

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

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

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



SEMIANNUAL REPORT

15TH FISCAL PERIOD
ENDED APRIL 30, 2010

MESSAGE TO OUR UNITHOLDERS



Hiroshi Matsuzawa
Executive Director
Premier Investment Corporation

Dear Investor,

During the 15th fiscal period (November 1, 2010 – April 30, 2010), the Japanese economy emerged from rock bottom and embarked on a path to recovery, with corporate earnings showing improvement and exports as well as consumer spending gradually rallying, backed by the moderate turnaround of the overseas economy and emergency economic measures by the government starting to take effect. However, the unemployment rate stayed at a high level and the overall economic environment remained harsh.

In the real estate rental market, vacancy rates continued to rise and rent levels kept falling at office buildings, although occupancy rates showed a recovery at residential properties. Under these circumstances, Premier Investment Corporation (PIC) achieved performance that surpassed its initial forecasts in revenues, profits and distribution as a result of focusing efforts on elaborate leasing activities for its owned properties, together with a reduction of management costs.

Nevertheless, both revenues and profits decreased from the previous fiscal period due to rent-free periods becoming the norm in contracts for office spaces, as well as rent adjustments at residential properties. PIC's operating revenues totaled 5,117 million yen, a period-on-period decrease of 201 million yen. Ordinary income and net income were 1,831 million yen and 1,830 million yen, respectively, representing period-on-period decreases of 120 million yen and 119 million yen. PIC delivered a distribution per unit of 13,929 yen, a decrease of 911 yen from the previous fiscal period.

Entering the 16th fiscal period, Premier REIT Advisors Co., Ltd. (PRA), the asset manager of PIC, took steps to change its sponsor composition in May 2010, whereby NTT Urban Development Corporation

(NTTUD) became the new main sponsor with a 53.1% stake in PRA shares, thus making PRA its consolidated subsidiary. At the same time, NTTUD undertook a third-party allotment of PIC's new investment units (8,700 units totaling 3,012 million yen). PIC used the funds obtained from this issuance as well as from additional borrowings to acquire an office building.

A subsidiary of Nippon Telegraph and Telephone Corporation (NTT), NTTUD is a leading real estate company in Japan that features high credibility. The fact that NTTUD became the main sponsor and PRA's operating framework was reinforced should lead to strengthened fund procurement capability for PIC, as well as enable the establishment of PIC's continuous growth strategy. In particular, we expect to see increased opportunities to acquire office buildings by taking advantage of the networks and pipelines NTTUD possesses.

Given the commitment by NTTUD as the main sponsor, PIC will endeavor to further reinforce our management base and solidify our platform for external growth through a series of initiatives with NTTUD. By doing so, we aim to enhance unitholder value and realize stable asset management over the medium to long term. We appreciate your continued and heightened support.

Table of Contents

Message to Our Unitholders	1	Investment Unit Status	17
Table of Contents	1	Strategic Policies	18
15th Fiscal Period Performance Highlights	2	Financial Section	
Asset Management Results	3	Balance Sheets	27
Financial Strategy and Performance	5	Profit and Loss Statements	29
Market Environment and Performance Forecasts	7	Statements of Changes in Unitholders' Equity	30
Property Portfolio	9	Cash Flow Statements	31
On Track for Growth	12	Notes to Financial Statements	32
Overview of New Management Team and Asset Management ...	13	Other Information	42
Initiatives with NTT Urban Development	15	Disclaimer	Inside Back Cove

15TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

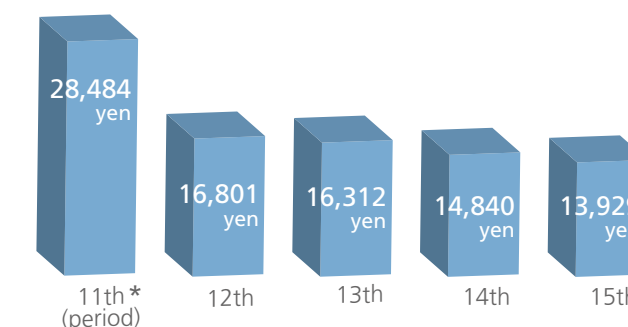
Management and Distribution Results	14th Fiscal Period (ended October 2009)	15th Fiscal Period (ended April 2010)
Operating Revenues (mm yen)	5,318	5,117
Operating Income (mm yen)	2,561	2,432
Ordinary Income (mm yen)	1,951	1,831
Net Income (mm yen)	1,950	1,830
Distribution per Unit (yen) (distribution in excess of profits not included)	14,840	13,929
Total Distributions (mm yen)	1,949	1,830
Distribution Payout Ratio ^(Note)	99.9%	100.0%
Distribution versus Net Assets ^(Note)	2.7%	2.5%

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

Financial Status	14th Fiscal Period (ended October 2009)	15th Fiscal Period (ended April 2010)
Total Assets (mm yen)	146,906	146,755
Net Assets (mm yen)	70,895	70,775
Net Assets Ratio	48.3%	48.2%
Net Assets per Unit (yen) ^(Note)	539,538	538,627

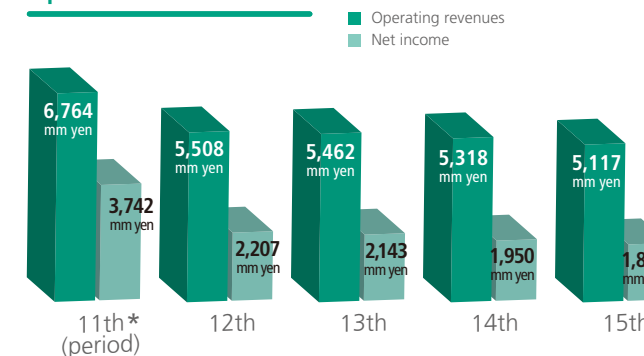
(Note) The number of outstanding investment units at the end of both the 14th and 15th fiscal periods was 131,400 units.

Cash Distribution per Unit



*During the 11th fiscal period, there were 1,845 million yen in gains from the sale of a property.

Operational Performance



*During the 11th fiscal period, there were 1,845 million yen in gains from the sale of a property.

ASSET MANAGEMENT RESULTS

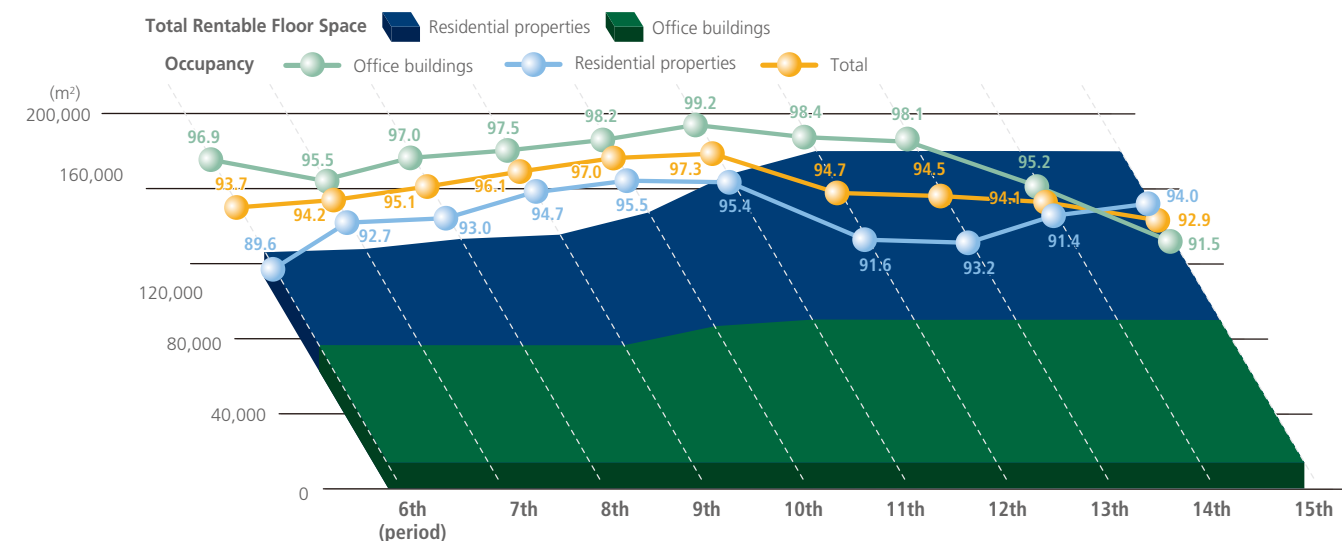
In the 15th fiscal period, the market environment surrounding PIC saw the Japanese economy embark on a path to steady recovery, with corporate performance showing a recovering trend. However, the recovery in corporate profits has been primarily due to cost reductions, and it will still take time for revenues to increase. Particularly in the office building

rental market, companies continued to reduce office spaces and integrate/scale down their offices in order to reduce costs. Rent levels also dropped.

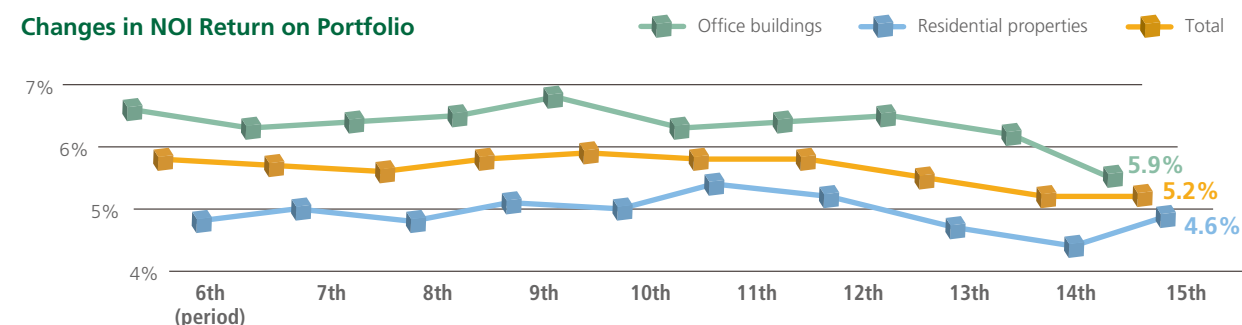
Given these circumstances, PIC avoided new property acquisitions during the 15th fiscal period, and instead focused on internal growth by conducting elaborate leasing activities for its owned properties.

As a result, revenues and profits surpassed the beginning-of-period budgets, and the distribution per unit exceeded the beginning-of-period budget by 769 yen to 13,929 yen. However, both revenues and profits fell below the previous period's results due to continuously declining rents, although occupancy rates surpassed the forecast.

Changes in Occupancy Rate and Rentable Floor Space of the Portfolio



Changes in NOI Return on Portfolio



(Note) The "rental NOI return" is the annualized figure of "rental NOI divided by acquisition price." The rental NOI and acquisition price figures have been obtained using the following formulas.

- Rental NOI = (Real estate rental revenues - Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)
- Acquisition price = Average of (Book values + Accumulated depreciation) covering leased properties at the beginning and end of each fiscal period

Office Buildings

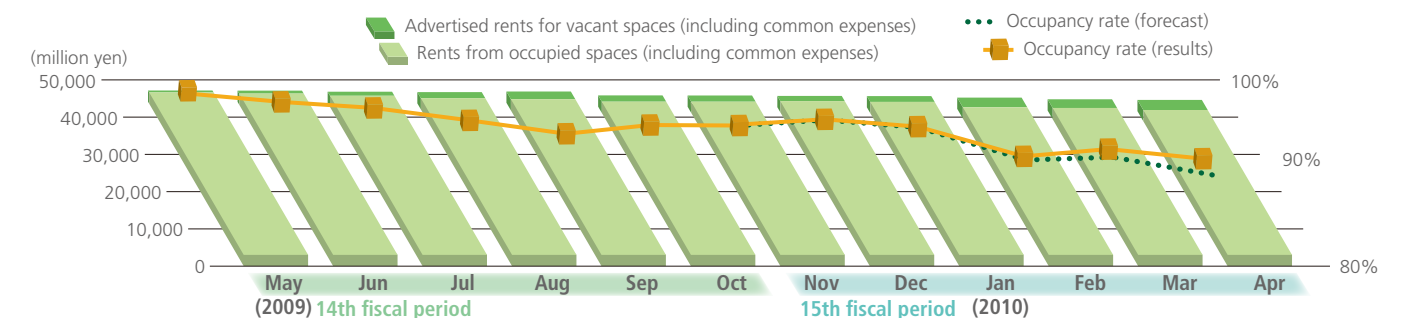
A significant drop in occupancy rates in the 15th fiscal period was anticipated at an early stage, as many notices of contract cancellations from tenants had been received in the 14th fiscal period. As such, PIC focused on contracting new tenants. However, intensified competition over tenant solicitation, even at small to mid-sized buildings, led to slow progress in leasing, and the positive leasing results

were limited. This caused a decline in the average occupancy rate from 96.4% in the 14th fiscal period to 93.6%. The occupancy rate at period end was 91.5%, managing to barely remain at the 90% level.

In addition, office buildings contributed less to income than in the previous fiscal period because a longer rent-free period (three months to five months) became the norm for leasing conditions, adding to the declines in occupancy rate and

rent levels. In PIC's portfolio structure, while residential properties occupy a larger share (53.6% at the end of the 15th fiscal period) than office buildings on an acquisition price basis, the proportion of office buildings is larger than residential properties on an income basis (the rental income of office buildings stood at 57.4% for the 15th fiscal period). Because of this, the decrease in income from office buildings damaged the profitability of the entire portfolio.

