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

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



SEMIANNUAL REPORT

16TH FISCAL PERIOD
ENDED OCTOBER 31, 2010

MESSAGE TO OUR UNITHOLDERS

Dear Investor,

The 16th fiscal period (May 1, 2010 – October 31, 2010) was a turning point for Premier Investment Corporation (PIC) as we steered a course for a new stage of growth.

In May 2010, NTT Urban Development Corporation (NTTUD) became the new main sponsor of Premier REIT Advisors Co., Ltd. (PRA), the asset manager of PIC. NTTUD is a leading real estate company in Japan, and this move significantly enhanced PIC's credibility in the market. The heightened credit helped reduce financing costs and enhance the fund procurement capability of PIC, enabling it to implement the smooth refinance of corporate bonds (15 billion yen maturing in September 2010) at low cost.

Moreover, PIC reinforced its financial foundations through issuing 8,700 new investment units by way of third-party allotment with NTTUD as the allottee. PIC used the fund procured through the issuance, in combination with new borrowings, to acquire a property (Iwamotocho Building: 6.7 billion yen) for the first time in nearly 2 years. NTTUD demonstrated its strong commitment to the market by undertaking the third-party allotment of new investment units.

Furthermore, PIC was positioned to enjoy strong information support provided by NTTUD, which would lead to acquisitions

of blue-chip properties. In December 2010, PIC harnessed this advantage to invest in preferred securities (totaling 14.3 billion yen) backed by an office building (Akihabara UDX) jointly developed by NTTUD and Kajima Corporation. PIC further accelerated its steps for growth by acquiring co-ownership equity in a high-grade residence (Shibaura Island Bloom Tower) located along Tokyo Bay in the same month.

As for the performance results for the 16th fiscal period, the acquisition of Iwamotocho Building contributed to earnings, helping to increase operating revenues to 5,237 million yen, a period-on-period increase of 120 million yen. However, ordinary income and net income were 1,776 million yen and 1,774 million yen, respectively, representing period-on-period decreases of 54 million yen and 55 million yen due to the continued decline in rent levels and a period-on-period decrease in the

occupancy rate of the portfolio primarily due to stagnant demand for office space. Nevertheless, financing costs were much lower than initially forecasted and the occupancy rate of residential properties remained stable with only a slight decline in the occupancy rate. These factors contributed to profits and allowed PIC to deliver a distribution per unit of 12,668 yen, surpassing the beginning-of-period budget by 768 yen.

It will still take time for the real estate market to bottom out and turn to a recovery. Despite this situation, we will build upon PIC's enhanced credibility and reinforced financial foundations realized under the commitment by NTTUD and endeavor to achieve further growth and stable asset management over the medium to long term. We sincerely appreciate your continued and heightened support.



H. Matsuzawa

Hiroshi Matsuzawa
Executive Director
Premier Investment Corporation



K. Muragishi

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

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16TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

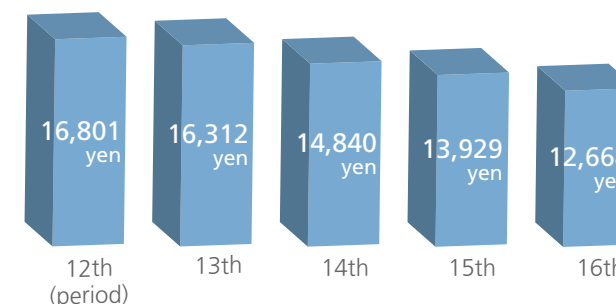
Management and Distribution Results	15th Fiscal Period (ended April 2010)	16th Fiscal Period (ended October 2010)
Operating Revenues (mm yen)	5,117	5,237
Operating Income (mm yen)	2,432	2,426
Ordinary Income (mm yen)	1,831	1,776
Net Income (mm yen)	1,830	1,774
Distribution per Unit (yen) (distribution in excess of profits not included)	13,929	12,668
Total Distributions (mm yen)	1,830	1,774
Distribution Payout Ratio ^(Note)	100.0%	99.9%
Distribution versus Net Assets ^(Note)	2.5%	2.4%

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

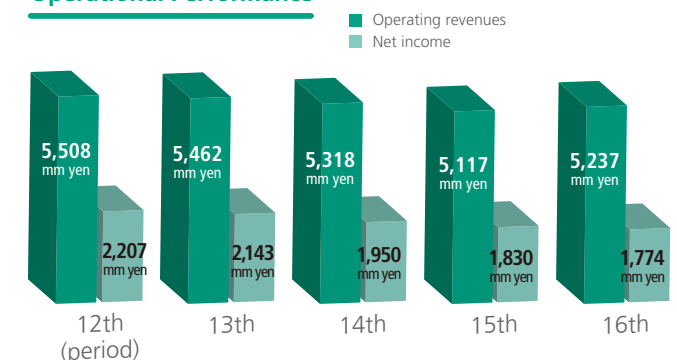
Financial Status	15th Fiscal Period (ended April 2010)	16th Fiscal Period (ended October 2010)
Total Assets (mm yen)	146,755	152,370
Net Assets (mm yen)	70,775	73,732
Net Assets Ratio	48.2%	48.4%
Net Assets per Unit (yen) ^(Note)	538,627	526,286

(Note) The number of outstanding investment units at the end of the 15th and 16th fiscal periods was 131,400 units and 140,100 units, respectively.

Cash Distribution per Unit



Operational Performance



NEW SPONSOR SUPPORT

ADVANTAGES AND ACHIEVED MEASURES

Support by New Sponsor of Asset Manager

Premier REIT Advisors (PRA), the asset manager of PIC, had a major change in its shareholder composition on May 14, 2010, and NTT Urban Development (NTTUD) became its new main sponsor. NTTUD is a general real estate company, featuring high credibility and a solid track record of achievements. From the perspectives of “external growth support” and “credibility enhancement” the sponsor change provided PIC with advantages in the 16th fiscal period and well into the 17th fiscal period, as described below.

Achievements in 16th Fiscal Period

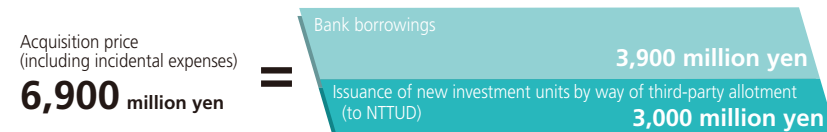
■ External Growth Support: New Fund Procurement and Reinforced Financial Foundation

NTTUD became the third largest unitholder of PIC (as of October 31, 2010) by undertaking all investment units PIC newly issued by way of third-party allotment (8,700 units totaling approximately 3 billion yen) on May 14, 2010, acquiring 6.2% of the investment units outstanding. PIC used the funds obtained from this issuance as well as new borrowings to acquire Iwamotocho Building, an office building located in Chiyoda Ward, Tokyo.

