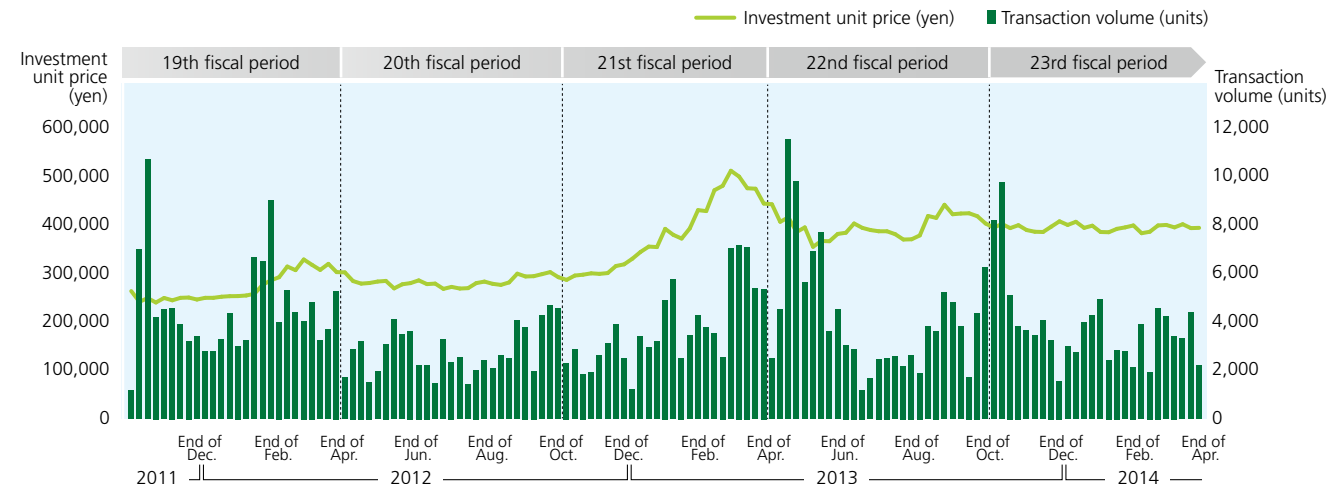
INFORMATION FOR UNITHOLDERS



Investment Unit Status

Change in Investment Unit Price of PIC

The following is the history of investment unit prices (Note) and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 19th fiscal period (November 1, 2011) to the end of the 23rd fiscal period (April 30, 2014).



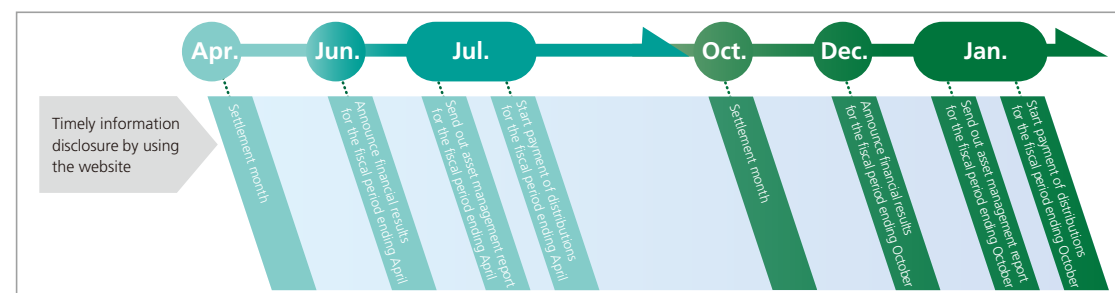
(Note) The investment unit price has been made into a graph based on the closing price of the final trading date at the end of each week.

Number of Investment Units by Unitholders and Number of Unitholders

Number of investment units 218,699 units in total			Number of unitholders 15,040 entities in total		
51,078 units	23.3%	Individuals	96.3%	14,488 entities	
17,168 units	7.8%	Other domestic corporations	1.8%	283 entities	
40,171 units	18.3%	Foreign corporations and individuals	1.1%	173 entities	
110,282 units	50.4%	Financial institutions including financial instruments business operators	0.6%	96 entities	

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

Annual Schedule (planned)



Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheets as at April 30, 2014, and the profit and loss statements, statements of changes in unitholders' equity and cash flow statements for the six months period then ended, all expressed in Japanese yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2014, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note-17 to the financial statements, which states that the Company sold properties.

PricewaterhouseCoopers Aarata

July 29, 2014

PricewaterhouseCoopers Aarata

Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
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BALANCE SHEETS

AS OF APRIL 30, 2014 AND OCTOBER 31, 2013

	Thousands of yen	
	April 30, 2014	October 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-13)	¥ 2,614,107	¥ 1,996,236
Cash and deposits held in trust (Note-3) (Note-13)	9,599,309	9,391,019
Tenant receivables	80,197	74,589
Prepaid expenses	172,120	166,098
Income taxes refund receivables	69,727	60,446
Consumption taxes refund receivables	27,364	18,963
Deferred tax assets (Note-9)	2,760	1,450
Other current assets	29,556	11,209
TOTAL CURRENT ASSETS	12,595,144	11,720,013
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	77,630,539	74,662,544
Structures held in trust (Note-4)	1,753,202	1,662,278
Tools, furniture and fixtures held in trust (Note-4)	229,041	215,328
Less accumulated depreciation	(18,249,145)	(17,056,940)
Land held in trust (Note-4)	131,947,130	115,240,196
Property and equipment, net	193,310,913	174,723,553
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	4,636	3,281
Intangible fixed assets	777	1,733
Total intangible fixed assets	1,783,017	1,782,617
Investment and other assets		
Investment Securities (Note-13) (Note-14)	20,035,175	14,378,482
Other deposits	10,000	10,000
Long-term prepaid expenses	141,246	182,545
Other deposits held in trust	604,402	604,402
New investment unit issuance costs	20,278	7,999
Corporate bond issuance costs	60,141	36,188
Total investment and other assets	20,871,243	15,219,617
TOTAL LONG-TERM ASSETS	215,965,174	191,725,788
TOTAL ASSETS	¥ 228,560,318	¥ 203,445,801