Changes in Total Rents and Occupancy Rates (Office Buildings)



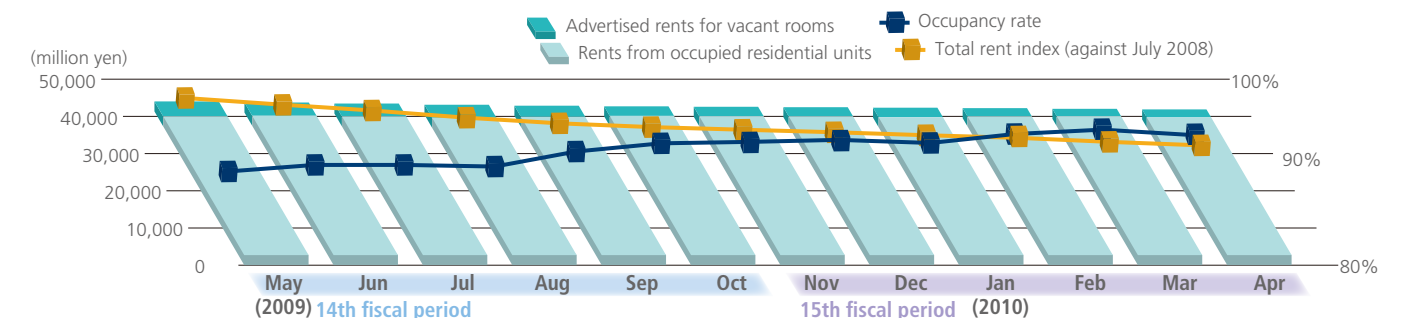
Residential Properties

The occupancy rates of PIC's residential properties started to show improvement in the latter half of the 14th fiscal period. On top of this, leasing progressed in the 15th fiscal period as the effect of rent adjustments arose at residential properties prior to office buildings, raising the average occupancy to 93.8% (in contrast to 91.3% for the 14th fiscal period). In particular, signs of recovery started to appear in the occupancy rates of expensive residences. The end-of-period occupancy rate reached 94.0%, also surpassing the 93.2% at the end of the 14th fiscal period.

By rent zone, residences with monthly rent levels of 500,000 yen or more saw the occupancy rates turn to an increase thanks to the effects of rent reductions conducted over the past 12 months. The overall rent levels continued to drop, as exemplified by the continued decline for residences with monthly rent levels of 1 million yen or more, but the market rent has started to regain equilibrium. Residences with monthly rent levels of less than 500,000 yen have continued to show stable occupancy rates since the 14th fiscal period without experiencing major reductions in rent.

Although the occupancy rate was successfully raised, rental revenue remained flat as rent adjustments accompanied most of such cases. In the 15th fiscal period, however, opportunities increased to receive tenant deposits and renewal fees, which had often been suspended in order to increase and maintain occupancy rates. Such opportunities were especially evident for residences with monthly rent levels of less than 500,000 yen, thereby contributing to income.

Changes in Total Rents and Occupancy Rates (Residential Properties)



FINANCIAL STRATEGY AND PERFORMANCE

Status of Financial Environment

The financial environment surrounding J-REITs has improved significantly, as the Public-Private Real Estate Market Stabilization Fund and other government-led safety nets were established to provide a broad sense of assuredness and the loose monetary policy implemented by authorities encouraged financial institutions to take a positive stance toward lending for real estate investment. J-REITs recommenced fund procurement in the capital markets, such as public offerings of new investment units and issuances of corporate bonds, and the financial environment has arguably weathered the worst period.

Financial Strategy

In consideration of the financial conditions mentioned above, PIC has been implementing the financial strategy below.

Reconstruct a well-balanced fund procurement scheme (public offerings, corporate bonds and borrowings) based on the recovery of the capital markets.

➡ PIC will redeem corporate bonds (15 billion yen) maturing in September 2010 solely through debt financing. (No property will be sold specifically for this purpose.)

Reinforce relations with financial institutions.

➡ Continue efforts to expand lenders (mega banks, regional banks, life and non-life insurance companies, etc.).

Utilize the credibility of NTT Urban Development Corporation (NTTUD), the new sponsor of the asset management company.

➡ Aim to reinforce fund procurement capabilities and reduce procurement costs by reinforcing credibility.

Conduct a financial policy that sticks to basic theory.

➡ Reduce liquidity risks by diversifying repayment dates.

➡ Conduct stable procurement centering on long-term funds.

➡ Reduce interest rate fluctuation risks by focusing on fixed interest rate loans.

Focuses for the Future

- Establish a financial strategy in line with improvements in the financial environment and reduced costs of fund procurement.
- Create and propose a new scenario for growth, with equity financing as a possible option, based on the credibility of NTTUD.

Status of Interest-Bearing Liabilities

Loans

(as of April 30, 2010)

Lender	Drawdown Date	Repayment Date	Amount (mm yen)	Fixed/Floating	Average Rate of Interest
Sumitomo Trust & Banking / Resona Bank / Bank of Tokyo-Mitsubishi UFJ	2009/5/22	2010/5/21	3,480	Floating	1.44822%
Sumitomo Mitsui Banking Corp. / Chuo Mitsui Trust & Banking / Aozora Bank	2007/2/28	2012/2/29	3,650	Fixed	1.82505%
Resona Bank / Mitsui Sumitomo Insurance	2007/2/28	2013/2/28	2,850	Fixed	2.08000%
Chuo Mitsui Trust & Banking / Sumitomo Trust & Banking Bank of Tokyo-Mitsubishi UFJ / Aozora Bank / Mitsui Sumitomo Insurance Sumitomo Mitsui Banking Corp.	2007/7/31	2011/7/29	10,500	Fixed	1.89375%
Development Bank of Japan	2007/7/31	2013/7/31	1,000	Fixed	2.23875%
Chuo Mitsui Trust & Banking / Sumitomo Mitsui Banking Corp. Bank of Tokyo-Mitsubishi UFJ / Resona Bank / Aozora Bank Sumitomo Trust & Banking	2008/3/27	2013/3/27	7,900	Fixed	1.60500%
Development Bank of Japan	2008/5/22	2013/5/22	3,000	Fixed	2.08125%
Aozora Bank / Chuo Mitsui Trust & Banking / Mie Bank	2008/9/9	2012/3/9	5,400	Fixed	1.91375%
Chuo Mitsui Trust & Banking / Sumitomo Mitsui Banking Corp.	2009/5/22	2011/5/20	3,120	Floating	1.60156%
Development Bank of Japan	2009/5/22	2014/5/22	2,887	Floating	2.10156%
ORIX Trust and Banking	2010/3/31	2012/3/30	1,000	Floating	1.33455%

Corporate Bonds

Name	Issue Date	Redemption Date	Total Amount (mm yen)	Fixed/Floating	Interest
Unsecured bond No.1	2005/9/8	2010/9/8	15,000	Fixed	0.94% per annum
Unsecured bond No.2	2005/9/8	2012/9/7	10,000	Fixed	1.41% per annum

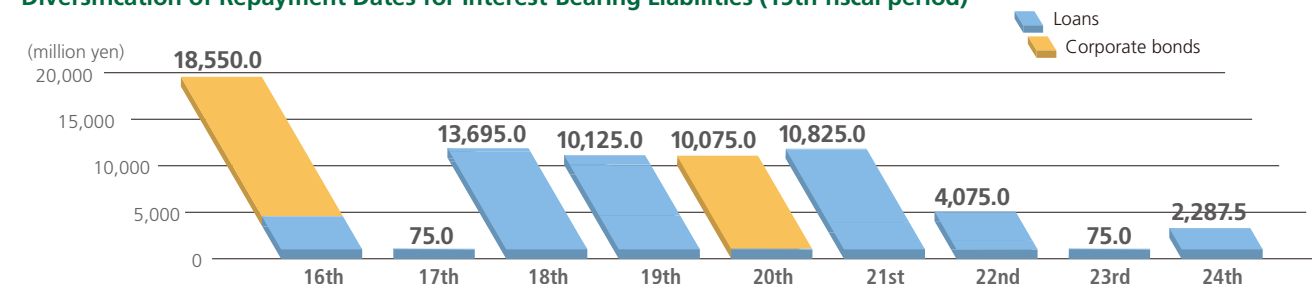
Financial Measures Taken in the 15th Fiscal Period

■ PIC fully repaid the 675 million yen in loans that matured in the 15th fiscal period, and there was no case of refinancing during the period.

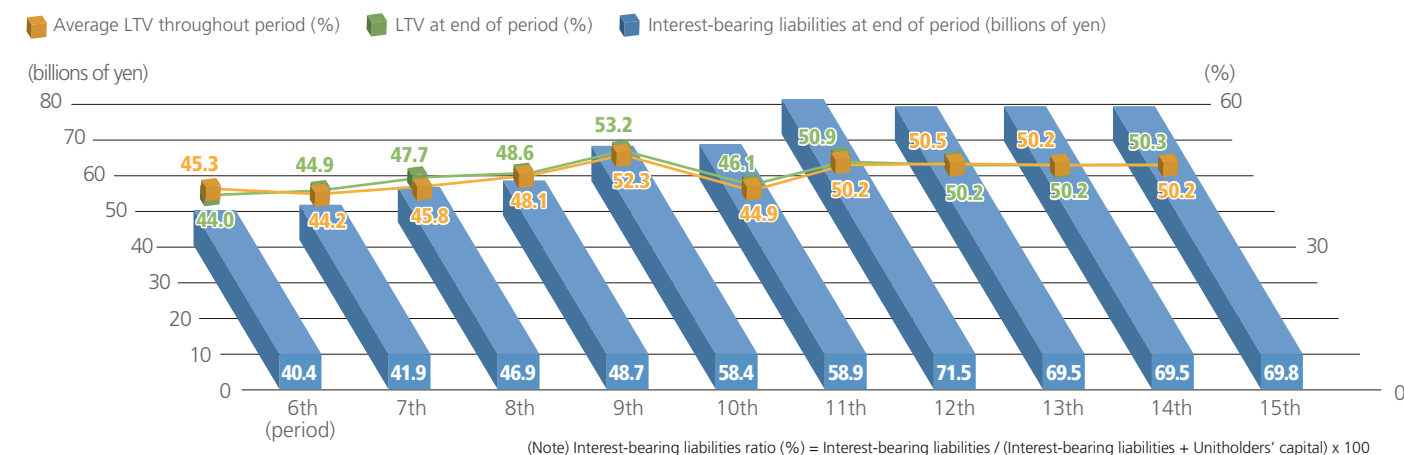
■ As part of efforts to expand lenders, PIC newly borrowed 1 billion yen (loan period: two years) from ORIX Trust and Banking in March 2010 – the first loan from this bank.

■ Furthermore, PIC borrowed 3.9 billion yen in total (loan period: five years) from Chuo Mitsui Trust & Banking and Sumitomo Mitsui Banking in May 2010 (16th fiscal period) in order to fund the acquisition of a new property.

Diversification of Repayment Dates for Interest-Bearing Liabilities (15th fiscal period)



Changes in Interest-Bearing Liabilities Ratio



Overview of Issuance of New Investment Units through Third-Party Allotment

In May 2010 (16th fiscal period), PIC issued 8,700 new investment units through third-

party allotment with NTTUD (the new main sponsor) as the allottee. The issuance procured approximately 3 billion yen, and PIC used the funds to acquire a new property.

As a result of this capital increase through third-party allotment, NTTUD became a large unitholder of PIC, holding 6.20% of the outstanding investment units issued.

Outline of Offering	
Number of new investment units issued	8,700 units (final number of outstanding investment units: 140,100 units)
Issue price	346,275 yen per unit
Total issue price	3,012,592,500 yen
Allottee	NTT Urban Development
Payment date	May 14, 2010

Purpose and Use of Funds	
Acquire new property (Iwamotocho Building)	➡ Start new external growth
Demonstrate commitment as new sponsor to sharing management responsibility	
Reinforce PIC's financial foundation	

Status of Market Environment

PIC conducted asset management based on recognition of the environment and according to the policies described below.

Real Estate Transaction Market

Summary

- Corporate performance is gradually shifting to a recovery and the Japanese economy has emerged from rock bottom.
- The real estate transaction market also showed signs of recovery. (Transaction volume turned to an increase in the latter half of 2009.)

Office Buildings

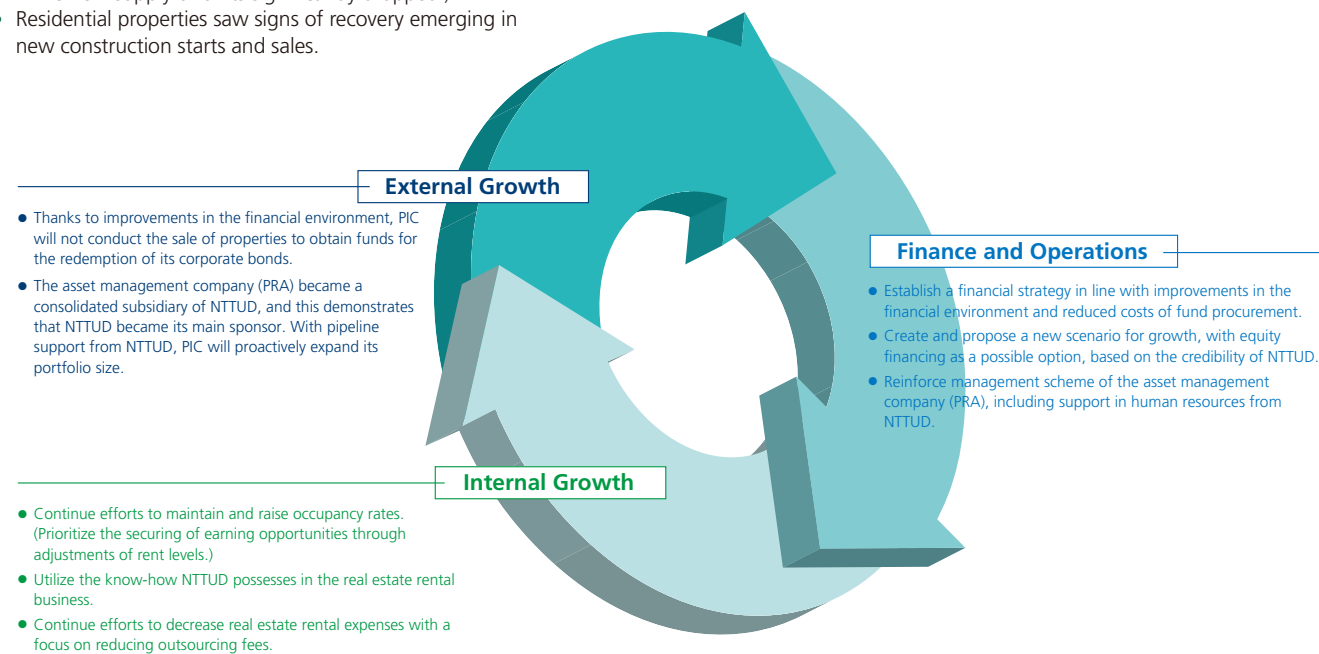
- A sense of instability in the rental market has caused a disparity between demand and supply, and properties actually available for sale remain scarce.