Advantage 1

Controlled after-acquisition LTV by procuring funds through a combination of equity and debt financing, and restrained dilution caused through the issuance of new investment units by way of third-party allotment.

■ Combination of equity and debt financing



■ Control of interest-bearing liabilities ratio*



* Interest-bearing liabilities/(Interest-bearing liabilities + Unitholders' capital) x 100

Advantage 2

Newly acquired property considerably covered decreases in revenues and income from existing properties, contributing to period-on-period increase in operating revenues.

	Iwamotocho Building	Existing 45 properties (variation from the 15th period)	Total
Operating revenues	+261 million yen	-141 million yen	+120 million yen
Real estate rental income	+187 million yen	-198 million yen	-10 million yen



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 date	May 17, 2010
Acquisition price	6,700 million yen

■ Credibility Enhancement: Reduction in Fund Procurement Costs

PIC implemented the refinance of 15 billion yen in the Unsecured Bond No. 1, a major challenge for PIC in the 16th fiscal period, smoothly and at low cost by issuing new corporate bonds and borrowing new long-term loans without resorting to high-interest short-term loans or selling properties to procure necessary funds.

Refinance of Corporate Bonds

Unsecured Bond No. 1

Total issue price: 15 billion yen
Maturity: September 8, 2010
Period: 5 years
Interest rate: 0.94%
Large-volume redemption

PIC was concerned with the possibility of increased costs upon refinance, as the bonds were procured at a low interest rate in a favorable financial environment

Diversification of Repayment Dates and Procurement Formats

Unsecured Bond No. 3

Total issue price: 7 billion yen
Maturity: August 16, 2013
Period: 3 years
Interest rate: 0.97%
Smoothly secured planned amount, given that the bond market finally started to move again

Long-term borrowings

Amount: 8 billion yen
Repayment date: September 4, 2015
Period: 5 years
Interest rate: 1.14250 %
All three banks are new lenders to PIC

Weighted-average interest rate of the new corporate bonds and the long-term borrowings is nearly equivalent to 1.08%

Achievements after Entering 17th Period

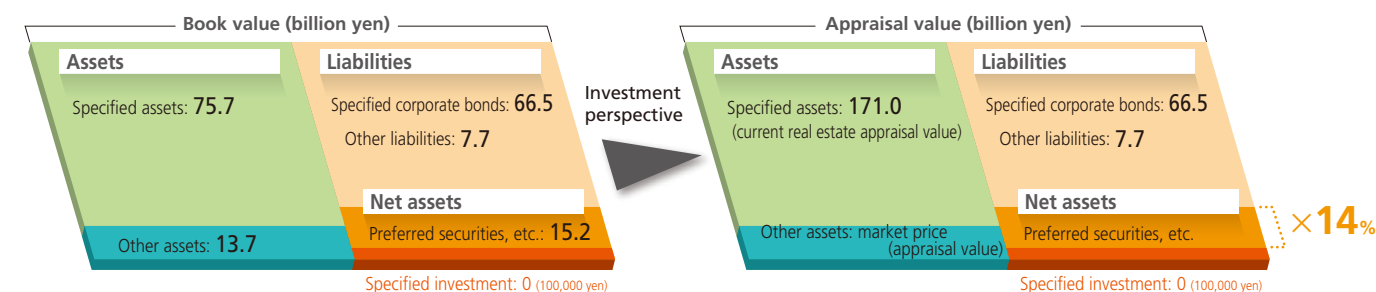
■ External Growth Support: Pipeline Support for Acquiring Office Buildings

Based on information provided by NTTUD, PIC invested in the preferred securities backed by Akihabara UDX, an office building located in Akihabara (the representative electronics shop town in Japan and center of Japan's subculture), on December 8, 2010. The investment allows PIC to receive dividends for its equity from the cash flows generated by the property.

Overview of Acquisition

- Akihabara UDX is a landmark property developed and owned by NTTUD and Kajima Corporation through an SPC (UDX Special Purpose Company), and is one of the largest class S buildings in Tokyo.
- The acquired preferred securities are part (14%) of the total Preferred Securities issued by UDX Special Purpose Company.
- Of the total preferred securities outstanding (282,000 units), 66% (186,120 units) were owned by NTTUD, 14% (39,480 units) by Kajima Corporation and 20% (56,400 units) by other investors. PIC purchased all units owned by Kajima Corporation at an acquisition price of 14.3 billion yen.
- UDX Special Purpose Company settles its business results four times a year, and PIC will receive dividends for the preferred securities it holds from and within the scope of distributable profits for respective settlement periods.

■ Investment Perspective in UDX Special Purpose Company for its 21st Fiscal Period (as of June 30, 2010)



■ Settlement Periods of UDX Special Purpose Company and Receipt of Dividends

Settlement (4 times annually)	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec
Receipt of dividend	Jun	Sep	Dec	Mar

■ Credibility Enhancement: Stable Fund Procurement

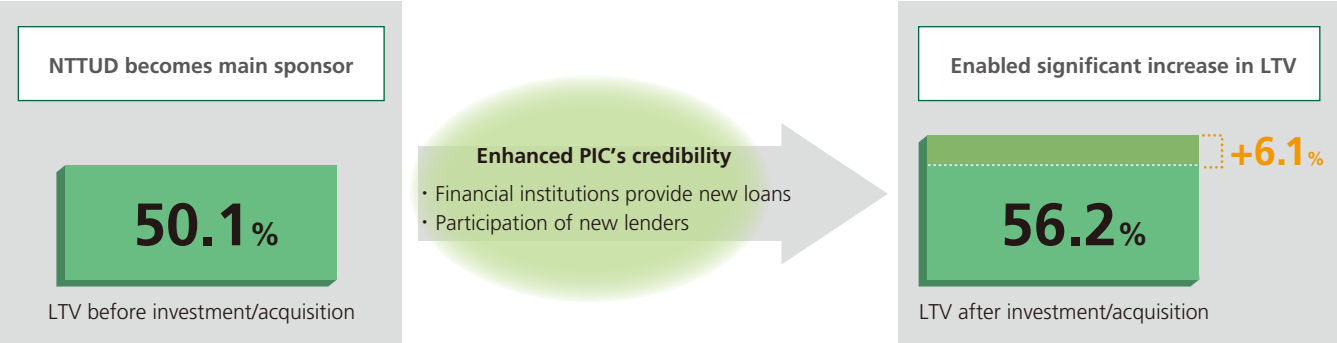
On December 8, 2010, PIC newly borrowed 20 billion yen in short-term loans to fund the acquisitions of UDX Special Purpose Company Preferred Securities and Shibaura Island Bloom Tower acquired in December 2010 (refer to page 6 for an overview of the acquired assets).