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

	Thousands of yen	
	April 30, 2014	October 31, 2013
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 668,898	¥ 674,286
Short-term loan payable (Note-7) (Note-13)	21,400,000	10,500,000
Long-term loan payable due within one year (Note-7) (Note-13)	17,687,500	10,762,500
Accrued expenses	209,971	212,715
Distributions payable	13,445	13,572
Income taxes payable	-	556
Business office taxes payable	7,260	3,963
Rents received in advance	1,065,558	757,020
Deposits received	155,851	135,136
Total current liabilities	41,208,486	23,059,751
LONG-TERM LIABILITIES		
Long-term loan payable (Note-7) (Note-13)	72,800,000	79,400,000
Corporate bonds (Note-6) (Note-13)	12,500,000	7,500,000
Tenant security deposits held in trust	5,777,035	5,818,456
Total long-term liabilities	91,077,035	92,718,456
TOTAL LIABILITIES	132,285,522	115,778,207
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	94,005,086	85,644,448
Units authorized - 2,000,000 units		
Units issued and outstanding - 218,699 units as of April 30, 2014		
- 196,699 units as of October 31, 2013		
Surplus		
Reserve for reduction entry	56,156	100,653
Unappropriated income	2,213,553	1,922,492
Total unitholders' equity	96,274,796	87,667,594
TOTAL NET ASSETS	96,274,796	87,667,594
TOTAL LIABILITIES AND NET ASSETS	¥ 228,560,318	¥ 203,445,801

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND OCTOBER 31, 2013

		Thousands of yen	
		April 30, 2014	October 31, 2013
OPERATING INCOME AND EXPENSES			
Operating revenues			
Rental revenue	(Note-8)	¥ 5,638,757	¥ 5,266,923
Other revenue	(Note-8)	664,869	651,613
Dividend income		376,767	295,285
Operating expenses			
Property-operating expenses	(Note-8)	3,280,567	3,138,178
Asset management fees		261,286	237,358
Directors' compensation		9,000	9,000
Custodian fees		10,555	9,560
Administration fees		81,277	74,579
Audit fees		8,600	8,500
Other expenses		94,917	103,383
Operating income		2,934,190	2,633,262
NON-OPERATING INCOME AND EXPENSES			
Non-operating income			
Interest income		1,073	972
Return of unclaimed distribution		1,128	952
Other non-operating income		309	206
Non-operating expenses			
Interest expense		664,031	664,730
Interest expenses on corporate bonds		31,095	34,784
Amortization of corporate bond issuance costs		4,695	5,413
Amortization of new investment unit issuance costs		7,255	3,999
Public listing related costs of new investment units		7,767	-
Other non-operating expenses		6,331	2,190
Ordinary income		2,215,525	1,924,274
Income before income taxes		2,215,525	1,924,274
Income taxes	(Note-9)		
Current		3,283	605
Deferred		(1,310)	1,294
Net income		2,213,553	1,922,375
Income carried forward		-	117
UNAPPROPRIATED INCOME		¥ 2,213,553	¥ 1,922,492

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

S

TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND OCTOBER 31, 2013

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus			Total Unitholders' Equity		
		Voluntary Retained Earnings	Unappropriated Retained Earnings	Total Surplus			
	Reserve for Reduction Entry (Note-12)	Total Voluntary Retained Earnings					
BALANCE AT APR. 30, 2013	¥ 85,644,448	¥ 100,653	¥ 100,653	¥ 2,003,496	¥ 2,104,149	¥ 87,748,597	¥ 87,748,597
Changes during the period							
Cash distributions paid				(2,003,379)	(2,003,379)	(2,003,379)	(2,003,379)
Net income				1,922,375	1,922,375	1,922,375	1,922,375
Total changes during the period	-	-	-	(81,003)	(81,003)	(81,003)	(81,003)
BALANCE AT OCT. 31, 2013	¥ 85,644,448	¥ 100,653	¥ 100,653	¥ 1,922,492	¥ 2,023,146	¥ 87,667,594	¥ 87,667,594
Changes during the period							
Issuance of new investment units	8,360,638					8,360,638	8,360,638
Reversal of reserve for reduction entry		(44,497)	(44,497)	44,497	-	-	-
Cash distributions paid				(1,966,990)	(1,966,990)	(1,966,990)	(1,966,990)
Net income				2,213,553	2,213,553	2,213,553	2,213,553
Total changes during the period	8,360,638	(44,497)	(44,497)	291,060	246,563	8,607,201	8,607,201
BALANCE AT APR. 30, 2014	¥ 94,005,086	¥ 56,156	¥ 56,156	¥ 2,213,553	¥ 2,269,709	¥ 96,274,796	¥ 96,274,796