Residential Properties

- Inventory adjustments occurred in 2009. (Inventory decreased while new supply of units significantly dropped.)
- Residential properties saw signs of recovery emerging in new construction starts and sales.

REIT Market

- Progress in industry reorganization (including mergers between REITs and changes in sponsors of asset management companies) has led to a reevaluation of the J-REIT market.
 - ➡ Market capitalization also recovered to the 3 trillion level.
- Fund procurement in the capital markets (through public offerings, issuances of corporate bonds, etc.) recommenced and became increasingly active.
- Actions recommended for new property acquisitions and asset replacements.
 - ➡ Transactions among REITs increased rapidly, with some cases involving the acquisition of land with leasehold rights.



Real Estate Rental Market

Office Buildings

- The vacancy rate in the center of Tokyo reached 7% as companies continued to reduce office spaces and integrate/scale down their offices in order to reduce costs. Rent levels also dropped.
- Despite a recovering trend in the economy, new tenants remained slow in seeking office spaces and it will take time for the market environment to achieve a full-on recovery.

Residential Properties

- Due to adjustments of rent levels taking place in the last 12 months, occupancy rates recovered and started to stabilize, even at residences with high rent zones.
- Opportunities increased to receive tenant deposits and renewal fees, which had been suspended in order to restore occupancy rates.

Financial Market

- Financial institutions began to adopt a more relaxed lending stance toward real estate investment. Increased issuances of corporate bonds by J-REITs also led to tighter spreads of loan interest rates.
- Clear improvements were observed in the D.I. index on refinancing difficulties and new borrowings (as evident by an ARES survey).
 - ➡ However, some REITs still face severe fund procurement conditions.

Performance Forecasts

In the office building rental market, where the market is not yet perceived to have hit the bottom, competition over a limited volume of demand through such measures as enticing tenants away from neighboring properties and absorbing office relocation needs due to restructuring is expected to remain harsh for some time. As such, it

is difficult to imagine that leasing results will make drastic progress compared to the end of the 15th fiscal period. Accordingly, the forecast reflects all notices of contract cancellations received to date, and includes no new lease-up results that may arise. In addition, Fuji Xerox Group companies, which are the largest tenants in the PIC portfolio, plan to move out in the 17th

fiscal period, and our forecasts include the possible impact of this evacuation.

For residential properties, the occupancy rate is forecast to remain almost the same as the 15th fiscal period, as some expensive residences have shown improvements in occupancy rates. However, rent adjustments to maintain occupancy rates are expected to continue for some time.

Forecasts for the 16th and 17th Fiscal Periods (as of June 15, 2010)

	15th Fiscal Period	16th Fiscal Period (forecast)	17th Fiscal Period (forecast)
Operating revenues (mm yen)	5,117	5,146	4,802
Operating income (mm yen)	2,432	2,329	2,029
Ordinary income (mm yen)	1,831	1,668	1,342
Rental NOI (mm yen)	3,752	3,666	3,346
Net income (mm yen)	1,830	1,667	1,340
Distribution per unit (yen)	13,929	11,900	9,570
No. of investment properties	45	46	46

Assumptions for the Forecasts

	16th Fiscal Period	17th Fiscal Period
No. of assets in operation	46 properties in total comprising the 45 properties owned as of the end of the 15th fiscal period (15 office buildings and 30 residential properties) plus Iwamotocho Building, which was acquired as of May 17, 2010	46 properties owned as of the end of the 16th fiscal period
No. of investment units outstanding	140,100 units comprising the 131,400 units outstanding as of the end of the 15th fiscal period plus 8,700 new investment units issued by way of third-party allotment, for which payment will be completed as of May 14, 2010	140,100 units outstanding as of the end of the 16th fiscal period
Interest-bearing liabilities	It is assumed that the following changes have been or will be made to the balance of interest-bearing liabilities, which was 69,787.5 million yen as of the end of the 15th fiscal period: (1) Additional borrowings - 3,900 million yen in long-term loans were borrowed on May 14, 2010 as funds to acquire Iwamotocho Building. (2) Maturing loans - Of the 3,480 million yen in short-term loans that matured on May 21, 2010, 1,190 million yen was repaid and the remaining 2,290 million yen was refinanced. (3) A divided repayment of long-term loans as agreed upon 75 million yen will be repaid during the fiscal period. (4) Corporate bonds - The redemption of the full 15,000 million yen for the Unsecured Bond No. 1 that matures on September 8, 2010 is planned by issuing corporate bonds or procuring borrowings. Other than these, PIC assumes no new borrowings, etc. (The scheduled balance of interest-bearing liabilities at the end of the fiscal period will be 72,422.5 million yen.)	It is assumed that the following change will be made to the balance of interest-bearing liabilities, which will be 72,422.5 million yen as of the end of the 16th fiscal period: (1) A divided repayment of long-term loans as agreed upon 75 million yen will be repaid during the fiscal period. Other than this, no repayment dates will arrive in the fiscal period and PIC will assume no new borrowings, etc. (The scheduled balance of interest-bearing liabilities at the end of the fiscal period will be 72,347.5 million yen.)
Occupancy rate	Office buildings: 91.0% (15th fiscal period result: 93.6%) Residential properties: 92.5% (15th fiscal period result: 93.8%) Total: 91.8% (15th fiscal period result: 93.7%)	N/A
Others	Operating revenues Calculations have been made on the premise of the above occupancy rates and on the assumption that rent levels will generally remain low. Operating expenses Major items include: <ul style="list-style-type: none">Outsourcing fees: 566 million yenDepreciation expenses: 918 million yenTax and public dues: 308 million yenOperating expenses (excluding rental expenses): 418 million yen Non-operating expenses Interest expenses (including interest for corporate bonds), etc.: 652 million yen Capital expenditures - 88 million yen	Operating revenues Calculations have been made reflecting the planned moving out of the Fuji Xerox Group. Operating expenses - Major items include: <ul style="list-style-type: none">Outsourcing fees: 569 million yenDepreciation expenses: 921 million yenTax and public dues: 307 million yenOperating expenses (excluding rental expenses): 396 million yen Non-operating expenses Interest expenses (including interest for corporate bonds), etc.: 687 million yen Capital expenditures - 66 million yen

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

PROPERTY PORTFOLIO

Introduction to PIC Properties

PIC's portfolio consists of 45 properties in total as of the end of April 2010, with 14 office buildings and 31 residential properties located in the Tokyo metropolitan area. Characteristically, PIC invests exclusively in class B office buildings (please refer to the following table for class categorizations), while diversifying investment in residential properties primarily into four types (please refer to the table below showing residential types).

[Office Buildings]

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

Class Categories of Office Buildings

	Class S Buildings	Class A Buildings	Class B Buildings (owned by PIC)
Location	Located in districts for class A buildings, shown on the right, but especially in districts that are highly recognized specifically as office areas	Located in highly mature districts as office areas or districts with high future prospects, primarily in the 5 Central Wards of Tokyo	Located in highly mature districts as office areas or districts where strong office demand is expected, both in the 23 Wards of Tokyo
Floor space	Approx. 66,000m ² and more	Approx. 33,000m ² and more	Approx. 3,300m ² and more
Standard floor size	Approx. 1,650m ² and more	Approx. 660m ² and more	Approx. 300m ² and more
Building age	Less than 11 years since completion	Less than 21 years since completion	

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

SELECTED OFFICE BUILDINGS

A1

Landic Shimbashi Building 1



The property is surrounded by business areas with rows of office buildings. It takes less than 5 minutes by train from Shimbashi Station on the JR Yamanote Line, which is approximately 9 minutes' walk from the property, to Tokyo Station and Shinagawa Station, two of the major stations.

LOCATION: Nishi-shimbashi, Minato Ward, Tokyo
ACCESS: Approximately 5 minutes' walk to Uchisaiwaicho Station on the Toei Mita Line
STRUCTURE: Steel-framed, reinforced concrete structure with a flat-topped roof, 9 stories
TOTAL FLOOR SPACE: 6,914.84m²
OCCUPANCY RATE AT PERIOD END: 95.7%

A5

Takadanobaba Center Building



Takadanobaba Station offers easy access to Shinjuku Station, Ikebukuro Station and other major stations in the subcenter areas as well as to Otemachi Station, etc.

LOCATION: Takadanobaba, Shinjuku Ward, Tokyo
ACCESS: Approximately 5 minutes' walk to Takadanobaba Station on the JR Yamanote Line, Seibu Shinjuku Line and Tokyo Metro Tozai Line
STRUCTURE: Steel-framed, reinforced concrete structure with a flat-topped roof, 12 stories and 1 basement story
TOTAL FLOOR SPACE: 9,906.83m²
OCCUPANCY RATE AT PERIOD END: 100.0%

A6

Rokubancho Building



The entire building is leased to a company listed on the Tokyo Stock Exchange as its headquarters.

LOCATION: Rokubancho, Chiyoda Ward, Tokyo
ACCESS: Approximately 4 minutes' walk from Yotsuya Station on the JR Chuo Line and Tokyo Metro Namboku Line and approximately 6 minutes' walk from Yotsuya Station on the Tokyo Metro Marunouchi Line
STRUCTURE: Steel-framed, reinforced concrete structure with a flat-topped roof, 7 stories and 1 basement story
TOTAL FLOOR SPACE: 9,339.42m²
OCCUPANCY RATE AT PERIOD END: 100.0%

[Residential Properties]

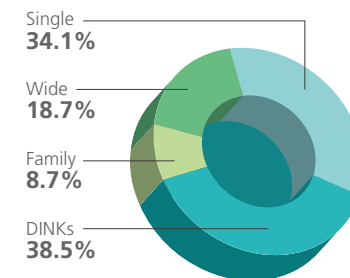
PIC owns four types of residential properties as indicated below.

Types of Residential Properties

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

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

Investment Ratio of Residential Properties by Unit Type (as of April 30, 2010, on a rentable floor space basis)



SELECTED OFFICE BUILDINGS

D8

Roppongi Green Terrace



Due to the high rent and other factors, the rental residential property was impacted by the recession and its occupancy rate temporarily dropped to 69.6% in the 14th fiscal period. However, as rent adjustments and other measures taken during the 15th fiscal period took effect, the occupancy rate is on track for recovery.

LOCATION: Roppongi, Minato Ward, Tokyo
ACCESS: Approximately 3 minutes' walk to Roppongi-Itchome Station on the Tokyo Metro Namboku Line
STRUCTURE: Reinforced concrete structure with a flat-topped roof, 7 stories and 1 basement story
TOTAL FLOOR SPACE: 8,332.22 m²
OCCUPANCY RATE AT PERIOD END: 94.6%

D10

Premier Stage Nihonbashi Kayabacho



Located near Tokyo Station and offering high traffic convenience, the property enjoys strong demand from businessmen working in the center of Tokyo. Because of this, the property keeps a relatively stable occupancy rate even at times of recession.