Overview of New Loans

Use of funds	To partially fund the acquisition of 39,480 units of UDX Special Purpose Company Preferred Securities acquired on December 8, 2010 and the real estate beneficially interests for Shibaura Island Bloom Tower acquired on December 9, 2010, as well as the expenses incidental to these acquisitions.
Disbursement date and amount	December 8, 2010: 14,300 million yen December 9, 2010: 5,500 million yen
Lenders	Sumitomo Mitsui Banking Corporation (12,000 million yen) The Chuo Mitsui Trust and Banking Company Limited (5,000 million yen) NTT Finance Corporation (3,000 million yen)
Loan amount	20,000 million yen
Drawdown date	December 8, 2010
Repayment date	December 8, 2011 (loan period: one year)
Repayment method	Lump-sum repayment upon maturity
Interest rate (per annum), etc.	Floating interest rate: TIBOR + 0.70% corresponding to the respective interest periods
Collateral/Guarantee	Unsecured and non-guaranteed

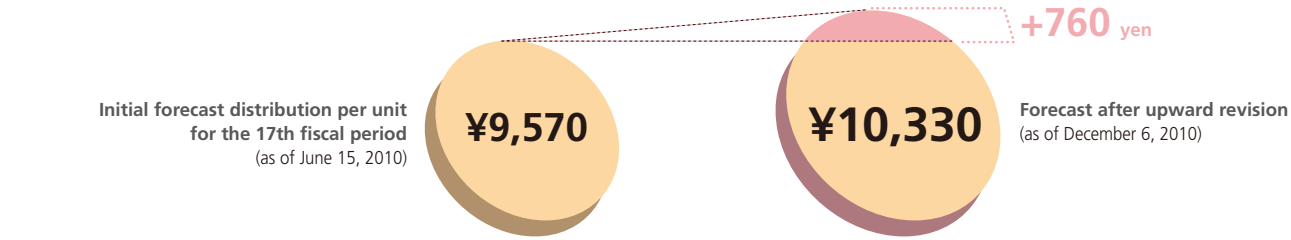
Positive Effects of Increase in LTV

Although the new borrowings raised PIC's LTV (interest-bearing liabilities ratio) significantly, the fund procurement was extremely smoothly, exemplifying the fact that the credibility of NTTUD contributed to the fund raising capabilities of PIC.



Contribution to Distributions

PIC made an upward revision to its forecast distribution per unit for the 17th fiscal period as follows, since operating revenues from newly acquired assets (+350 million yen) will offset the initially forecast decrease in revenues (-344 million yen).



Overview of Assets Acquired in the 17th Fiscal Period

Akihabara UDX (UDX Special Purpose Company Preferred Securities)

A property developed by NTTUD and Kajima Corporation utilizing UDX Special Purpose Company

- Class S building primarily comprising office space and boasting excellent location, situated within a 4-minute walk from 4 stations including Akihabara Station on the JR Line
- Leasable space of over 4,600m² on standard floors for office use, which is among the largest in Tokyo
- Maintained occupancy rate of more than 99% over the past 5 years

Location	4-14-1 Sotokanda, Chiyoda Ward, Tokyo
Site area	11,547m ² (provisional replotting designation)
Total floor space	155,629.05m ²
Structure	Steel-framed, reinforced concrete structure with a flat-topped roof; 22 stories and 3 basement stories
Constructed	January 2006
Acquisition date	December 8, 2010
Acquisition price	14,300 million yen (equivalent to 14% of preferred securities issued by the SPC that is the owner of the property)

Shibaura Island Bloom Tower

- A property developed by 5 entities including Ken Corporation, which is a sponsor of PRA
- Acquired a 16% co-ownership in the multi-use residential property, which is located in Shibaura Island along Tokyo Bay and comprised of two buildings –“ Bloom Tower,” an ultra-skyscraper high-grade residence (48 floors with 964 units in total), and“ Bloom Homes” for elderly people (84 units of care-providing pay nursing home and 74 units of rental residence for seniors)
- Operates at a high occupancy rate of 96.6% (as of September 30, 2010)

	Shibaura Island Bloom Tower	
	Bloom Tower	Bloom Homes
Location	4-20-2/4-20-3 Shibaura, Minato Ward, Tokyo	4-20-4 Shibaura, Minato Ward, Tokyo
Site area	13,848.38m ²	
Total floor space	90,085.18m ²	14,101.56m ²
Structure	Reinforced concrete structure with a flat-topped roof; 48 stories	Reinforced concrete structure with a flat-topped roof; 9 stories
Constructed	September 2008	
Acquisition date	December 9, 2010	
Acquisition price	5,500 million yen	

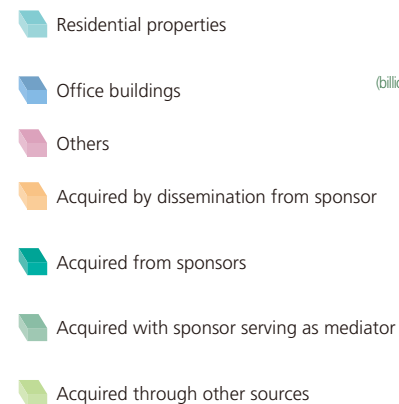
(Note 1) The site of the property is owned by the Urban Renaissance Agency. On the real property registry, two buildings stand on the site borrowed under the fixed-term land lease agreement concluded with the Agency for a period of 70 years.
(Note 2) The entered figures are those for the respective buildings as a whole that are indicated on the real property registry, and do not correspond to the co-ownership (16%) equity owned by PIC.

ASSET MANAGEMENT RESULTS

Expansion of Portfolio

In the 16th fiscal period, PIC entered a stage of new growth by acquiring a new property (Iwamotocho Building) for the first time in about two years. The momentum continued into the 17th fiscal period as PIC worked to further expand the portfolio through two acquisitions of new assets in December 2010.