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND OCTOBER 31, 2013

	Thousands of yen	
	April 30, 2014	October 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,215,525	¥ 1,924,274
Depreciation	1,194,315	1,145,415
Amortization of corporate bond issuance costs	4,695	5,413
Amortization of new investment unit issuance costs	7,255	3,999
Interest income	(1,073)	(972)
Refund of unpaid distributions	(1,128)	(952)
Interest expenses	695,126	699,515
(Increase) Decrease in tenant receivables	(5,607)	70
Increase in accounts payable	94,809	39,185
Increase in consumption taxes refund receivables	(8,401)	(18,963)
Decrease in consumption taxes payable	-	(31,719)
Increase (Decrease) in rent received in advance	308,537	(73,564)
Increase in deposits received	20,714	84,316
Other	(45,077)	5,855
SUBTOTAL	4,479,692	3,781,873
Interest received	1,073	972
Interest paid	(642,890)	(642,628)
Income taxes paid	(13,121)	(1,191)
Net cash provided by operating activities	3,824,753	3,139,025
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(19,871,170)	(3,109,769)
Payments for purchases of investment securities	(5,656,693)	-
Payments for purchases of Intangible fixed assets	(195)	(760)
Payments for purchases of intangible fixed assets held in trust	(581)	(844)
Proceeds from tenant security deposits held in trust	297,629	630,652
Payments of tenant security deposits held in trust	(339,049)	(305,914)
Other	-	(37)
Net cash used in investing activities	(25,570,061)	(2,786,672)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	11,500,000	11,500,000
Proceeds from long-term loan payable	5,400,000	3,000,000
Repayments of short-term loan payable	(600,000)	(8,500,000)
Repayments of long-term loan payable	(5,075,000)	(4,075,000)
Proceeds from issuance of corporate bonds	5,000,000	7,500,000
Redemption of corporate bonds	-	(7,000,000)
Payments of corporate bond issuance costs	(28,649)	(38,772)
Payments of distributions	(1,965,987)	(2,001,533)
Proceeds from issuance of new investment units	8,360,638	-
Payments of new investment unit issuance costs	(19,533)	-
Net cash provided by financing activities	22,571,467	384,693
NET CHANGE IN CASH AND CASH EQUIVALENTS	826,160	737,047
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,387,256	10,650,209
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 12,213,416	¥ 11,387,256

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND OCTOBER 31, 2013

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.

Status of equity financing is as follows:

Date	Description	Total Number of Investment Units Issued and Outstanding		Unitholders' Capital (millions of yen)	
		Increase (Decrease)	Balance	Increase (Decrease)	Balance
May 2, 2002	Incorporation through private placement	400 units	400 units	200	200
September 10, 2002	Capital increase through public offering	59,000 units	59,400 units	27,187	27,387
November 15, 2003	Capital increase through public offering	18,000 units	77,400 units	8,699	36,087
December 10, 2003	Capital increase through third-party allotment	2,000 units	79,400 units	966	37,053
May 31, 2005	Capital increase through public offering	22,000 units	101,400 units	14,381	51,434
November 26, 2007	Capital increase through public offering	30,000 units	131,400 units	17,510	68,945
May 14, 2010	Capital increase through third-party allotment	8,700 units	140,100 units	3,012	71,957
November 14, 2011	Capital increase through public offering	53,000 units	193,100 units	12,816	84,774
December 12, 2011	Capital increase through third-party allotment	3,599 units	196,699 units	870	85,644
November 7, 2013	Capital increase through public offering	20,900 units	217,599 units	7,942	93,587
December 4, 2013	Capital increase through third-party allotment	1,100 units	218,699 units	418	94,005

As of April 30, 2014, PIC had total unitholders’ capital of 94,005,086 thousand yen with 218,699 units outstanding.

As of April 30, 2014, PIC owned a portfolio of 24 office buildings, 33 residential properties and preferred securities of an SPC (58 properties in total). Total acquisition costs of those properties were 224,459,826 thousand yen.

(b) Basis of presentation – The financial statements of PIC have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange 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 Law. Certain items presented in the financial statements have been reclassified for the convenience of readers outside Japan. PIC does not prepare consolidated financial statements as PIC has no subsidiaries.

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

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

Note-2. Summary of significant accounting policies

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

(b) Valuation standard and method for securities –

Available-for-sale securities - 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:

Tools, furniture and fixtures	3 years
Buildings held in trust	3-68 years
Structures held in trust	3-50 years
Tools, furniture and fixtures held in trust	3-15 years

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

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

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

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

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

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

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

(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. Capitalized property-related taxes totaled 48,361 thousand yen for the six months ended April 30, 2014.

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

(g) 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 income statement accounts.

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

Note-3. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2014 and October 31, 2013 consisted of the following:

	Thousands of yen	
	April 30, 2014	October 31, 2013
Cash and deposits	¥ 2,614,107	¥ 1,996,236
Cash and deposits held in trust	9,599,309	9,391,019
CASH AND CASH EQUIVALENTS	¥ 12,213,416	¥ 11,387,256

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, 2014 and October 31, 2013 consisted of the following:

	Thousands of yen					
	April 30, 2014			October 31, 2013		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 77,630,539	¥ 17,393,768	¥ 60,236,770	¥ 74,662,544	¥ 16,249,963	¥ 58,412,581
Structures	1,753,202	678,316	1,074,886	1,662,278	638,525	1,023,753
Tools, furniture and fixtures	229,041	176,915	52,126	215,328	168,306	47,021
Land	131,947,130	-	131,947,130	115,240,196	-	115,240,196
SUBTOTAL	211,559,913	18,249,000	193,310,913	191,780,348	17,056,795	174,723,553
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,693	2,056	4,636	4,852	1,570	3,281
SUBTOTAL	1,784,296	2,056	1,782,239	1,782,454	1,570	1,780,884
TOTAL	¥ 213,344,209	¥ 18,251,057	¥ 195,093,152	¥ 193,562,803	¥ 17,058,366	¥ 176,504,437