LOCATION: Nihonbashi Kayabacho, Chuo ward, Tokyo
ACCESS: Approximately 3 minutes' walk to Kayabacho Station on the Tokyo Metro Hibiya Line and approximately 4 minutes' walk to Kayabacho Station on the Tokyo Metro Tozai Line
STRUCTURE: Steel-framed, reinforced concrete structure with a flat-topped roof, 14 stories
TOTAL FLOOR SPACE: 4,540.70 m²
OCCUPANCY RATE AT PERIOD END: 94.3%

D20

Shibaura Island Air Tower



Located in a redevelopment zone in the bay area of Minato Ward, Tokyo, the property is a condominium tower with 48 stories above ground that offer superb views. A shop building that houses a club house, a supermarket and other stores is annexed to the rental residence building. The property is co-owned by PIC and three other entities. (23% co-ownership)

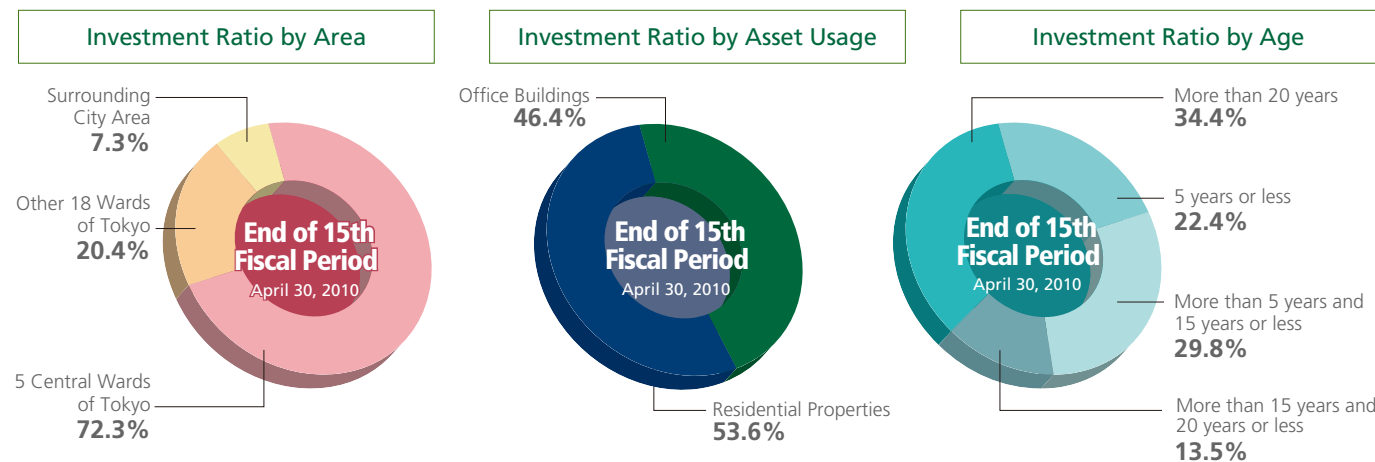
LOCATION: Shibaura, Minato Ward, Tokyo
ACCESS: Approximately 8 minutes' walk to Tamachi Station on the JR Keihin-Tohoku and Yamanote Lines
STRUCTURE: Air Tower [rental residence building and entrance building] Reinforced concrete and steel-framed structure with a flat-topped roof, 48 stories Air Terrace [retail building] Steel-framed, reinforced concrete structure with a flat-topped roof, 2 stories
TOTAL FLOOR SPACE: 81,760.00 m²
OCCUPANCY RATE AT PERIOD END: 94.2%

Status of PIC Portfolio

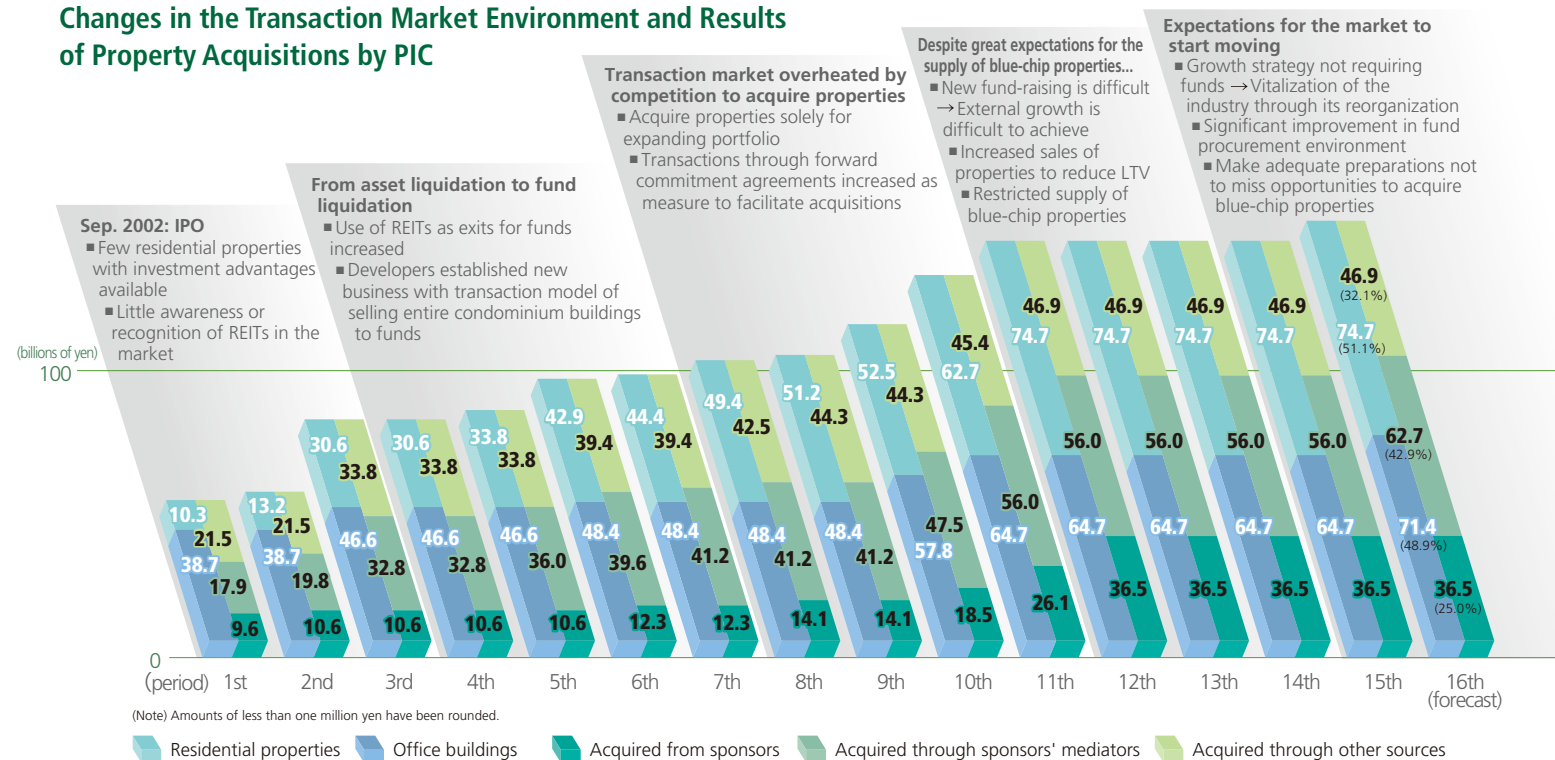
PIC did not acquire any additional properties in the 15th fiscal period. The assets PIC owned as of April 30, 2010 are summarized in the table to the right.

No. of properties	14 office buildings and 31 residential properties (45 properties in total)
Total acquisition price	139,374 million yen
Total rentable floor space	165,409.49m ²
No. of tenants	2,348

Diversification of Portfolio (as of end of the 15th fiscal period)



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



For the past few years, the harsh fund procurement environment in the Japanese real estate transaction market made external growth difficult. Furthermore, despite increased sales of properties to repay borrowings, the supply of blue-chip properties was rather limited. Under such conditions, PIC has not conducted any new property acquisitions for the two years between the 12th and 15th fiscal periods.

However, opportunities are emerging to acquire blue-chip properties, with the fund

procurement environment improving significantly since January 2010 and expectations growing for J-REITs to be vitalized through the reorganization of the industry. PIC will conduct preparations so as not to miss such opportunities, while re-starting external growth through property acquisitions, taking advantage of the pipelines of NTT Urban Development (NTTUD), the new sponsor of Premier REIT Advisors. In particular, PIC will capitalize on the strengths of NTTUD to acquire excellent office buildings, working to

enhance the proportion of office buildings in its property portfolio.

Pipeline Support by NTT Urban Development

PIC and PRA have concluded an "Agreement on Information Provision" with NTTUD, making it possible to preferentially secure property information on investment opportunities such as blue-chip office buildings developed or owned by NTTUD.



Rising the Proportion of Office Buildings

PIC's medium- to long-term target ratio of investment amount for its portfolio	60% office buildings and 40% residential properties
Ratio of office buildings at the end of the 15th fiscal period:	46.4% (acquisition price basis)

PIC aims to realize the target ratio by asset class as early as possible and seek further expansion of the portfolio size.

New Property Acquisition in the 16th Fiscal Period

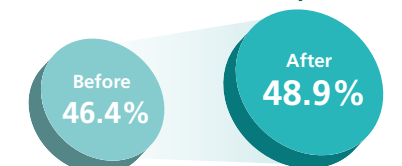
Based on the strategy described above, PIC acquired Iwamotocho Building, a mid-sized office building located in Chiyoda Ward, Tokyo, on May 17, 2010 (16th fiscal period). PIC used the funds procured through issuing new investment units by way of third-party allotment to NTTUD and borrowings (acquisition price: 6,700 million yen).

Overview

The property is a mid-sized office building in Chiyoda Ward, a major CBD of Tokyo, located in a mature office area. Standing at the crossroads of major streets on three corners, it offers excellent accessibility as it is directly connected to Iwamotocho Station on the Toei Shinjuku Line and within a 10-minute walk from Akihabara Station and Kanda Station on JR and subway lines.

Location	3-2-4 Iwamoto-cho, Chiyoda Ward, Tokyo
Site area	1,291.39m ²
Total floor space	9,756.89m ²
Structure	Steel-framed, reinforced concrete structure with a flat-topped roof, 9 stories and 2 basement stories
Constructed	November 1973
Acquisition price	6,700 million yen

Ratio of office buildings before and after the acquisition



OVERVIEW OF NEW MANAGEMENT TEAM AND ASSET MANAGEMENT COMPANY

New Management Team

Premier REIT Advisors Co, Ltd. (PRA), the asset management company of PIC, has constructed a new management team in line with NTT Urban Development Corporation (NTTUD) becoming its largest sponsor. With personnel support from NTTUD, the new team commenced its duties on June 28, 2010.

Message from the CEO

NTTUD, the new main sponsor of PRA, is a general real estate company of the NTT Group that has a remarkable track-record in the development of office buildings and the real estate leasing business. PRA will harness the advanced ability of NTTUD in developing value-added office buildings as well as the abundant real estate and finance know-how and experience of its ongoing sponsors (Ken Corporation Ltd., SOHGOH REAL ESTATE CO., LTD. and The Chuo Mitsui Trust and Banking Company Limited), to further reinforce and enhance the quality of PIC's excellent portfolio.

The recent economic recession and “Lehman Shock” have forced J-REITs to undergo some unprecedented difficulties. However, there has recently been a general positive reassessment of J-REITs due to

the progress in industry restructuring, commencement of government support and relaxation of fund procurement conditions. This has resulted in growing expectations for the return of an active J-REIT market. PRA is committed to reinforcing its management capabilities under the framework of the new sponsorship, and is working to enhance PIC's profitability and raise distribution levels by steadily seizing opportunities that

may arise as J-REITs enter a new stage in their evolution.

The management environment in the 16th fiscal period is forecast to remain harsh, but we are determined to pursue new growth of PIC and work to secure stable earnings over the medium to long term, so that we can meet to the expectations of PIC's unitholders. We thank you and request your continued support.

Kimito Muragishi

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

Apr. 1971 Joined Nippon Telegraph and Telephone Corporation
Jan. 1999 Seconded to NTT Urban Development Corporation
Jun. 2008 Senior Executive Director and Director on Special Assignment,
NTT Urban Development Corporation
Jun. 2010 President and CEO, Premier REIT Advisors Co., Ltd.



Message from the CIO

PIC focuses on investing in and managing office buildings and residential properties located in the Tokyo Economic Bloc. This specialization in the Tokyo Economic Bloc is a result of our conviction that Tokyo is the economic, political and cultural center of Japan. This means that the Tokyo region has greater potential and features a stronger capacity for economic recovery than any other region of Japan. Additionally, it is significant that both the real estate transaction and leasing markets in Tokyo overwhelm those of other markets.

We also aim to secure stable revenues by investing in office buildings, which have strong potential for growth, as well as residential properties, a property class that is highly stable, compensating for fluctuations in rental income between

periods of economic recovery and downturns.

Based on this strategy, our target portfolio balance is 60% for office buildings and 40% for residential properties (based on acquisition price). Immediately after PIC's IPO, office buildings accounted for approximately 80% of the portfolio. However, the proportion of office buildings has dropped to approximately 46% as of the end of the 15th fiscal period.

Fumihiro Yasutake

Deputy President and Chief Investment Officer
Premier REIT Advisors Co., Ltd.

Apr. 1988 Joined The Mitsui Trust and Banking Company, Limited.(currently,
The Chuo Mitsui Trust and Banking Company, Limited)
Nov. 2001 Manager of Business Planning Department, Premier REIT Advisors,
Co., Ltd. (PRA)
Jun. 2004 President and CEO, PRA
Jun. 2010 Deputy President and CIO, PRA



Message from the CFO

The financial management of PIC is focused on reinforcing financial foundations and securing and improving stability through a conservative financial strategy. We aim to maintain an optimal combination of equity and debt, reduce risks involving refinance, and procure capital at costs as low as possible, to deliver the best possible returns to PIC's unitholders.

J-REITs have faced a difficult financing environment over the past few years. However, the present demonstration of a less stringent attitude among financial institutions towards real estate financing is favorably transforming the situation. This in turn has enabled J-REITs to

procure funds in capital markets through public offerings of investment units and the issuance of corporate bonds. We are convinced that the financing environment is now also becoming favorable for the acquisition of properties.

This, in combination with the high creditability of PIC's new main sponsor NTTUD as a leading real estate company

in Japan, means that PIC should be able to reduce financing costs in the future. We intend to capitalize on this new strength to further conduct prudent but dynamic financing for PIC. Another of our important tasks is to redeem corporate bonds and resolutely repay borrowings to further strengthen PIC's financing credibility.

Atsuo Komai

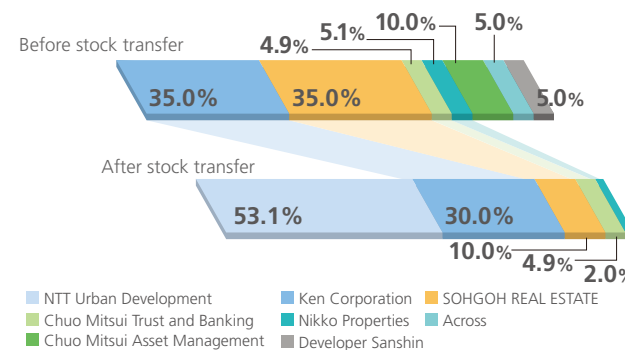
Director and Chief Finance Officer
Premier REIT Advisors Co., Ltd.