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



Status of Occupancy Rates

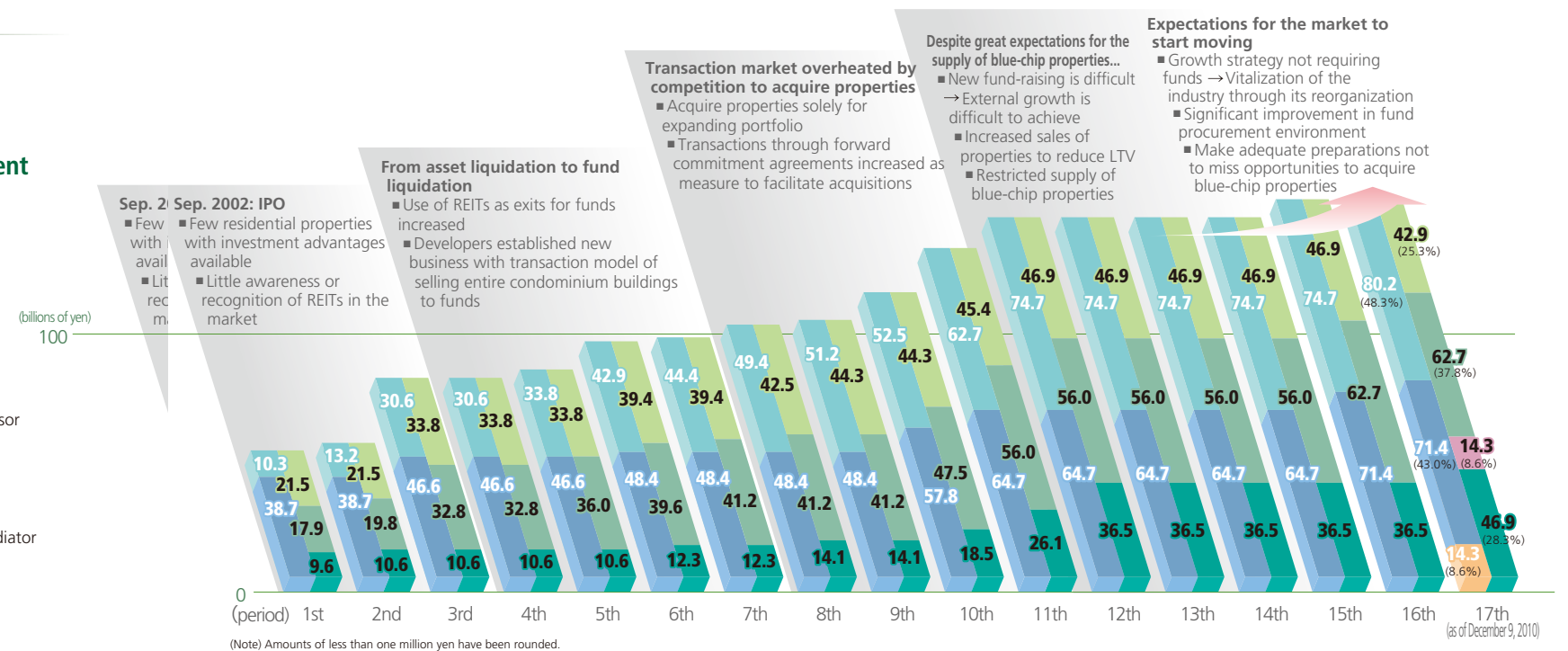
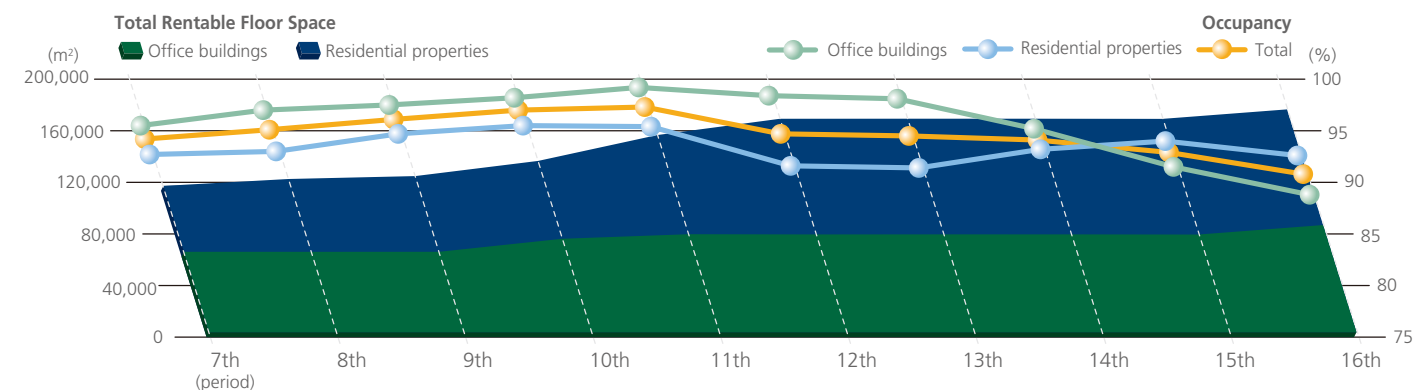
Period average occupancy rates

	Forecast	16th period results	15th period results
Office buildings	91.0%	90.7%	93.6%
Residential properties	92.5%	93.3%	93.8%
Total	91.8%	92.0%	93.7%

[Office Buildings] While contract terminations by large tenants were coming to a stop, market conditions remained unchanged where a limited volume of demand of new tenants were fiercely competed for. This led to new leases being too stagnant to raise the occupancy rate. The period average occupancy rate was 90.7%, lower than that set for the beginning-of-period budget, partly due to early move-outs by some tenants – but PIC managed to keep the figure at the 90% level.

[Residential Properties] Market environments have started to stabilize, with signs for an increase for residences in rent zones operating at high occupancies. The average occupancy rate was 93.3%, higher than the 92.5% set for the beginning-of-period budget and nearly as high as that achieved in the previous fiscal period. Given the contract cancellation at B-Site Shibakoen, which PIC had leased the entire building to a single tenant for sub-leasing, PIC renamed it Premier State Shibakoen II and shifted to a general lease format in August 2010. Re-starting from 0%, its occupancy rate rose to 41.8% at the end of the fiscal period, although causing the overall average occupancy rate for Residential properties to decrease.

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

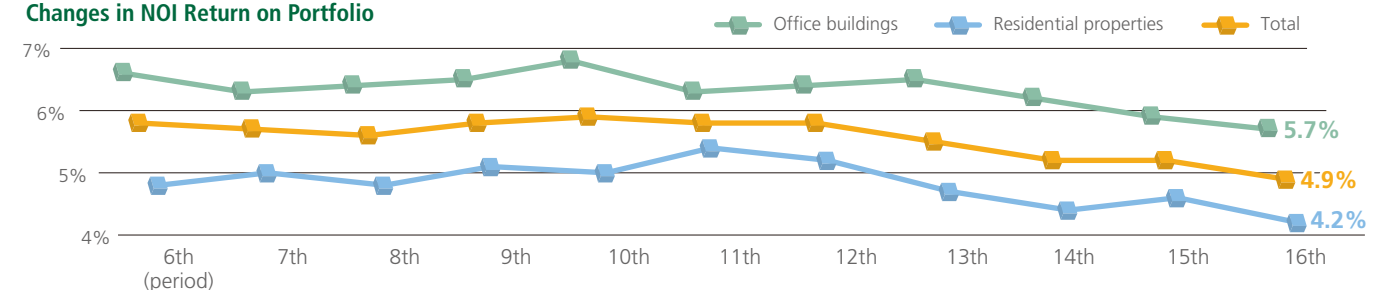


Status of NOI Returns

[Office Buildings] Rent levels remained weak, while tenant demand continued to be strong for lower security deposits and longer rent-free periods (6 to 12 months) to reduce initial costs upon moving in. This, combined with the decreased occupancy rate, had a major negative impact on the profitability of the entire portfolio.

[Residential Properties] Despite an improving trend observed in the occupancy rate, the rent levels failed to fully bottom out and the decreases in rents neutralized improvements and preventing a recovery to profitability. Average rents of occupied residences decreased by around 4% in the past 12 months. However, opportunities increased for PIC to receive tenant deposits and renewal fees, which had often been suspended to maintain occupancy rates.