A government subsidy of 19,834 thousand yen, granted for capital expenditures at The Kanagawa Science Park R&D Building in 2006, has been deducted from the acquisition cost of the building 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, 2014 and October 31, 2013 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2014 (Amount)	October 31, 2013 (Amount)	
Unsecured bond No.6 (issued on March 6, 2014 and due on March 5, 2021)	¥ 2,500,000	¥ -	0.72
Unsecured bond No.5 (issued on March 6, 2014 and due on March 6, 2019)	2,500,000	-	0.45
Unsecured bond No.4 (issued on July 25, 2013 and due on July 25, 2018)	7,500,000	7,500,000	0.72
TOTAL	¥ 12,500,000	¥ 7,500,000	-

* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning May 1, starting in 2014 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	
¥ -	-	-	10,000,000	

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

Short-term and long-term loans as of April 30, 2014 and October 31, 2013 consisted of the following:

	April 30, 2014		October 31, 2013	
	Amount (Thousands of yen)	Average interest rate *1 (%)	Amount (Thousands of yen)	Average interest rate *1 (%)
SHORT-TERM LOANS				
Unsecured loan due on May 9, 2014 with floating rate	¥ 1,500,000	0.59547	¥ 1,500,000	0.57424
Unsecured loan due on May 16, 2014 with floating rate	2,000,000	0.60858	2,000,000	0.58912
Unsecured loan due on July 31, 2014 with floating rate	7,000,000	0.52411	7,000,000	0.56000
Unsecured loan due on Octover 31, 2014 with floating rate	*2 4,400,000	0.45560	-	-
Unsecured loan due on March 31, 2015 with floating rate	6,500,000	0.43000	-	-
SUBTOTAL	21,400,000	-	10,500,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on May 22, 2014 with floating rate	*3 2,287,500	1.81930	2,362,500	1.83674
Unsecured loan due on May 20, 2014 with fixed rate	3,400,000	1.36125	3,400,000	1.36125
Unsecured loan due on November 18, 2014 with fixed rate	12,000,000	1.16500	-	-
Unsecured loan due on March 7, 2014 with fixed rate	-	-	5,000,000	1.05500
SUBTOTAL	17,687,500	-	10,762,500	-
LONG-TERM LOANS				
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.72750	3,900,000	1.72750
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14250	8,000,000	1.14250
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39250	6,500,000	1.39250
Unsecured loan due on November 18, 2014 with fixed rate	-	-	12,000,000	1.16500
Unsecured loan due on December 8, 2015 with fixed rate	11,000,000	1.29375	11,000,000	1.29375
Unsecured loan due on December 8, 2016 with fixed rate	9,000,000	1.43375	9,000,000	1.43375
Unsecured loan due on August 31, 2016 with fixed rate	2,250,000	1.34525	2,250,000	1.34525
Unsecured loan due on September 5, 2018 with fixed rate	5,000,000	1.21000	5,000,000	1.21000
Unsecured loan due on September 5, 2017 with fixed rate	5,000,000	0.95375	5,000,000	0.95375
Unsecured loan due on November 16, 2017 with fixed rate	3,000,000	0.98250	3,000,000	0.98250
Unsecured loan due on February 28, 2019 with fixed rate	2,850,000	1.02875	2,850,000	1.02875
Unsecured loan due on March 27, 2018 with fixed rate	7,900,000	0.88250	7,900,000	0.88250
Unsecured loan due on May 22, 2018 with fixed rate	3,000,000	1.15125	3,000,000	1.15125
Unsecured loan due on October 31, 2016 with floating rate	5,400,000	0.48721	-	-
SUBTOTAL	72,800,000	-	79,400,000	-
TOTAL	¥ 111,887,500	-	¥ 100,662,500	-

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

*2 PIC repaid 600 million yen on December 6, 2013, before their maturity date (5,000 million yen in total).

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

*4 The anticipated maturities of long-term loans for the following five years (excluding the long-term loans payable due within one year) beginning May 1, starting in 2014 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
¥	29,400,000	16,650,000	15,900,000	10,850,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2014 and October 31, 2013 were as follows:

	Thousands of yen	
	April 30, 2014	October 31, 2013
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,714,290	¥ 4,425,102
Common area charge	924,467	841,821
Subtotal	5,638,757	5,266,923
Other revenue		
Parking fees	165,901	153,753
Facility fees	50,451	36,796
Incidental revenue	335,599	357,840
Miscellaneous income	112,917	103,222
Subtotal	664,869	651,613
TOTAL REAL ESTATE RENTAL REVENUE	6,303,627	5,918,537
REAL ESTATE RENTAL EXPENSES		
Property-operating expenses		
Property management fees	789,271	736,376
Utilities	422,075	408,455
Real estate taxes	419,784	419,813
Insurance	14,643	12,883
Maintenance and repairs	261,512	241,801
Trust fees	42,440	46,401
Depreciation	1,193,164	1,144,297
Miscellaneous expenses	137,674	128,150
TOTAL REAL ESTATE RENTAL EXPENSES	3,280,567	3,138,178
REAL ESTATE RENTAL INCOME	¥ 3,023,060	¥ 2,780,358

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2014 and October 31, 2013:

	April 30, 2014	October 31, 2013
Statutory tax rate	36.59%	36.59%
Adjustments		
Deductible cash distributions	(36.56)	(37.37)
Other	0.06	0.88
EFFECTIVE TAX RATE	0.09%	0.10%

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of April 30, 2014 and October 31, 2013 were as follows:

	Thousands of yen	
	April 30, 2014	October 31, 2013
Deferred tax assets		
Enterprise taxes	¥ 2,760	¥ 1,450
Total of deferred tax assets	2,760	1,450
NET DEFERRED TAX ASSETS	¥ 2,760	¥ 1,450

Note-10. Per unit information

The following table summarizes the net assets per unit as of April 30, 2014 and October 31, 2013 and the net income per unit for the six months ended April 30, 2014 and October 31, 2013:

	April 30, 2014	October 31, 2013
Net assets per unit	¥ 440,215	¥ 445,694
Net income per unit	10,162	9,773

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

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

	Thousands of yen	
	April 30, 2014	October 31, 2013
Net income	¥ 2,213,553	¥ 1,922,375
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,213,553	1,922,375
Average number of units during the period	217,806 units	196,699 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2014 and October 31, 2013.

Note-11. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of April 30, 2014 and October 31, 2013, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2014	October 31, 2013
Due within one year	¥ 364,218	¥ 355,252
Due after one year	2,029,072	2,157,006
TOTAL	¥ 2,393,291	¥ 2,512,258

Note-12. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC’s Article of Incorporation, the maximum distribution amount cannot exceed the unappropriated income, and this amount must exceed 90% of the “distributable income” which is defined in Article 67-15 of the Special Taxation Measures Law of Japan. No cash distributions exceeding the unappropriated income as set forth in Article 13, Paragraph 2 of the PIC’s Article of Incorporation were made.

In accordance with this policy, PIC declared on a total distribution of 2,213,452,579 yen as distribution of income for the 23rd fiscal period (payment to start on July 8, 2014). This is the maximum value arrived at when the number of units outstanding (218,699 units) is multiplied by an integer, within the limit of the unappropriated retained earnings for the 23rd fiscal period. There is no reversal of reserve for reduction entry for the 23rd fiscal period. And PIC declared on a total distribution of 1,966,990,000 yen as distribution of income for the 22nd fiscal period (payment to start on January 16, 2014), which was the maximum value arrived at when the number of units outstanding (196,699 units) was multiplied by an integer, within the limit of the unappropriated retained earnings as of the end of the 22nd fiscal period after deducting the reserve for reduction entry, which is defined in Article 66-2 of the Special Taxation Measures Law.

Furthermore, PIC does not make cash distributions in excess of the profit as stipulated in Article 13-2 of its Articles of Incorporation.

Income carried forward after the distributions for the six months ended April 30, 2014 and October 31, 2013 were as follows:

	April 30, 2014	October 31, 2013
Unappropriated income	¥ 2,213,553,550	¥ 1,922,492,887
Reversal of reserve for reduction entry	-	44,497,113
Cash distributions declared	2,213,452,579	1,966,990,000
(Cash distribution declared per unit)	(10,121)	(10,000)
INCOME CARRIED FORWARD	¥ 100,971	¥ -

Note-13. Financial instruments

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

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

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

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

As for derivative transactions, PIC may use them in the future to hedge against interest rate fluctuations and other risks. However, PIC did not conduct derivative transactions in the fiscal periods under review.

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

In addition, although loans with floating interest rates are exposed to interest rate fluctuation risk, PIC manages the risk by such measures as adjusting the ratio of the balance of loans with floating interest rates to the entire borrowings in accordance with the financing environment.

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

Supplemental explanation on items concerning fair value of financial instruments - The fair value of financial instruments includes market prices and, in the event market prices are not available, prices that are rationally calculated. Since such calculation uses certain assumptions and conditions, the calculated prices may differ if different assumptions and conditions are used.

(b) Items concerning fair value of financial instruments -

The book values recorded on the balance sheet, fair values and their difference as of April 30, 2014 and October 31, 2013 were as follows:

	Thousands of yen					
	April 30, 2014			October 31, 2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 2,614,107	¥ 2,614,107	¥ -	¥ 1,996,236	¥ 1,996,236	¥ -
(2) Cash and deposits held in trust	9,599,309	9,599,309	-	9,391,019	9,391,019	-
TOTAL ASSETS	¥ 12,213,416	¥ 12,213,416	¥ -	¥ 11,387,256	¥ 11,387,256	¥ -
Liabilities						
(3) Short-term loan payable	¥ 21,400,000	¥ 21,400,000	¥ -	¥ 10,500,000	¥ 10,500,000	¥ -
(4) Long-term loan payable due within one year	17,687,500	17,758,057	70,557	10,762,500	10,800,551	38,051
(5) Long-term loan payable	72,800,000	73,491,747	691,747	79,400,000	80,181,383	781,383
(6) Corporate bonds	12,500,000	12,567,350	67,350	7,500,000	7,556,850	56,850
TOTAL LIABILITIES	¥ 124,387,500	¥ 125,217,154	¥ 829,654	¥ 108,162,500	¥ 109,038,784	¥ 876,284

*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 loan 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 loan payable due within one year and (5) long-term loan payable** - Fair values of these instruments are calculated based on the total amount of principals and interests discounted by rates estimated in the event that PIC conducts new borrowings corresponding to the remaining periods.
(6) **Corporate bonds** - Fair values of these instruments are calculated based on their market prices.
*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:
Investment securities - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen and 14,378,482 thousand yen as of April 30, 2014 and October 31, 2013, 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, 2014 and October 31, 2013, are as follows:

	Thousands of yen					
	April 30, 2014					
	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
(1) Cash and deposits	¥ 2,614,107	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,599,309	-	-	-	-	-
TOTAL	¥ 12,213,416	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	October 31, 2013					
	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
(1) Cash and deposits	¥ 1,996,236	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,391,019	-	-	-	-	-
TOTAL	¥ 11,387,256	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds as of April 30, 2014 and October 31, 2013, are as follows:

	Thousands of yen					
	April 30, 2014					
	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
(3) Short-term loan payable	¥ 21,400,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loan payable due within one year	17,687,500	-	-	-	-	-
(5) Long-term loan payable	-	29,400,000	16,650,000	15,900,000	10,850,000	-
(6) Corporate bonds	-	-	-	-	10,000,000	2,500,000
TOTAL	¥ 39,087,500	¥ 29,400,000	¥ 16,650,000	¥ 15,900,000	¥ 20,850,000	¥ 2,500,000

	Thousands of yen					
	October 31, 2013					
	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
(3) Short-term loan payable	¥ 10,500,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loan payable due within one year	10,762,500	-	-	-	-	-
(5) Long-term loan payable	-	30,400,000	13,250,000	14,000,000	18,900,000	2,850,000
(6) Corporate bonds	-	-	-	-	7,500,000	-
TOTAL	¥ 21,262,500	¥ 30,400,000	¥ 13,250,000	¥ 14,000,000	¥ 26,400,000	¥ 2,850,000

Note-14. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flow from Real Estate Property managed by UDX Special Purpose Company. PIC owns 53,580 units (19.0% equity of) and 39,480 units (14.0% equity of) the preferred securities (282,000 units in total) as of April 30, 2014 and October 31, 2013, respectively.

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

Note-15. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheet as of April 30, 2014 and October 31, 2013, the variations during the fiscal period and their fair values are as follows:

	Thousands of yen							
	April 30, 2014				October 31, 2013			
	Book value ^{*1} at November 1, 2013	Increase and Decrease during the period ^{*2}	Book value ^{*1} at April 30, 2014	Fair value ^{*3} at April 30, 2014	Book value ^{*1} at May 1, 2013	Increase and Decrease during the period ^{*2}	Book value ^{*1} at October 31, 2013	Fair value ^{*3} at October 31, 2013
Office buildings	¥ 99,833,614	¥ 17,776,765	¥ 117,610,379	¥ 114,780,000	¥ 97,178,347	¥ 2,655,266	¥ 99,833,614	¥ 96,710,000
Residential properties	76,667,541	810,594	77,478,135	70,880,000	77,265,491	(597,950)	76,667,541	68,647,000
TOTAL	¥ 176,501,155	¥ 18,587,360	¥ 195,088,515	¥ 185,660,000	¥ 174,443,839	¥ 2,057,315	¥ 176,501,155	¥ 165,357,000

*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisition). Other intangible fixed assets held in trust (totaling 4,636 thousand yen and 3,281 thousand yen as of April 30, 2014 and October 31, 2013) are not included.
*2 Major increases in the fiscal period ended April 30, 2014 are due to the acquisition of Granpark, Urbancourt Ichigaya and Tradepia Yodoyabashi (land) (19,513,807 thousand yen in total) and capital expenditures (266,239 thousand yen), and major decreases are due to depreciation (1,192,679 thousand yen). Major increases in the fiscal period ended October 31, 2013 are due to the acquisition of Urbannet Irifune Building (2,931,529 thousand yen) and capital expenditures (269,624 thousand yen), and major decreases are due to depreciation (1,143,811 thousand yen).
*3 The fair values at the end of the fiscal period in the above table are appraisal values based on external real estate appraisers.

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended April 30, 2014 and October 31, 2013 are as follows:

	Thousands of yen						
	November 1, 2013 to April 30, 2014			May 1, 2013 to October 31, 2013			
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income	
Office buildings	¥ 3,795,525	¥ 1,911,938	¥ 1,883,586	¥ 3,470,028	¥ 1,785,636	¥ 1,684,391	
Residential properties	2,508,102	1,368,628	1,139,473	2,448,508	1,352,541	1,095,966	
TOTAL	¥ 6,303,627	¥ 3,280,567	¥ 3,023,060	¥ 5,918,537	¥ 3,138,178	¥ 2,780,358	

* 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-16. 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-17. Subsequent events

Sales of property

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

	Iwamotocho Building	IPB Ochanomizu Building
OVERVIEW OF THE PROPERTY SOLD		
Type of property	Beneficiary interest in trust (real estate)	Beneficiary interest in trust (real estate)
Sale price	6,915 million yen	1,570 million yen
Book value	6,903 million yen (as of April 30, 2014)	1,313 million yen (as of April 30, 2014)
Difference between sale price and book value	11 million yen	256 million yen
Appraisal value	6,320 million yen (as of March 1, 2014)	1,240 million yen (as of March 1, 2014)
Appraisal method	Appraised by Japan Real Estate Institute	Appraised by Japan Real Estate Institute
Transfer date	May 8, 2014	May 20, 2014
OVERVIEW OF THE PROPERTY HELD IN TRUST		
Location (residential indication)	3-2-4 Iwamotocho, Chiyoda Ward, Tokyo	3-3-11 Hongo, Bunkyo Ward, Tokyo
Use of building	Office, Retail	Office
Area	Land: 1,291.39 m ² , Total floor space: 9,756.89 m ²	Land: 460.41 m ² , Total floor space: 2,314.89 m ²
Leasable floor space	7,350.76 m ²	2,180.65 m ²
Construction complete	November 1973	March 1992

OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND OCTOBER 31, 2013

CAPITAL EXPENDITURES

1. Capital Expenditures

PIC plans to incur capital expenditures for scheduled renovations, etc. of the portfolio it owns, including the following material expenditures.