Apr. 1983 Joined Nippon Telegraph and Telephone Corporation
Sep. 2009 General Manager, Real Estate Investment Promotion Department,
NTT Urban Development Corporation
Jun. 2010 Seconded to Premier REIT Advisors Co., Ltd. (PRA), Director and
CFO, PRA



Overview of Asset Management Company

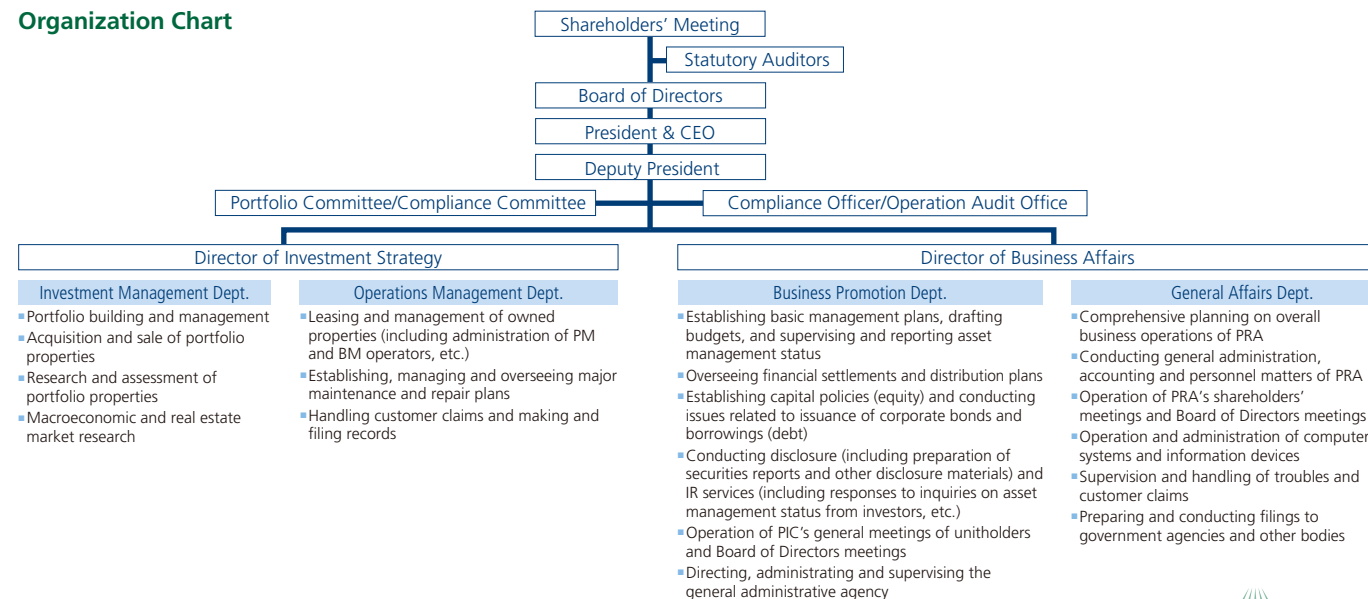
Changes in Sponsor Composition



Profile of Asset Management Company

Trade Name	Premier REIT Advisors Co., Ltd.
Line of Business	Asset management business in accordance with the Financial Instruments and Exchange Act
President & CEO	Kimito Muragishi
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo
Paid-in Capital	300 million yen (as of March 31, 2010)
Major Shareholders	NTT Urban Development Corporation / Ken Corporation Ltd. / SOHGOH REAL ESTATE CO., LTD. The Chuo Mitsui Trust and Banking Company Limited Nikko Properties, Inc..

Organization Chart



INITIATIVES WITH NTT URBAN DEVELOPMENT

Premier REIT Advisors Co., Ltd. (PRA), the asset management company for PIC, became a consolidated subsidiary of NTT Urban Development Corporation (NTTUD), a listed company on the first section of the Tokyo Stock Exchange, by obtaining 53.1% equity in PRA in May 2010. This move was made to reinforce PRA's credibility by conducting a drastic change in its sponsor composition. Moreover, an agreement was concluded with NTTUD involving pipeline support, and PRA expects NTTUD to proactively provide information concerning property acquisitions.

Furthermore, PIC issued 8,700 new investment units in May 2010 by way of third-party allotment with NTTUD as the allottee. PIC used the fund procured through the issuance, in combination with borrowings, to acquire Iwamotocho Building, a new property, as external growth of its portfolio. (For further details

on the capital increase by way of third-party allotment and the new acquisition, please see pages 6 and 12 of this Semiannual Report.)

Background of the Initiatives

Over recent years, the global financial crisis and abrupt credit crunch forced the J-REIT market to reduce its size. As the turmoil also spread throughout the real estate transaction market, the external growth of J-REITs was sharply reduced. Moreover, the entire real estate rental market was severely damaged, and J-REITs were locked in an environment in which they could not implement stable internal growth due to increasing vacancy rates and worsening rental conditions.

However, progress has been made in industry reorganization, including mergers between investment corporations,

changes in sponsors of asset management companies and decisions on new sponsors. This, together with signs of recovery emerging for the Japanese economy, has created growing expectations for the J-REIT market to start moving.

Given such circumstances, PIC, PRA and PRA's stockholders judged that to re-establish PIC's financial strategy from medium- to long-term perspective and establish its continuous growth strategy in preparation for the anticipated full-on recovery of the J-REIT market, it is indispensable to secure a new sponsor with high credibility. After due consideration of candidates to realize this objective, NTT Urban Development, a leading real estate company with proved business achievements and credibility, was chosen as the new sponsor.

Basic Idea by PRA

- Obtain a new sponsor boasting high credit capability
- Clarify who is the main sponsor

- Reinforce PRA's operational structure
- Secure PIC's financial stability
- Re-establish PIC's financial strategy from a medium- to long-term perspective and establish a continuous growth strategy

NTT Urban Development

Constantly improve PIC's unitholder value

Prepare for full-fledged improvement of J-REIT market

Specific Initiatives	Outline and Purpose
NTTUD's acquisition of majority stake (53.1%) in PRA	NTTUD becomes the largest shareholder of PRA, the asset management company for PIC, making PRA one of its consolidated subsidiaries.
NTTUD's dispatch of officers and employees to PRA	Further reinforce PRA's operational structure, decision-making mechanism and internal control framework (the new management team started operations on June 28, 2010)
NTTUD's pipeline support for property acquisitions	NTTUD preferentially provides PIC and PRA with information on investment opportunities in office buildings and other properties (PIC's external growth in office buildings can be expected)
PIC's issuance of new investment units (8,700 units totaling approximately 3 billion yen) through third-party allotment to NTTUD	<ul style="list-style-type: none"> • NTTUD clearly demonstrates commitment (responsibility on management) as the new sponsor • Reinforce PIC's financial foundations through enhancement of unitholders' capital

Profile of NTT Urban Development

NTT Urban Development Corporation (NTTUD) is the sole general real estate company within the NTT (Nippon

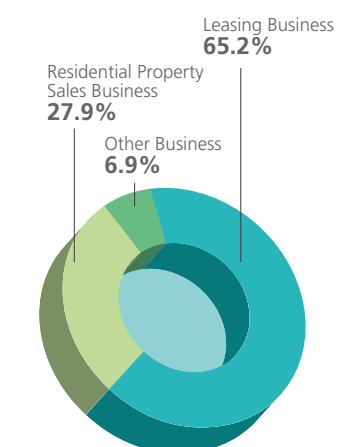
Telegraph and Telephone Corporation) Group and a leading real estate company in Japan, achieving prominence in office building development and the real estate

leasing business. It owns projects scheduled for completion and has development pipelines in the Tokyo metropolitan area and other major cities throughout Japan.

Overview of NTTUD (as of March 31, 2010)

Name	NTT Urban Development Corporation		
Address	4-14-1 Sotokanda, Chiyoda Ward, Tokyo		
Line of business	<ul style="list-style-type: none"> • Acquisition, disposition, management, leasing, brokerage and appraisal of real estate • Design, construction and construction supervision of architectural structures, and undertaking of such contracts, etc. 		
Establishment	January 1986		
Paid-in capital	48,760 million yen (as of March 31, 2010)		
Ratings	Rating Agency	Long-Term Obligation Ratings	Short-Term Obligation Ratings
	Rating and Investment Information, Inc. (R&I)	AA-	a-1+
	Moody's Investors Service, Inc.	Aa3	P-1
Large stockholders and their stockholdings	Nippon Telegraph and Telephone Corporation		67.3%
	Japan Trustee Services Bank, Ltd. (trust account)		1.9%
	The Master Trust Bank of Japan, Ltd. (trust account)		1.8%

Sales Ratio by Segment ^(Note)



(Note) Figures represent the percentages of revenues from external customers.

Consolidated Results for the Fiscal Year Ended March 2010

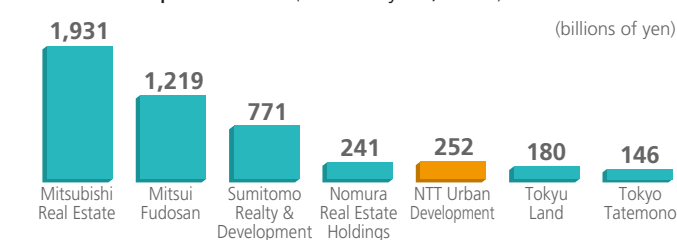
Consolidated Results	(billions of yen)
Net sales	149.2
Operating expenses	133.0
Operating income	16.1
Non-operating income	2.5
Non-operating expenses	8.4
Ordinary income	10.2
Extraordinary income	17.6
Extraordinary losses	6.0
Taxes	15.7
Net income	6.1

Consolidated Balance Sheets (Total Assets / Total Liabilities and Net Assets)

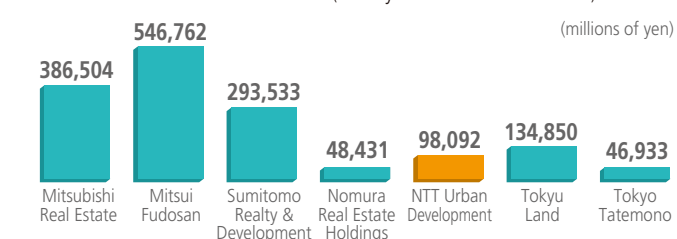
Current assets		125.2	Current liabilities		84.9
Fixed and intangible assets		749.2	Long-term liabilities		646.2
Investments and other assets		42.2	Net assets		185.5
Total Assets		916.7	Total Liabilities and Net Assets		916.7

NTTUD's Position in the Industry

Market Capitalization (as of May 31, 2010) ^(Note 1)



Rental Business Revenues (fiscal year ended March 2010) ^(Note 2)



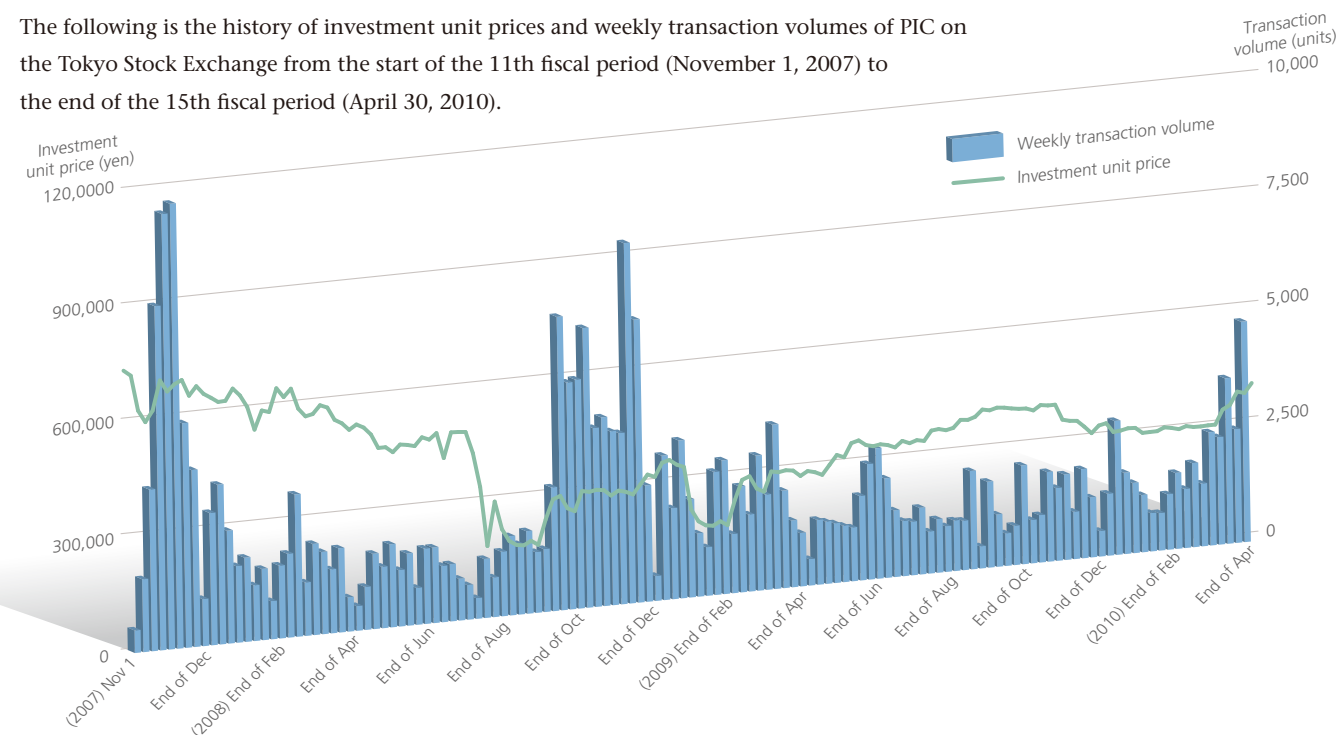
(Note 1) Market capitalization is a figure calculated by using the formula of "stock price (closing price of May 31, 2010) x (number of stocks outstanding - number of treasury stocks)"

(Note 2) Prepared by using securities reports of respective companies for the fiscal year ended March 2010 (for the fiscal year ended December 2009 for Tokyo Tatemono Co., Ltd.). Figures used include: operating revenues from building leases in the building business for Mitsubishi Estate Co., Ltd.; sales of office buildings and retail properties in the building business of Nomura Real Estate Holdings, Inc.; and operating revenues from land lease and building lease in the leasing business of Tokyo Tatemono Co., Ltd.