Changes in NOI Return on Portfolio



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

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

FINANCIAL PERFORMANCE

Financial Measures

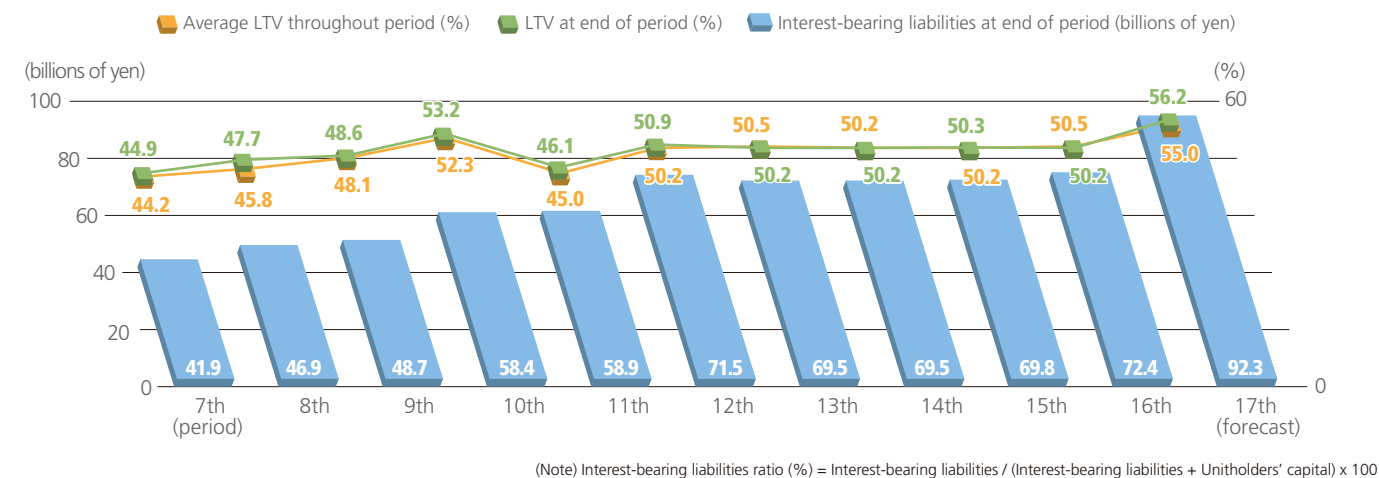
During the 16th fiscal period and entering into the 17th fiscal period, PIC mainly focused on the following measures to reinforce its financial foundations and realize its growth based on the foundations.

	Date	Measure	Remarks
16th Fiscal Period	May 14, 2010	Issued new investment units by way of third-party allotment to procure approximately 3,012 million yen	Used the funds to acquire Iwamotocho Building
	May 14, 2010	Borrowed 3,900 million yen in long-term loans	
	August 18, 2010	Issued Unsecured Bond No. 3 at total issue price of 7,000 million yen	Used the funds for the redemption of Unsecured Bond No. 1 totaling 15,000 million yen
	September 6, 2010	Borrowed 8,000 million yen in long-term loans	
17th Fiscal Period	December 8, 2010	Borrowed 20,000 million yen in short-term loans	Used the fund to acquire new assets (39,480 units of UDX Special Purpose Company Preferred Securities and Shibaura Island Bloom Tower)

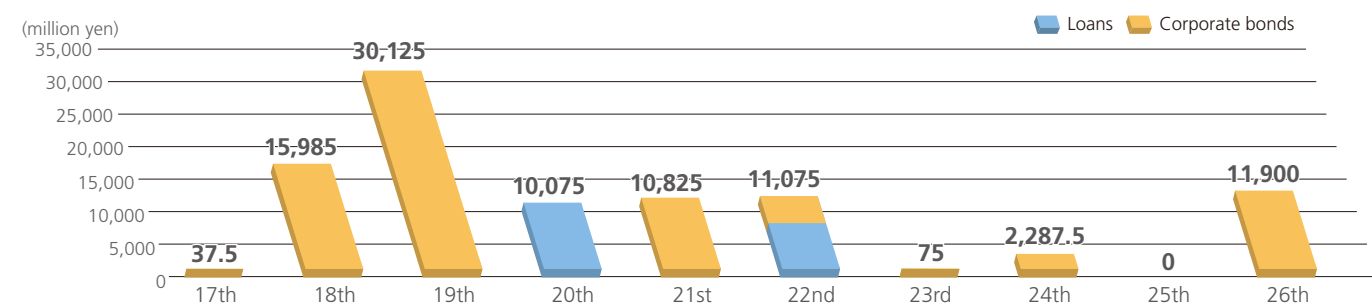
Changes in Interest-Bearing Liabilities Ratio (Note)

PIC procured funds through a combination of equity and debt financing in the 16th fiscal period, causing its LTV to remain flat from the previous fiscal period. Entering the 17th fiscal period, however, PIC conducted new borrowings on December 8, 2010 to procure the entire funds needed to acquire new assets. This arrangement raised the LTV to 56.2%.

Changes in Interest-Bearing Liabilities Ratio



Diversification of Repayment Dates for Interest-Bearing Liabilities (as of December 8, 2010)



PERFORMANCE FORECASTS

The bottoming out of the stagnant Japanese economy is not yet sensed and thus some time is still needed for the real estate market to recover. Particularly in the office market, the volume of needs from tenants remains limited, making it hard to imagine that occupancy rates will make significant progress. Accordingly, the period average occupancy rate of office buildings for the 17th fiscal period is forecast to be 82.5%, reflecting all notices of contract

cancellation received to date and includes no new lease-up results that may arise. For residential properties, the period average occupancy rate is forecast to be 92.9% – a slight period-on-period decrease – as PIC anticipates receiving termination notices from shops associated to the properties, etc., although occupancy rates of expensive residences will further improve.

Furthermore, PIC revised upward its distribution forecast from its earlier forecast of 9,570 yen (as of June 15, 2010). This was in light of the prospects of UDX Special Purpose Company Preferred Securities and Shibaura Island Bloom Tower, which were acquired in the 17th fiscal period, offsetting decreased revenues from existing properties and contributing to an overall increase in revenues, as well as considering the positive impact of reduced financing costs.