Name	Address	Purpose	Scheduled Period	Planned Construction Expenditures (thousands of yen)		
				Total	Amount Paid during the 23rd Fiscal Period	Amount Paid before the 23rd Fiscal Period
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	October 2013 – January 2015	163,061	71,458	71,458
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems, etc.	October 2007 – October 2016	129,041	-	80,550
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 – April 2015	33,750	470	15,022
Nisso No.3 Building*	Yokohama City, Kanagawa	Restoration	May 2014 - June 2014	31,284	-	-

* The property name was changed to Premier Yokohama Nishiguchi Building as of July 1, 2014.

2. Capital Expenditures during the 23rd Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 23rd fiscal period (November 1, 2013 – April 30, 2014) for the portfolio owned by PIC. Capital expenditures during the period totaled 268,080 thousand yen. This, combined with maintenance and repair expenditures of 261,512 thousand yen were classified as operating expenses for the period, aggregating a total of 529,593 thousand yen representing renovation expenditure.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of air conditioning systems	October 2013 - March 2014	79,327
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	October 2013 - February 2014	71,458
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of elevator hall, etc.	November 2013 - March 2014	41,607
Other construction	-	-	-	75,687
Total				268,080

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

Item \ Fiscal Period	Thousands of yen				
	19th Fiscal Period November 1, 2011 – April 30, 2013	20th Fiscal Period May 1, 2012 – October 31, 2012	21st Fiscal Period November 1, 2012 – April 30, 2013	22ndFiscal Period May 1, 2013 – October 31, 2013	23rd Fiscal Period November 1, 2013 – April 30, 2014
Deposits at end of the preceding period	360,264	375,917	390,240	404,563	418,886
Deposits made during the period	15,983	14,323	14,323	14,323	111,323
Amounts used from deposits during the period	330	-	-	-	36,000
Deposits carried forward to the next period	375,917	390,240	404,563	418,886	494,209

OVERVIEW OF FUND PROCUREMENT

1. Issuance of New Investment Units

(i) On November 7, 2013, PIC issued new investment units (20,900 units) through a public offering, and received proceeds totaling approximately 7,942 million yen. The procured funds, combined with the short-term loan and the long-term loan in 2. (i) below were used to partly fund the acquisition of trust beneficiary interest in Granpark and Urbancourt Ichigaya, and UDX Special Purpose Company Preferred Securities.

2. New Borrowings

- (i) On November 8, 2013, PIC borrowed 10,400 million yen made up of a short-term loan (5,000 million yen) and a long-term loan (5,400 million yen) in order to partly fund the acquisition of trust beneficiary interest in Granpark and Urbancourt Ichigaya, and UDX Special Purpose Company Preferred Securities that were acquired as of the same date.
- (ii) On March 31, 2014, PIC borrowed 6,500 million yen made up of a short-term loan in order to partly fund the acquisition of trust beneficiary interest in Tradepia Yodoyabashi (land) that was acquired as of the same date.

3. Issuance of Corporate Bonds

On March 6, 2014, PIC issued corporate bonds (Unsecured Bond No.5 and No.6) totaling 5,000 million yen and used the funds to repay a loan upon maturity (5,000 million yen in a long-term loan borrowed on March 9, 2012).

6. Other Repayments

On November 29, 2013 and February 28, 2014, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of the long-term loan borrowed on May 22, 2009) by using cash on hand.

As a result of the above, PIC’s interest-bearing liabilities totaled 124,387.5 million yen as of April 30, 2014. The breakdown is as follows: 21,400 million yen in short-term loans, 90,487.5 million yen in long-term loans (including long-term loans due within one year) and 12,500 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 82.8%.

I. INVESTMENT POLICY

1. Basic Policy

Premier Investment Corporation (PIC) shall invest in real estate located primarily in the Tokyo metropolitan area and comprising buildings primarily for office and residential uses and their lots, as well as in securities and other assets that are backed by the said real estate. PIC shall conduct management with an aim to ensure solid growth of assets it owns and 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

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.

A) Use see table on page 38

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 38, PIC works to ensure diversification of property uses by investing primarily in both office buildings and residential proper-

ties 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.

B) Areas see table on page 39

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 Surrounding City Area 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 39 for both office buildings and residential properties (each of which is set at 100% in the table).

Use

Use	Key Investment Points (Note 1)
Office Buildings	<div><div>a. 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>b. Demand from tenants (lessees) for office buildings may fluctuate, impacted by business cycles and other economic trends. 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 provide relatively higher levels of profitability.</div><div>c. 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. 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>b. Rental residential properties are relatively resistant to the adverse effects of 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>c. 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>d. 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>
(Classification by type of residential properties)	<div><div>a. 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>b. Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in b. 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>
Wide	<div><div>c. 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. 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>b. 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. 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>b. 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. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div><div>b. 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>c. Since the 5 Central Wards of Tokyo, 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).

C) Asset Size by 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.

D) Due Diligence ▶see table on page 40

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 40

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.

E) 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 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.

Areas

Use \ Area	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Surrounding City Area	Major Regional Cities
Office buildings	50% or more	0% - 20%	0% - 40%	0% - 20%
Residential properties	50% or more	0% - 40%	0% - 20%	0% - 20%

(Note 1) 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.