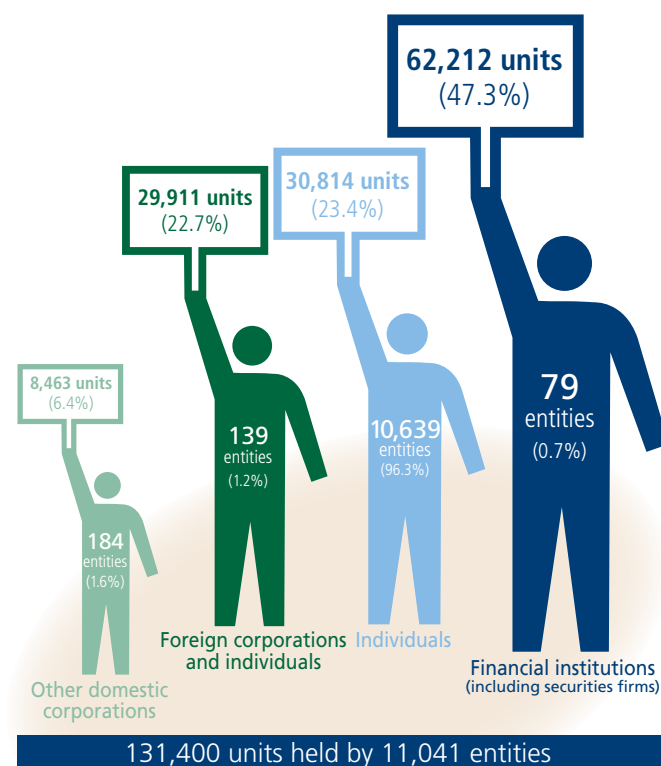
INVESTMENT UNIT STATUS

Historical Unit Price

The following is the history of investment unit prices and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 11th fiscal period (November 1, 2007) to the end of the 15th fiscal period (April 30, 2010).



Breakdown of Unitholders as of April 30, 2010



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

Top 10 Unitholders as of April 30, 2010

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	12,635	9.61
2	NCT Trust and Banking Corporation (Investment Trust Account)	10,113	7.69
3	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	6,543	4.97
4	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	5,517	4.19
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	5,471	4.16
6	The Master Trust Bank of Japan, Ltd. (Trust Account)	4,809	3.65
7	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	2,389	1.81
8	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.56
9	Trust & Custody Service Bank, Ltd. (Money Trust Tax Account)	1,852	1.40
10	NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	1,790	1.36
	Total	53,169	40.46

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

2. Portfolio Management Standards Based on Basic Policy

Holding Period

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

Acquisition Standards

A) Acquisition Standards
In acquiring real estate, leasehold interest, surface rights (chijo-ken), and trust beneficial interest of real estate in trust (hereinafter, the "Investment Properties"), the Asset Manager shall fully consider numerous factors. These factors include the anticipated medium- to long-term real estate market conditions, estimated investment yield based on acquisition prices and projected income for the Investment Properties, fluctuations in asset values and their forecasted fluctuations,

prospects and stability of areas where the properties are located, building size, building and facility specifications, capability to withstand earthquakes, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, and status of insurance. The Asset Manager shall select investments after considering such factors and the importance of these Investment Properties in the portfolio structure, and take steps to construct a portfolio that clearly classifies the strategic position of these Investment Properties.

B) Use ▶see table on page 19

- PIC shall invest in the Investment Properties primarily for office and residential uses. However, such real estate may in some cases be used partially for retail or other purposes. Consequently, the office buildings and residential properties acquired by PIC may include properties that are partially used for retail or other purposes.
- In consideration of the characteristics of each real estate use indicated in the table on the following page, PIC aims to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings in order to minimize the adverse effects of changes in social or economic conditions on PIC's income and ensure stable cash flow over the medium to long term.
- PIC aims to maintain a portfolio ratio of office buildings to residential properties of 6:4 (based on acquisition price) over the medium to long term. PIC plans to acquire these Investment Properties (and trust beneficial interests backed by said Investment Properties) based on this policy in the future. However, there is

no guarantee that PIC will be able to acquire the Investment Properties as planned.

- It may be more difficult to acquire high-quality residential properties than to acquire office buildings. For this reason, PIC shall team with major developers, major general trading companies, major financial institutions, reliable real estate agency and property management companies, and other partners to secure stable sources of supply for newly constructed properties. This strategy enables PIC to plan the acquisition of high-quality, newly constructed properties and thus increase our investment ratio in newly constructed properties.

C) Areas ▶see table on page 20

- As noted above, PIC's investments are focused in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation.
- Specifically, by dividing the Tokyo Economic Bloc into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo and the Surrounding City Area, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a diversified portfolio of office buildings and residential properties. The ideal portfolio balance over the medium to long term is 60% of invested funds in office buildings and 40% in residential properties. The table on page 20 outlines the geographical split PIC aims for with its asset investments.

D) Asset Size per Property ▶see table on page 20

- Office buildings
In principle, office buildings with available space for lease of approximately 2,000m² (approximately 700 tsubos) or more, and standard floor sizes of approximately 300m² (approximately 90 tsubos) or more, are the investment targets.

Use

Use	Key Investment Points
Office Buildings	a. In the real estate market of Japan, office buildings are relatively less individualized and are in greater supply compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned said real estate as its primary investment target.
	b. Tenant demand for office space may fluctuate in response to economic trends that include business cycles. This might adversely affect PIC's earnings derived from office buildings. However, compared to real estate for other uses, office buildings are generally expected to provide relatively higher levels of profitability.
	c. PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.
Residential Properties	a. PIC invests in relatively high-quality Japanese rental residential properties with regard to designs of exteriors, entrances and other common areas; specifications of story height, exterior walls and other similar areas; total floor space, floor plans, and other aspects.
	b. Rental residential properties are relatively resistant to the adverse effects of changes in social or economic conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. For these reasons, PIC has positioned such rental residential properties as part of the main investment target with the goals of establishing cash flow and diversifying assets.
	c. The Asset Manager expects that the market for rental residential properties in the Tokyo Economic Bloc will grow and expand over the medium to long term due to the effects of the recent demand for urban revitalization and lifestyle changes. However, if the Asset Manager determines that the aforementioned trends have changed due to changes in the market or other reasons, PIC may make different investment decisions.
	d. Since tenants of rental residential properties are particularly selective about location, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends for different types of properties.
(Classification by type of residential properties)	
Wide	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	b. This type refers to residential properties primarily intended for foreigners (i.e., executives dispatched or assigned by Western and multinational companies from overseas to offices located in the Tokyo Economic Bloc), specially planned in specific locations according to the demands of foreign residents' lifestyles.
	c. Recently, the demand for these properties has increased among wealthy Japanese families as well. Like those described in b. above, these tenants are highly reliable compared to those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants tends to be low.
	d. Because this type of property is in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected. Also, differences in profitability may arise regarding investments in said properties due to management performance.
Family	a. Targeted investment area: The 23 Wards of Tokyo and surrounding city area.
	b. This type refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children), and are designed to meet their lifestyles.
	c. Generally, these families tend to place emphasis on neighborhood and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.
DINKs	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	b. This type refers to residential properties intended for young households (without children) where both partners work, and are designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.")
	c. Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties are in short supply in such areas and said households earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.
Singles	a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.
	b. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.
	c. Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties may be considered stable targets for future investments as well.
	d. Since the 5 Central Wards of Tokyo, especially Minato, Shibuya and Shinjuku Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.

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

b. Residential properties

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

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

E) Due Diligence ➡see table on page 20
PIC decides on the acquisition of a property after considering all the results of economic, physical and legal inspections of the property. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each item may differ depending on the use of a property, PIC will not necessarily examine all of the items before acquiring the property. The Investment Properties acquired by PIC may not satisfy all of the standards.

F) Standards for Tenant Selection

➡see table below

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

b. Concerning current tenants and new tenants with whom agreements have been concluded, PIC will generally attempt to maintain long-term relationships to the fullest extent possible. However, in Japan, the term of a lease agreement for both office buildings and residential properties is usually two

years. Moreover, many agreements include provisions that allow tenants to cancel the agreement by providing advance notice.

G) Amount of Investment

a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each investment property will generally be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.).

b. The maximum ratio of the amount invested in a single property will generally be 25% of the total amount invested in real estate investments after investing in that property, and an investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

3. Sales Standards

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

Areas

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

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

Asset Size per Property

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

Standards for Tenant Selection

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

Due Diligence

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

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

a. Strategic classifications

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

- The targets of the Investment Properties classified by PIC as active assets are as follows: The amount of investment per property is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.
- The upper limit on active assets as a proportion of the portfolio shall generally be 20%.

b. Specific cases where sale will be considered

- When a strategic sale would contribute to earnings of PIC:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
- When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraised value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not be achieved even with additional allocation of capital.
[Example 2] When another investment property with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the property to lose importance in the portfolio structure.
- Aside from the above, there may be cases in which PIC conducts sale of properties from the perspective of its financial strategy. For example, PIC may raise funds through selling some of its owned properties in a policy to prepare for repayment of interest-bearing liabilities, including redemption of corporate bonds, while taking care to minimize losses from the sale.

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

4. Policy for Investment in Development Projects

PIC shall, in principle, acquire real estate that provides or promises stable rent or similar earnings. PIC does not intend to acquire undeveloped land and construct buildings thereon. However, PIC may invest in a property yet to be constructed by a third party if, for example, it is determined that such property to be constructed is likely to attract sufficient tenants after completion and risks regarding completion and delivery have been minimized. The investment determination shall be made by comparing the benefits of acquiring the property with the negative impact of not earning rental income over the period until the property begins to generate such income, as well as other risks borne by PIC in connection with acquiring the property.

5. Insurance Policy

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

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

6. Financial Policy

A) Borrowings and Corporate Bonds

- a. In order to contribute to the steady growth of assets under management and efficient and stable operation of investments, PIC may borrow funds (including borrowings via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, or repay funds or debts (including repayment of deposit money, loans and obligations of its corporate bonds) necessary for PIC's operations. However, the respective and combined maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000).
- b. In the case of borrowing funds in accordance with above a., PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover, in order to flexibly respond to the capital needs for the acquisition of new properties, repayment of security deposits or other monies in custody for tenants, or other events, PIC may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or PIC may conclude agreements on the reservation of loans at any time it requires.
- c. When borrowing funds in accordance with above a., the said funds shall only be borrowed from qualified institutional investors

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

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

B) Issuance of Additional Investment Units

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

II. MANAGEMENT POLICY

PIC intends to maintain and improve the value and competitiveness of the acquired Investment Properties through continuous capital expenditures made from a medium- to long-term perspective, and aims to

achieve stable growth in returns through higher earnings (e.g., increases in rents, decreases in vacancy rates, and prolonging and fixing the terms of agreements) and reduced expenses (e.g., reduction in expenses paid to outside service providers, utility expenses and other fees and expenses).

■ The Asset Manager shall select the best possible party to contract with for the provision of property management services for each acquired investment property by considering the details of quantitative and qualitative analyses as described below, and past experience in relation to each acquired investment property. The Asset Manager shall negotiate with such service providers the particulars concerning services, payments and other matters. ➡see table below

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

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

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

III. DISCLOSURE POLICY

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

IV. DISTRIBUTION POLICY

■ Distribution of Profits

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

- a. As part of the total amount of the cash distributions payable to unitholders, the amount of profits (the amount is obtained by subtracting the total of the amount of total unitholders' equity and the amount of the valuation and translation adjustments from the amount of net assets appearing on the

balance sheet as of the end of PIC's fiscal period) shall be calculated based on generally accepted accounting principles of Japan.