Forecasts for the 17th and 18th Fiscal Periods (as of December 14, 2010)

	16th Fiscal Period	17th Fiscal Period (forecast)	18th Fiscal Period (forecast)
Operating revenues (mm yen)	5,237	5,110	5,059
Operating income (mm yen)	2,426	2,179	2,067
Ordinary income (mm yen)	1,776	1,449	1,307
Rental NOI (mm yen)	3,760	3,466	3,214
Net income (mm yen)	1,774	1,448	1,306
Distribution per unit (yen)	12,668	10,330	9,320
No. of investment assets	46	48	48

Assumptions for the Forecasts

	17th Fiscal Period	18th Fiscal Period
No. of assets in operation	48 properties in total comprising the 46 properties owned as of the end of the 16th fiscal period (October 31, 2010) plus UDX Special Purpose Company Preferred Securities and Shibaura Island Bloom Tower, which were acquired in December 2010.	48 properties owned as of the end of the 17th fiscal period (April 30, 2011)
No. of investment units outstanding	140,100 units outstanding as of the end of the 16th fiscal period.	140,100 units outstanding as of the end of the 17th fiscal period.
Interest-bearing liabilities	It is assumed that the following change is 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) Additional borrowings 20,000 million yen in short-term loans were borrowed on December 8, 2010 as funds to acquire UDX Special Purpose Company Preferred Securities and Shibaura Island Bloom Tower. (2) 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 assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 92,347.5 million yen)	It is assumed that the following change is made to the balance of interest-bearing liabilities, which will be 92,347.5 million yen as of the end of the 17th fiscal period: (1) Refinance of long-term loans It is assumed that 3,120 million yen in long-term loans maturing on May 20, 2011 will be refinanced for the same amount. It is assumed that 10,500 million yen in long-term loans maturing on July 29, 2011 will be refinanced for the same amount. (2) Refinance of short-term loans It is assumed that 2,290 million yen in short-term loans maturing on May 20, 2011 will be refinanced for the same amount. (3) 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 assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 92,272.5 million yen)
Occupancy rate	Office buildings: 82.5% (results in the 16th fiscal period: 90.7%) (including the occupancy rate of Akihabara UDX) Residential properties: 92.9% (results in the 16th fiscal period: 93.3%) Total: 87.6% (results in the 16th fiscal period: 92.0%)	N/A
Others	(Operating revenues) Calculations for office buildings have been made on the premise that no new contract is concluded during the fiscal period to replace tenants that have notified PIC of contract termination. For residences, occupancy rates of respective properties have been assumed, with their current occupancies taken into consideration. (Operating expenses) Major items include: • Outsourcing fees: 585 million yen • Tax and public dues: 307 million yen • Depreciation expenses: 979 million yen • Operating expenses (excluding rental expenses): 442 million yen (Non-operating expenses) • Interest expenses (including interest for corporate bonds), etc: 724 million yen (Capital expenditures): 105 million yen	(Operating revenues) Calculations for office buildings have been made on the premise that some properties will have new lease-up results, with notices of termination taken into consideration. For residences, occupancy rates of respective properties have been assumed, with their current occupancies taken into consideration. (Operating expenses) Major items include: • Outsourcing fees: 605 million yen • Tax and public dues: 338 million yen • Depreciation expenses: 997 million yen • Operating expenses (excluding rental expenses): 422 million yen (Non-operating expenses) Interest expenses (including interest for corporate bonds), etc: 754 million yen (Capital expenditures): 100 million yen

Portfolio Status

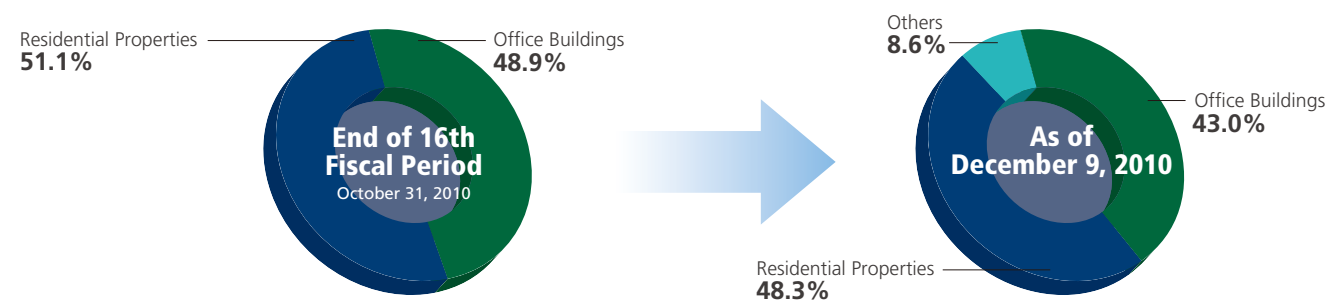
PIC invests in real estate primarily used as office buildings or residential properties and located in the Tokyo Economic Bloc. Based on a medium- to long-term perspective, PIC will construct a well-balanced portfolio through incorporating assets of choice, and solidly manage its owned assets in an endeavor to secure stable revenues and profits.

- (1) By asset usage, PIC sets the target at a portfolio comprised of 60% office buildings and 40% residential properties on an acquisition price basis.
- (2) As a financial index, PIC makes it a basic policy to place a ceiling to its interest-bearing liabilities ratio (interest-bearing liabilities/total assets) at 60%.

For details, please refer to the Strategic Policies on page 15 and after in this semiannual report.

[Investment Ratio by Asset Usage]

The assets PIC owned as of December 9, 2010 comprise 15 office buildings, 32 residential properties and 1 other asset (48 properties in total) located in the Tokyo metropolitan area. Characteristically, PIC invests exclusively in class B buildings for office buildings (refer to the Class Categories of Office Buildings table below), while owning residential properties dispersed primarily into 4 types (refer to the Types of Residential Properties table below) as investment targets.



(Note) The "Others" category indicates the Preferred Securities backed by the cash flow gained from Akihabara UDX (an office building and its site).

[Characteristics of Office Buildings]

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

(Note) Akihabara UDX is categorized as a class S office building.

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.

[Characteristics of Residential Properties]

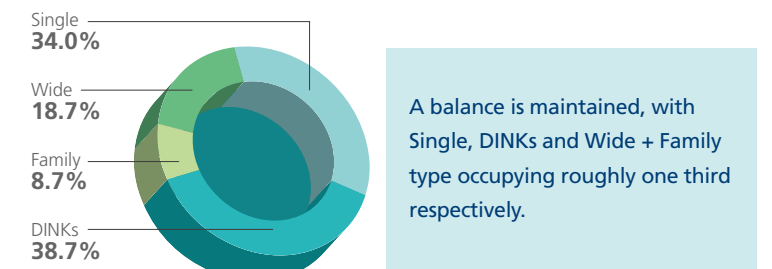
PIC owns four types of residential properties as indicated below.