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

Standards for Tenant Selection

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

Asset Size per Property

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

Due Diligence

	Item	Details
Economic Inspection	Tenant inspection	1. Financial credibility, status of rent collection, etc. of tenants 2. Tenants' business types, number of tenants, purposes of use, etc. (including household conditions for residential properties) 3. Past occupancy rates, rent trends and future expectations 4. Proportion occupied by each tenant, diversification of tenants, etc.
	Market research	1. Market rents, occupancy rates, trends in 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.
Legal Inspection	Title, etc.	Matters relating to rights in a property, including the following items, will be carefully investigated, considering the reliability of titles of former owners and other parties. Particularly careful investigations are required with regard to properties with complex title arrangements such as those for which PIC does not hold any ownership or not hold ownership independently (e.g., properties for which PIC holds co-ownership or compartmentalized ownership or leased land). 1. Completion or incompleteness of the perfection of a leasehold interest and review of other interests or rights superseding the leasehold interest 2. Existence or non-existence of registration of rights for a site where the building is located, existence or non-existence of (i) restrictions on separate disposition of a building and the right for a site where a property is located and (ii) registrations thereof, and (iii) proportions of ownership shares 3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term maintenance and repair plans 4. Existence or non-existence of (i) special agreements prohibiting separation of co-ownership interest and (ii) registration thereof, appropriate measures concerning such matters as requests for separation of co-ownership interest and sales of said co-ownership interests, and obligations and rights between such owners 5. Compartmentability of compartmentalized ownership 6. Status of collateral established before acquisition of the property by PIC, terms of such collateral agreement, and whether any such collateral agreement is to be succeeded 7. Terms of agreements, special agreements, etc. which are executed with lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (including whether they are corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
	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

F) 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:
[Example1] 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 a 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) Borrowings and Corporate Bonds

- a. In order to contribute to the steady growth of investment assets and efficient and stable operation of investments, PIC may borrow funds (including borrowings via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, 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

In managing real estate, PIC intends to enhance the value and competitiveness of assets through continuous capital expenditures made from a medium to long-term perspective, and aims to achieve stable 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).

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

ing 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.)

B) 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.

C) 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.

D) 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 occurrence of unforeseen events, such as drastic changes in funding conditions, general

market conditions, and real estate market conditions, may prevent the operations described above.

4. Disclosure Policy

A) PIC’s policy is to disclose as much information as possible to investors, thus providing investors with a financial product that can be easily understood.

B) PIC will endeavor to arrange to provide, at all times, accurate and impartial information to all investors without delay.

C) PIC shall disclose information in accordance with the details and formats required by the Act on Investment Trusts and Investment Corporations (hereinafter “Investment Trusts Act”), the FIEA, guidelines of the Tokyo Stock Exchange and Investment Trusts Association of Japan, etc.

II. DISTRIBUTION POLICY

1. Distribution of Profits

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

1) As part of the total amount of the cash distributions payable to unitholders, the amount of profits (the amount is obtained by subtracting the total of the amount of total unitholders’ equity and the amount of the valuation and translation adjustments from the amount of net assets appearing on the balance

sheet of PIC; hereinafter the same) shall be calculated based on the Investment Trusts Act, generally accepted accounting principles of Japan and other corporate accounting practices.

2) In the case where tax laws and regulations of Japan permit inclusion as expenses of the amount of cash distributions paid to unitholders by PIC under certain conditions, PIC shall pay cash distributions to unitholders in a manner that satisfies the conditions provided by such tax laws and regulations to permit such inclusion in expenses.

2. Cash Distributions in Excess of Profits

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

3. Method for Paying Distributions

Distributions shall be paid in cash, and shall, in principle, be distributed within three months of the date of settlement of accounts to unitholders or their registered pledgees registered on the final register of

unitholders as of the date of settlement of accounts, in proportion to the number of investment units held by each unitholder or the number of investment units for the registered pledgees.

4. Statute of Limitations on Distributions

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

5. Other Matters

In principle, when applicable tax laws and regulations of Japan require individual

unitholders to calculate gains/losses from the transfer for each distribution in excess of PIC’s profits, PIC shall not pay to them any cash distributions in excess of profits. However, in any of the following cases a) through c), cash distributions in excess of profits may be paid in accordance with (2) above.

a. When it becomes unnecessary due to changes in tax laws and regulations applicable for individual unitholders to calculate the gains/losses from the transfer for each cash distribution in excess of its profits (including cases where the handling of the gains/losses from the transfer for corporate unitholders remains unchanged, but revisions, etc. are made to the said handling with regard to individual unitholders).

b. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is accepted as an appropriate practice (e.g., because tax laws and regulations have been changed to make it an ordinary practice for individual unitholders to declare the gains/losses from the transfer).

c. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is necessary. (e.g., when it has become necessary for PIC to meet the requirements to apply for the special tax measures for an investment corporation as stipulated under Article 67-15 of the Act on Special Measures Concerning Taxation.)

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

PIC'S WEBSITE

On its English website, PIC not only provides foreign investors with its latest information (including new releases, financial information, stock price and distribution), but also explains Japan and Tokyo as investment targets as well as the Japanese real estate market, and introduces its investment, growth and finance strategies. PIC always endeavors to disclose information in a timely manner so that investors can gain a better understanding of PIC.

Explanations are given on the characteristics of Japan and Tokyo as investment targets and PIC's features and strategies, etc.

You can check PIC's disclosure materials including news releases and presentations, as well as its latest financial and other information.

You can access information on PIC's investment assets from here.



<http://www.pic-reit.co.jp/en/index.html>

*Please note that the actual image may differ, as the website is updated as needed.

Hyperlinks are provided to real estate information web-sites (in English) for Tokyo and other major areas of Japan.

Hyperlinked to the website of Premier REIT Advisors, the asset manager of PIC



<http://www.premier-reit.co.jp/english/>

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