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

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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

Standards for Selection of Property Manager

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

	Unit	11th Fiscal Period (November 1, 2007 – April 30, 2008)	12th Fiscal Period (May 1, 2008 – October 31, 2008)	13th Fiscal Period (November 1, 2008 – April 30, 2009)	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)
Business Results						
Operating Revenues	Thousands of yen	6,764,587	5,508,964	5,462,513	5,318,986	5,117,572
(Real estate rental revenues)	Thousands of yen	(4,918,656)	(5,508,964)	(5,462,513)	(5,318,986)	(5,117,572)
Operating Expenses	Thousands of yen	2,579,153	2,763,803	2,756,267	2,757,242	2,684,965
(Real estate rental expenses)	Thousands of yen	(2,110,087)	(2,337,063)	(2,337,182)	(2,350,247)	(2,265,101)
Operating Income	Thousands of yen	4,185,434	2,745,161	2,706,245	2,561,743	2,432,606
Ordinary Income	Thousands of yen	3,743,755	2,209,054	2,144,429	1,951,725	1,831,214
Net Income	(a) Thousands of yen	3,742,755	2,207,687	2,143,393	1,950,036	1,830,214
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	138,160,716	149,485,112	147,430,632	146,906,094	146,755,777
(Period-on-period variation)	%	(+17.7)	(+8.2)	(-1.4)	(-0.4)	(-0.1)
Interest-bearing Liabilities	Thousands of yen	58,900,000	71,500,000	69,500,000	69,462,500	69,787,500
Net Assets	(c) Thousands of yen	72,688,121	71,153,011	71,088,753	70,895,392	70,775,631
(Period-on-period variation)	%	(+36.5)	(-2.1)	(-0.1)	(-0.3)	(-0.2)
Unitholders' Capital	Thousands of yen	68,945,312	68,945,312	68,945,312	68,945,312	68,945,312
Distribution						
Total Distributions	(d) Thousands of yen	3,742,797	2,207,651	2,143,396	1,949,976	1,830,270
Distribution Payout Ratio (Note 1)	(d)/(a) %	100.0	99.9	100.0	99.9	100.0
Per Unit Information						
Number of Units Outstanding	(e) Units	131,400	131,400	131,400	131,400	131,400
Net Assets per Unit	(c)/(e) Yen	553,182	541,499	541,010	539,538	538,627
Distribution per Unit	(d)/(e) Yen	28,484	16,801	16,312	14,840	13,929
(Earnings distribution per unit)	Yen	(28,484)	(16,801)	(16,312)	(14,840)	(13,929)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	2.9 (5.9)	1.5 (3.0)	1.4 (2.9)	1.3 (2.6)	1.2 (2.5)
Return on Unitholders' Equity (Note 3)	%	5.9 (11.9)	3.1 (6.1)	3.0 (6.1)	2.7 (5.4)	2.6 (5.2)
Net Assets Ratio	(c)/(b) %	52.6	47.6	48.2	48.3	48.2
(Period-on-period variation)		(+7.2)	(-5.0)	(+0.6)	(+0.1)	(-0.1)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	3,633,286	4,086,140	4,034,434	3,872,198	3,752,979

(Note 1) Distribution payout ratios have been rounded down to the tenth place

(Note 2) Ordinary income on total assets: Ordinary income/Average total assets
Average total assets = (Total assets at beginning of period + Total assets at end of period)/2

(Note 3) Return on unitholders' equity: Net income/Average net assets
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 182 days for the 11th fiscal period, 184 days for the 12th fiscal period, 181 days for the 13th fiscal period, 184 days for the 14th fiscal period and 181 days for the 15th fiscal period. This is true concerning both Note 2 and Note 3.

(Note 4) Rental NOI: (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)

PricewaterhouseCoopers Aarata
Shin-Marunouchi Bldg., 32nd Floor
1-5-1 Marunouchi
Chiyoda-ku, Tokyo 100-6532
Japan
Telephone : +81 (3) 5427 6555
Facsimile : +81 (3) 5427 6556
www.pwc.com/jp/aarata

Report of Independent Auditors

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying balance sheets of Premier Investment Corporation (“the Company”) as of April 30, 2010 and October 31, 2009 and the related profit and loss statements, statements of changes in unitholders' equity and cash flow statements for the six months then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2010 and October 31, 2009, and the results of its operations and its cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

As described in Note-15, the Company has (1) issued new investment units, (2) acquired a new property, (3) borrowed loans.

PricewaterhouseCoopers Aarata
August 9, 2010

BALANCE SHEETS

AS OF APRIL 30, 2010 AND OCTOBER 31, 2009

	Thousands of yen	
	April 30, 2010	October 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3)	¥ 2,431,460	¥ 1,313,518
Cash and deposits held in trust (Note-3)	7,881,280	8,331,737
Tenant receivables	52,296	56,161
Prepaid expenses	136,437	129,975
Deferred tax assets (Note-9)	2,347	1,223
Other current assets	349	66
TOTAL CURRENT ASSETS	10,504,173	9,832,681
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	59,776,014	59,664,154
Structures held in trust (Note-4)	1,186,172	1,185,247
Tools, furniture and fixtures held in trust (Note-4)	160,631	152,752
Less accumulated depreciation	(10,024,351)	(9,123,935)
Land held in trust (Note-4)	82,903,948	82,903,948
Property and equipment, net	134,002,560	134,782,313
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	4,231	1,544
Intangible fixed assets	8,334	9,374
Total intangible fixed assets	1,790,168	1,788,521
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	111,955	150,798
Other deposits held in trust	332,060	332,060
New investment unit issuance costs	4,859	9,718
Total investment and other assets	458,875	502,577
TOTAL LONG-TERM ASSETS	136,251,604	137,073,412
TOTAL ASSETS	¥ 146,755,777	¥ 146,906,094

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

	Thousands of yen	
	April 30, 2010	October 31, 2009
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 477,100	¥ 471,518
Short-term loan payable (Note-7)	3,480,000	3,480,000
Long-term loan payable due within one year (Note-7)	150,000	750,000
Corporate bonds payable due within one year (Note-6)	15,000,000	15,000,000
Accrued expenses	174,505	178,125
Distributions payable	16,969	17,084
Income taxes payable	1,748	510
Business office taxes payable	5,748	3,110
Consumption taxes payable	32,014	27,093
Rents received in advance	722,269	761,054
Deposits received	22,084	56,499
Total current liabilities	20,082,441	20,744,997
LONG-TERM LIABILITIES		
Corporate bonds (Note-6)	10,000,000	10,000,000
Long-term loan payable (Note-7)	41,157,500	40,232,500
Tenant security deposits held in trust	4,740,205	5,033,203
Total long-term liabilities	55,897,705	55,265,703
TOTAL LIABILITIES	75,980,146	76,010,701
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	68,945,312	68,945,312
Units authorized - 2,000,000 units		
Units issued and outstanding - 131,400 units as of April 30, 2010 and October 31, 2009		
Retained earnings		
Unappropriated income	1,830,319	1,950,080
Total unitholders' equity	70,775,631	70,895,392
TOTAL NET ASSETS	70,775,631	70,895,392
TOTAL LIABILITIES AND NET ASSETS	¥ 146,755,777	¥ 146,906,094

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2010 AND OCTOBER 31, 2009

	Thousands of yen	
	April 30, 2010	October 31, 2009
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 4,660,026	¥ 4,789,378
Other revenue (Note-8)	457,545	529,607
Operating expenses		
Property-operating expenses (Note-8)	2,265,101	2,350,247
Asset management fees	205,127	213,699
Directors' compensation	9,000	9,000
Custodian fees	13,609	13,686
Administration fees	76,449	67,279
Audit fees	8,500	8,500
Other expenses	107,177	94,829
Operating income	2,432,606	2,561,743
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	1,881	1,892
Refund of unpaid distributions	1,059	940
Other non-operating income	4	4
Non-operating expenses		
Interest expense	458,563	465,734
Interest expenses on corporate bonds	140,326	141,673
Amortization of new investment unit issuance costs	4,859	4,859
Other non-operating expenses	587	587
Ordinary income	1,831,214	1,951,725
Income before income taxes	1,831,214	1,951,725
Income taxes (Note-9)		
Current	2,124	605
Deferred	(1,124)	1,084
Net income	1,830,214	1,950,036
Income carried forward	104	44
UNAPPROPRIATED INCOME	¥ 1,830,319	¥ 1,950,080

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, 2010 AND OCTOBER 31, 2009

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
BALANCE AT APRIL 30, 2009	¥ 68,945,312	¥ 2,143,441	¥ 71,088,753	¥ 71,088,753
Changes during the period				
Cash distributions paid	-	(2,143,396)	(2,143,396)	(2,143,396)
Net income	-	1,950,036	1,950,036	1,950,036
Total changes during the period	-	(193,360)	(193,360)	(193,360)
BALANCE AT OCTOBER 31, 2009	¥ 68,945,312	¥ 1,950,080	¥ 70,895,392	¥ 70,895,392
Changes during the period				
Cash distributions paid	-	(1,949,976)	(1,949,976)	(1,949,976)
Net income	-	1,830,214	1,830,214	1,830,214
Total changes during the period	-	(119,761)	(119,761)	(119,761)
BALANCE AT APRIL 30, 2010	¥ 68,945,312	¥ 1,830,319	¥ 70,775,631	¥ 70,775,631

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2010 AND OCTOBER 31, 2009

	Thousands of yen	
	April 30, 2010	October 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 1,831,214	¥ 1,951,725
Depreciation	901,549	904,608
Amortization of new investment unit issuance cost	4,859	4,859
Interest income	(1,881)	(1,892)
Refund of unpaid distributions	(1,059)	(940)
Interest expenses	598,889	607,407
Decrease in tenant receivables	3,479	6,168
Increase (Decrease) in accounts payable	601	(19,555)
Increase (Decrease) in consumption taxes payable	4,921	(81,787)
Decrease in rent received in advance	(38,785)	(67,615)
Other	(45,967)	27,411
SUBTOTAL	3,257,823	3,330,390
Interest received	1,881	1,892
Interest paid	(555,922)	(677,718)
Income taxes paid	(602)	(1,264)
Net cash provided by operating activities	2,703,179	2,653,299
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(115,882)	(163,645)
Payments for purchases of intangible fixed assets held in trust	(2,780)	-
Payments for purchases of Intangible fixed assets	-	(10,407)
Proceeds from tenant security deposits held in trust	157,258	288,483
Payments of tenant security deposits held in trust	(450,256)	(451,607)
Payments of lease guarantee security deposits held in trust	-	(5,550)
Net cash used in investing activities	(411,661)	(342,727)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	-	3,680,000
Proceeds from long-term loans payable	1,000,000	6,120,000
Repayments of short-term loans payable	-	(9,800,000)
Repayments of long-term loans payable	(675,000)	(37,500)
Payments of distributions	(1,949,031)	(2,142,715)
Net cash used in financing activities	(1,624,031)	(2,180,215)
NET CHANGE IN CASH AND CASH EQUIVALENTS	667,486	130,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,645,255	9,514,899
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-3)	¥ 10,312,741	¥ 9,645,255

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2010 AND OCTOBER 31, 2009

Note-1. Organization and basis of presentation

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

On September 10, 2002, PIC issued 59,000 units for proceeds totaling 27,187,200 thousand yen through initial public offering. On November 15, 2003, December 10, 2003, May 31, 2005 and November 26, 2007, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, 22,000 units through public offering and 30,000 units through public offering, respectively. As of April 30, 2010, PIC had total unitholders' capital of 68,945,312 thousand yen with 131,400 units outstanding.

As of April 30, 2010, PIC owned a portfolio of 14 office buildings and 31 residential properties (45 properties in total). Total acquisition costs of those properties were 139,374,826 thousand yen.

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

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

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

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

Note-2. Summary of significant accounting policies

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

(b) Depreciation and amortization –

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

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

Tools, furniture and fixtures	3 years
Buildings held in trust	3-66 years
Structures held in trust	3-37 years
Tools, furniture and fixtures held in trust	3-15 years

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

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

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

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

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

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

(d) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 0 yen and 0 yen for the six months ended April 30, 2010 and October 31, 2009, respectively.

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

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

(g) Accounting 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, 2010 and October 31, 2009 consisted of the following:

	Thousands of yen	
	April 30, 2010	October 31, 2009
Cash and deposits	¥ 2,431,460	¥ 1,313,518
Cash and deposits held in trust	7,881,280	8,331,737
Cash and cash equivalents	10,312,741	9,645,255

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, 2010 and October 31, 2009 consisted of the following:

	Thousands of yen					
	April 30, 2010			October 31, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 59,776,014	¥ 9,558,599	¥ 50,217,414	¥ 59,664,154	¥ 8,706,135	¥ 50,958,018
Structures	1,186,172	375,799	810,372	1,185,247	339,530	845,717
Tools, furniture and fixtures	160,631	89,807	70,824	152,752	78,124	74,628
Land	82,903,948	-	82,903,948	82,903,948	-	82,903,948
SUBTOTAL	144,026,767	10,024,206	134,002,560	143,906,103	9,123,790	134,782,313
Intangible fixed assets held in trust						
Leasehold held in trust	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets held in trust	4,497	265	4,231	1,717	173	1,544
SUBTOTAL	1,782,100	265	1,781,834	1,779,319	173	1,779,146
TOTAL	¥ 145,808,867	¥ 10,024,472	¥ 135,784,394	¥ 145,685,423	¥ 9,123,963	¥ 136,561,460

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

Corporate bonds for the six months ended April 30, 2010 and October 31, 2009 were as follows:

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

The anticipated maturities of corporate bonds for the following four years ending April 30 starting 2012 are as follows:

(thousands of yen)		
2012	¥	-
2013	10,000,000	
2014	-	
2015	-	

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

Short-term and long-term loans as of April 30, 2010 and October 31, 2009 consisted of the following:

	April 30, 2010		October 31, 2009	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on May 21, 2010 with floating rate	¥ 3,480,000	1.45	¥ 3,480,000	1.60
SUBTOTAL	3,480,000	-	3,480,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on March 9, 2010 with fixed rate	-	-	600,000	1.62
Unsecured loan due on May 22, 2014 with floating rate	*1 150,000	2.10	150,000	2.20
SUB TOTAL	150,000	-	750,000	-
LONG-TERM LOANS				
Unsecured loan due on February 29, 2012 with fixed rate	3,650,000	1.83	3,650,000	1.83
Unsecured loan due on February 28, 2013 with fixed rate	2,850,000	2.08	2,850,000	2.08
Unsecured loan due on July 29, 2011 with fixed rate	10,500,000	1.89	10,500,000	1.89
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	1,000,000	2.24
Unsecured loan due on March 27, 2013 with fixed rate	7,900,000	1.61	7,900,000	1.61
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08	3,000,000	2.08
Unsecured loan due on March 9, 2012 with fixed rate	5,400,000	1.91	5,400,000	1.91
Unsecured loan due on May 20, 2011 with floating rate	3,120,000	1.60	3,120,000	1.70
Unsecured loan due on May 22, 2014 with floating rate	*1 *2 2,737,500	2.10	2,812,500	2.20
Unsecured loan due on March 30, 2012 with floating rate	1,000,000	1.33	-	-
SUBTOTAL	41,157,500	-	40,232,500	-
TOTAL	¥ 44,787,500	-	¥ 44,462,500	-

*1 The loan calls for divided repayments upon arranged dates, and thus has been separated into Long-term loans payable due within one year (150,000 thousand yen) and Long-term loans (2,737,000 thousand yen) in accordance with the principal repayment conditions described in*2. The average interest rate of the loan has been entered in the relevant column for the Long-term loans.