Types of Residential Properties

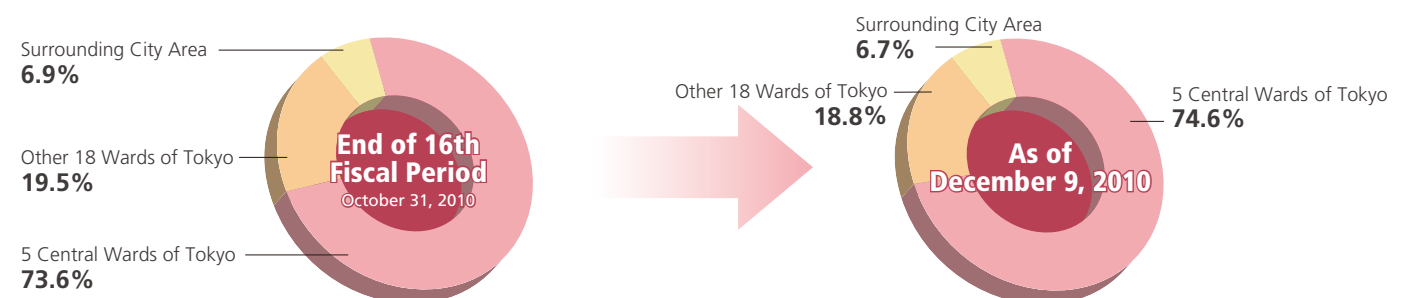
Type	Single	DINKS	Family	Wide
Geographical area for Investment	5 Central Wards of Tokyo and other surrounding wards	5 Central Wards of Tokyo and other surrounding wards	23 Wards of Tokyo and other suburban areas	5 Central Wards of Tokyo and other surrounding wards
Main rent level	Less than 150,000 yen per month	150,000 yen or more and less than 300,000 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 October 31, 2010, on a rentable floor space basis)



[Investment Ratio by Area]



Investment Areas

5 Central Wards of Tokyo	Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards. Chiyoda, Chuo and Minato Wards have long played a central role as business areas, while Shinjuku and Shibuya Wards have recently established themselves as new business areas.
Other 18 Wards of Tokyo	The remaining 18 wards of the 23 wards of Tokyo
Surrounding City Area	Tokyo Prefecture excluding the 23 wards of Tokyo, Kanagawa Prefecture (including Yokohama City and Kawasaki City), Saitama Prefecture (including Saitama City) and Chiba Prefecture (including Chiba City)

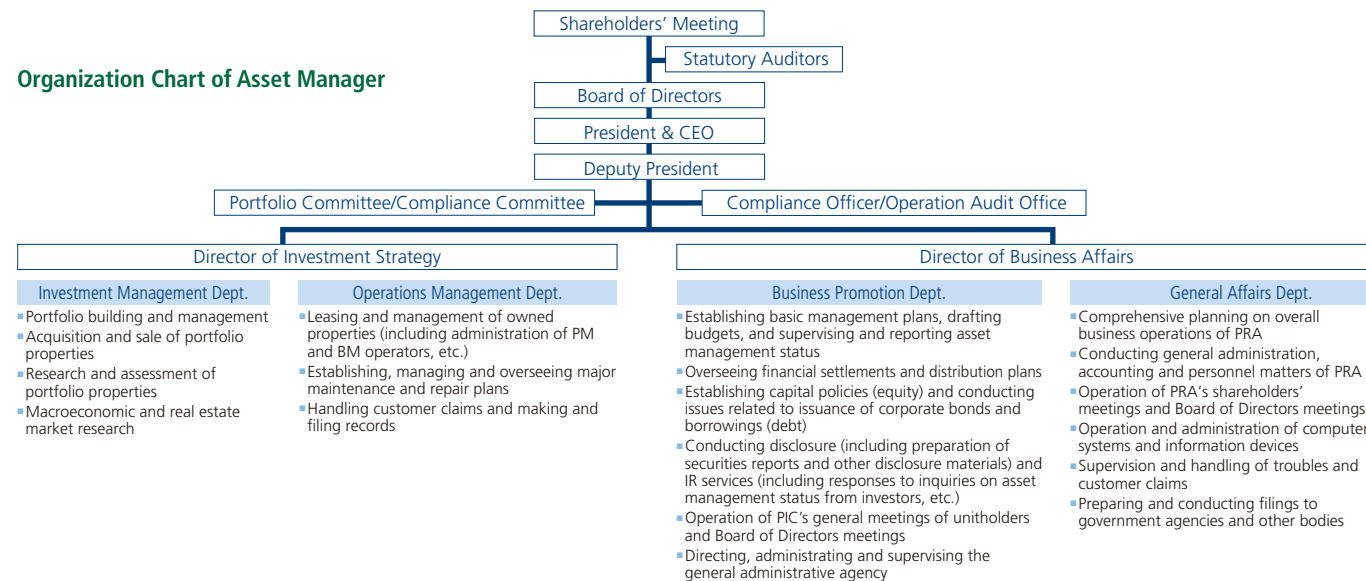
ASSET MANAGER AND SPONSOR OVERVIEW

Profile of Asset Manager

PRA, the asset management company of PIC, had formerly been sponsored primarily by Ken Corporation Ltd., SOHGOH REAL ESTATE CO., LTD. and The Chuo Mitsui Trust Group. On May 14, 2010, however, it became a consolidated subsidiary of NTTUD as it invited the latter to obtain its equity by 53.1%. This move was intended to reinforce the operating base of PRA through the pipeline support and human resources provided by NTTUD as well as by taking advantage of NTTUD's high credibility, in pursuit of continuous enhancement of PIC's investment value. The sponsor change has already produced positive results for PIC in procuring funds and acquiring assets (please refer to pages 3-6 of this Semiannual Report.)

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)
Shareholders and their shareholdings	NTT Urban Development Corporation (53.1%) Ken Corporation Ltd. (30.0%) SOHGOH REAL ESTATE CO., LTD.(10.0%) The Chuo Mitsui Trust and Banking Company Limited (4.9%) Nikko Properties, Inc.(2.0%)

Organization Chart of Asset Manager



Overview of NTTUD

NTTUD, the main sponsor, 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.