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

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

The anticipated maturities of long-term loans for the following four years ending April 30 starting in 2012 are as follows:

(thousands of yen)		
2012	¥	23,820,000
2013		10,900,000
2014		4,150,000
2015		2,287,500

PIC executed a commitment-line agreement which provided credit facilities totaling 1,000,000 thousand yen with Aozora Bank, Ltd. as of April 30, 2010 and October 31, 2009, respectively. No amount has been drawn down as of April 30, 2010 and October 31, 2009, respectively.

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2010 and October 31, 2009 were as follows:

	Thousands of yen	
	April 30, 2010	October 31, 2009
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,092,712	¥ 4,211,915
Common area charge	567,313	577,463
Subtotal	4,660,026	4,789,378
Other revenue		
Parking fees	123,440	123,688
Facility fees	32,067	30,943
Incidental revenue	224,838	269,617
Miscellaneous income	77,198	105,358
Subtotal	457,545	529,607
TOTAL REAL ESTATE RENTAL REVENUE	5,117,572	5,318,986
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	538,991	586,181
Utilities	226,501	254,027
Real estate taxes	295,837	295,845
Insurance	14,188	14,268
Maintenance and repairs	132,986	147,763
Trust fees	52,238	53,878
Depreciation	900,508	903,459
Miscellaneous expenses	103,849	94,823
TOTAL REAL ESTATE RENTAL EXPENSES	2,265,101	2,350,247
REAL ESTATE RENTAL INCOME	¥ 2,852,470	¥ 2,968,738

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, 2010 and October 31, 2009.

	April 30, 2010	October 31, 2009
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.30)	(39.26)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.05%	0.09%

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

The tax effects of significant temporary differences and tax loss carry forwards that resulted in net deferred tax assets or liabilities as of April 30, 2010 and October 31, 2009 were as follows:

	Thousands of yen	
	April 30, 2010	October 31, 2009
Deferred tax assets		
Enterprise taxes	¥ 2,347	¥ 1,223
Total of deferred tax assets	2,347	1,223
Deferred tax liabilities	-	-
NET DEFERRED TAX ASSETS	¥ 2,347	¥ 1,223

Note-10. Per unit information

The following table summarizes the net assets per unit as of April 30, 2010 and October 31, 2009 and the net income per unit for the six months ended April 30, 2010 and October 31, 2009:

	April 30, 2010	October 31, 2009
Net assets per unit	¥ 538,627	¥ 539,538
Net income per unit	13,928	14,840

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, 2010	October 31, 2009
Net income	¥ 1,830,214	¥ 1,950,036
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,830,214	1,950,036
Average number of units during the period	131,400 units	131,400 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2010 and October 31, 2009.

Note-11. Leases

PIC leases its properties to tenants under non-cancellable operating leases. As of April 30, 2010 and October 31, 2009, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2010	October 31, 2009
Due within one year	¥ 260,968	¥ 381,221
Due after one year	770,129	866,524
TOTAL	¥ 1,031,097	¥ 1,247,745

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.

Based on this policy, the board of directors of PIC resolved on July 9, 2010 and January 14, 2010 to make cash distributions of 1,830,270,600 yen and 1,949,976,000 yen for 131,400units to unitholders of record on April 30, 2010 and October 31, 2009, respectively.

Income carried forward after the distributions for the six months ended April 30, 2010 and October 31, 2009 were as follows:

	April 30, 2010	October 31, 2009
Unappropriated income	¥ 1,830,319,288	¥ 1,950,080,697
Cash distributions declared	1,830,270,600	1,949,976,000
(Cash distribution declared per unit)	(13,929)	(14,840)
INCOME CARRIED FORWARD	¥ 48,688	¥ 104,697

Note-13. Financial instruments

Effective from the fiscal period ended April 10, 2010, PIC adopted the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10 issued on March 30, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19 issued on March 10, 2008).

(a) Items concerning the current status of financial instruments

Action 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.

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 period 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 risks upon the arrival of repayment dates, PIC manages the risks 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 risks, PIC manages such risks 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.

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, 2010 are as follows:

	Thousands of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 2,431,460	¥ 2,431,460	¥ -
(2) Cash and deposits held in trust	7,881,280	7,881,280	-
TOTAL ASSETS	¥ 10,312,741	¥ 10,312,741	¥ -
Liabilities			
(1) Short-term loans	¥ 3,480,000	¥ 3,480,000	¥ -
(2) Long-term loans payable due within one year	150,000	150,000	-
(3) Corporate bonds payable due within one year	15,000,000	14,991,900	(8,100)
(4) Long-term loans	41,157,500	41,313,685	156,185
(5) Corporate bonds	10,000,000	9,886,000	(114,000)
TOTAL LIABILITIES	¥ 69,787,500	¥ 69,821,585	¥ 34,085

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

- Assets**
(1) Cash and deposits, and (2) cash and deposits held in trust
Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
- Liabilities**
(1) Short-term loans
Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(2) Long-term loans payable due within one year and (4) long-term loans
Fair values of these instruments are calculated based on the total amount of principals and interests discounted by rates estimated in the event that PIC conducts new borrowings corresponding to the remaining periods.
(3) Corporate bonds payable due within one year and (5) corporate bonds
Fair values of these instruments are calculated based on their market prices.

*2 Planned redemption amount of monetary claims for the following one year ending April 30 starting 2011 are as follows:

Thousands of yen	
2011	
(1) Cash and deposits	¥ 2,431,460
(2) Cash and deposits held in trust	7,881,280
TOTAL	¥ 10,312,741

*3 Planned repayment and redemption amounts of loans and corporate bonds for the following five years ending April 30 starting 2011 are as follows:

	Thousands of yen				
	2011	2012	2013	2014	2015
Short-term loans	¥ 3,480,000	¥ -	¥ -	¥ -	¥ -
Long-term loans	150,000	23,820,000	10,900,000	4,150,000	2,287,500
Corporate bonds	15,000,000	-	10,000,000	-	-
TOTAL	¥ 18,630,000	¥ 23,820,000	¥ 20,900,000	¥ 4,150,000	¥ 2,287,500

Note-14. Rental property

Effective from the fiscal period ended April 30, 2010, PIC adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Guidance No. 23 issued on November 28, 2008).

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, 2010, the variations during the fiscal period and their fair values are as follows.

	Thousands of yen			
	Book Value at *1 October 31, 2009	Increase and Decrease *2 during the period	Book Value at *1 April 30, 2010	Fair value at *3 April 30, 2010
Office buildings	¥ 63,280,093	¥ (253,132)	¥ 63,026,960	¥ 69,400,000
Residential properties	73,279,822	(526,620)	72,753,202	62,187,000
TOTAL	¥ 136,559,915	¥ (779,752)	¥ 135,780,163	¥ 131,587,000

*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 4,231 thousand yen) are not included.

*2 Of the variations during the fiscal period, major increases are due to the capital expenditures (64,508 thousand yen) for the renewal of air conditioning and other equipment at Ueno TH Building, and major decreases are due to depreciation (900,416 thousand yen).

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

In addition, the rental revenues and expenses of the rental properties for the fiscal period ended April 30, 2010 are as follows.

Amounts recorded in the Profit and Loss Statements (for the six months ended April 30, 2010)

	Thousands of yen		
	Real estate rental revenue	Real estate rental expenses	Real estate rental income
Office buildings	¥ 2,770,370	¥ 1,132,697	¥ 1,637,672
Residential properties	2,347,201	1,132,403	1,214,797
TOTAL	¥ 5,117,572	¥ 2,265,101	¥ 2,852,470

*The real estate rental revenues and real estate rental expenses are rental revenues and corresponding expenses (depreciation, property management fee, utilities, etc.), and are recorded in "Operating revenues" and "Operating expenses" respectively.

Note-15. Subsequent events

Issuance of new investment units through third-party allotment

At the Board of Directors meeting held on April 26, 2010, PIC resolved the issuance of new investment units through third-party allotment (hereinafter the “Third-Party Allotment”) to use as partial funds for acquiring a new property. PIC completed the Third-Party Allotment of 8,700 units on May 14, 2010, the payment deadline, at an offering price of 346,275 yen per unit. The total proceeds from this offering were 3,012,952,500 yen. The date of issuing new investment units and the starting date of calculating dividends are May 14, 2010 and May 1, 2010, respectively. As a result of the issuance of new investment units, the unitholders’ capital was 71,957,904,500 yen with 140,100 units outstanding as of May 14, 2010.

Acquisition of property

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

- On May 17, 2010, PIC purchased trust beneficiary interest in Iwamotocho Building for 6,700 million thousand yen. The acquisition was financed with proceeds from the offering described above. This office building is located at 3-2-4 Iwamotocho, Chiyoda Ward, Tokyo, with an area of 1,291.39m², total floor space of 9,756.89m², and total leasable space of 7,400.47m². Construction was completed in November 1973.

The acquisition costs of the above property represent the price set forth in the agreements, which do not include other acquisition-related costs such as commissions, taxes and dues.

Loans

PIC borrowed 3,900 million yen in total on May 14, 2010 in order to partly fund the acquisition of the real estate trust beneficial interest in Iwamotocho Building that was acquired as of May 17, 2010 (as described in the above Acquisition of property) and the expenses related to the acquisition.

The lenders and other information on this 3,900 million yen loan are as indicated below:

- Under unsecured and unguaranteed loan agreement with the Chuo Mitsui Trust and Banking Company, Limited and Sumitomo Mitsui Banking Corporation effective May 12, 2010, PIC received 3,900 million yen on May 14, 2010. The interest rate of the loan is 1.72750%, and the loan will mature on May 14, 2015.

PIC borrowed 2,290 million yen in total on May 21, 2010 in order to partly fund the repayment of 3,480 million yen in short-term loans borrowed on May 22, 2009.

The lenders and other information on this 2,290 million yen loan are as indicated below:

- Under an unsecured and unguaranteed loan agreement with Resona Bank, Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd. Effective May 19, 2010, PIC received 2,290 million yen on May 21, 2010. The interest rate of the loan is TIBOR (for each interest calculation period) plus 0.70%, and the loan will mature on May 20, 2011.

OTHER INFORMATION

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 15th Fiscal Period	Amount Paid before the 15th Fiscal Period
Homat Woodvilel	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2007 – October 2013	129,041	8,778	47,703
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 - April 2015	33,750	505	–
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of air conditioning systems	April 2010 - May 2010	10,955	–	–

2. Capital Expenditures during the 15th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 15th fiscal period for the portfolio owned by PIC. Capital expenditures during the period totaled 123,443 thousand yen. This, combined with maintenance and repair expenditures of 132,986 thousand yen that were classified as operating expenses for the period, means a total of 256,430 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems and other equipment	October 2009 - February 2010	64,508
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems and other equipment	November 2009 - April 2010	8,778
Other construction	–	–	–	50,156
Total				123,443

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

Item	Fiscal Period	(thousands of yen)				
		11th Fiscal Period (November 1, 2007 – April 30, 2008)	12th Fiscal Period (May 1, 2008 – October 31, 2008)	13th Fiscal Period (November 1, 2008 – April 30, 2009)	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)
Deposits at end of the preceding period		227,868	231,563	274,445	208,195	285,945
Deposits made during the period		17,400	42,882	5,750	5,750	5,750
Amounts used from deposits during the period		13,705	–	–	–	–
Deposits carried forward to the next period		231,563	274,445	280,195	285,945	291,695

OVERVIEW OF FUND PROCUREMENT

1) On March 31, 2010, PIC borrowed 1 billion yen in a long-term loan from ORIX Trust and Banking Corporation (repayment date: March 30, 2012, floating rate: TIBOR + 1.00% corresponding to the respective interest periods, unsecured and non-guaranteed), in order to increase cash on hand.

2) PIC repaid 37.5 million yen in long-term loans (Note 1) on both November 30, 2009 and February 26, 2010 using cash on

hand, as well as repaid 600 million yen in long-term loans (Note 2) on March 9, 2010. Furthermore, PIC did not conduct any refinancing during the 15th fiscal period.

(Note 1) Divided repayments as agreed to Development Bank of Japan Inc. of a long-term loan borrowed on May 22, 2009 (initial borrowed amount of 3,000 million yen)

(Note 2) Repayment as scheduled of long-term loans borrowed on September 9, 2008, with repayment of 300 million yen to The Sumitomo Trust and Banking Co., Ltd. and Resona Bank,

Limited, respectively

As a result, PIC’s interest-bearing liabilities totaled 69,787.5 million as of April 30, 2010. The breakdown is as follows: 3,480 million yen in short-term loans, 41,307.5 million yen in long-term loans (including long-term loans due within one year), and 25,000 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 95.0%. All of these borrowings are on a no-collateral and no-guarantee basis.

Disclaimer

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

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

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

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

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

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

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