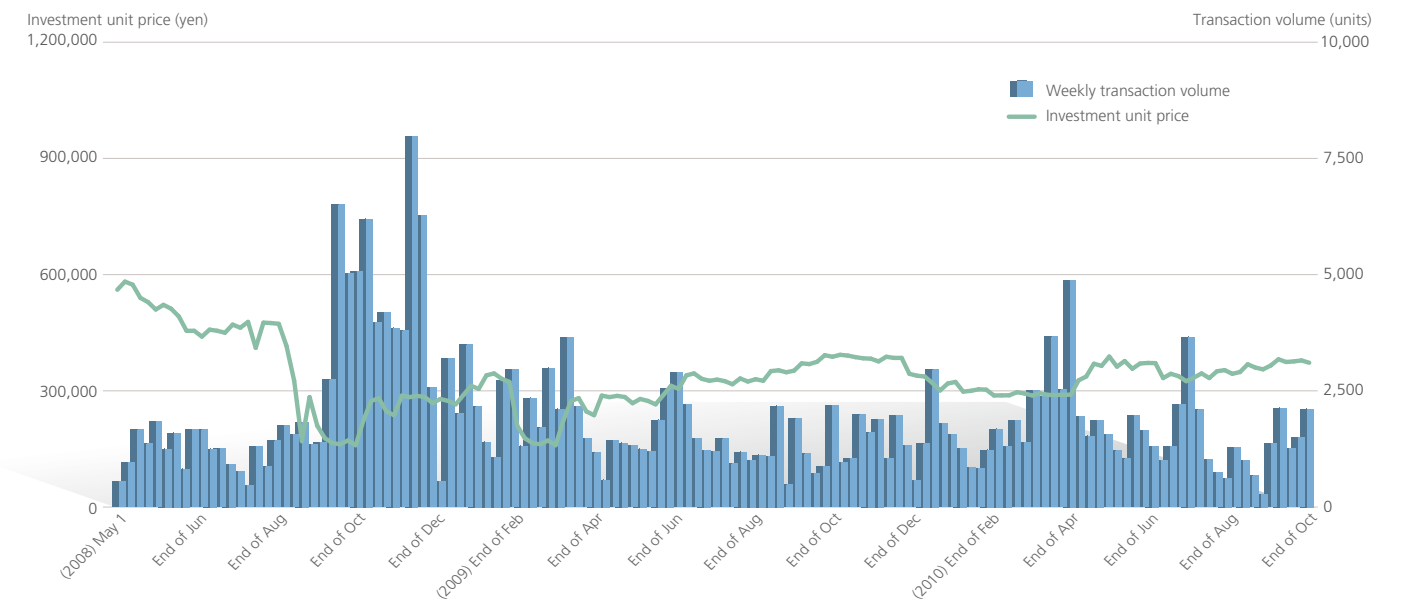
Overview of NTTUD

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%		

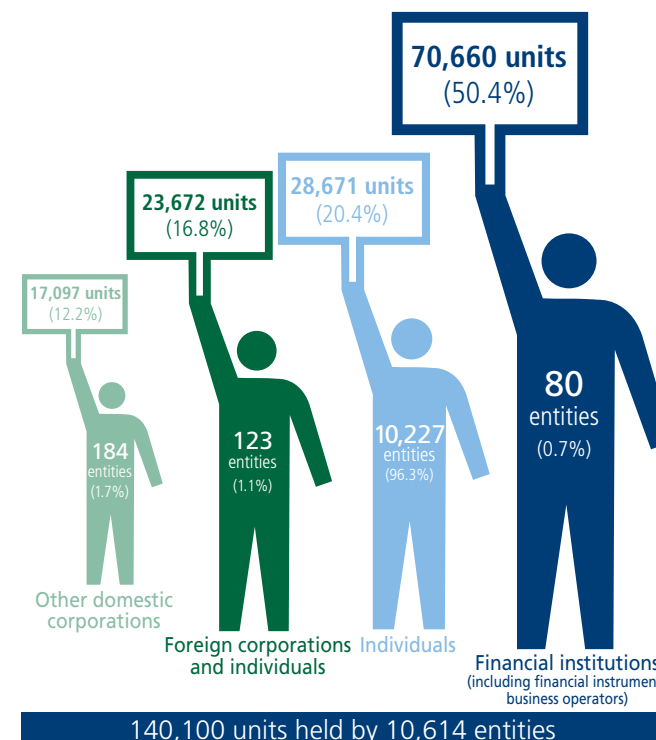
INVESTMENT UNIT STATUS

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 12th fiscal period (May 1, 2008) to the end of the 16th fiscal period (October 31, 2010).



Breakdown of Unitholders as of October 31, 2010



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

Top 10 Unitholders as of October 31, 2010

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	24,349	17.37
2	The Nomura Trust and Banking Co., Ltd. (Securities Investment Trust Account)	14,358	10.24
3	NTT Urban Development Corporation	8,700	6.20
4	Trust & Custody Service Bank, Ltd. (Money Trust Tax Account)	8,094	5.77
5	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	5,517	3.93
6	The Master Trust Bank of Japan, Ltd. (Trust Account)	2,880	2.05
7	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.46
8	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,968	1.40
9	AIU INSURANCE COMPANY	1,765	1.25
10	THE BANK OF NEW YORK EUROPE LIMITED 131705	1,700	1.21
Total		71,381	50.95

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. PRA 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 investment assets, PIC shall fully consider numerous factors including fluctuations in asset values and their forecasted fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, capability to

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

B) Use

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

b. In consideration of the characteristics of each real estate use indicated in the table on the following page, PIC aims to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings in order to minimize the adverse effects of

changes in social or economic conditions on PIC’s income and ensure stable cash flow over the medium to long term.

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

C) Areas

a. 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.

b. Specifically, by dividing the Tokyo Economic Bloc into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo and the Surrounding City Area, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a diversified portfolio of office buildings and residential properties. The ideal portfolio balance over the medium to long term is 60% of invested funds in office buildings and 40% in residential properties. The table on page 17 outlines the geographical split PIC aims for with its asset investments.

D) Asset Size per Property

a. Office buildings

In principle, office buildings with available space for lease of approximately 2,000m² (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 (Note 1)
Office Buildings	<div>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.</div> <div>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.</div> <div>c. PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.</div>
Residential Properties	<div>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.</div> <div>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.</div> <div>c. PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will grow and expand over the medium to long term due to the effects of the recent demand for urban revitalization and lifestyle changes. However, if PRA determines that the aforementioned trends have changed due to changes in the market or other reasons, PIC may make different investment decisions.</div> <div>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.</div>
Wide	<div>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div> <div>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.</div> <div>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.</div> <div>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.</div>
Family	<div>a. Targeted investment area: The 23 Wards of Tokyo and surrounding city area.</div> <div>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.</div> <div>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.</div>
DINKs	<div>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div> <div>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.")</div> <div>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.</div>
Singles	<div>a. Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div> <div>b. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div> <div>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.</div> <div>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.</div>

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

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

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 18
PIC decides on the acquisition of investment assets after considering all the results of economic, physical and legal inspections of the assets. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each item in deciding on the acquisition of investment assets may differ depending on the use of the Investment Properties or the type and nature of the investment assets,

PIC will not necessarily examine all of the items before acquiring the investment assets. In addition, the investment assets acquired by PIC may not satisfy all of the standards of the items.

F) Standards for Tenant Selection

➡see table below

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

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

G) Amount of Investment

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

Areas

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

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

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 inspection1. 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 research1. Market rents, occupancy rates, trends in competitive properties and tenant demand, etc.
	Income-related1. 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	Location1. 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 specifications1. 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 resistance1. 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 management1. 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). 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
Legal Inspection	Title, etc.
	Property line inspection1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
	Tenant attributes1. Purpose of use by tenants, and terms of agreements with tenants 2. Existence or non-existence of any disputes with tenants

3. Sales Standards

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

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

a. Strategic classifications

Core Assets
[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 assets with higher liquidity, from which earnings based mainly on medium- to long-term rent income (income gains) are obtained, provided that the total returns (income gains plus capital gains), including earnings from sale (capital gains) based on the increased asset values (value-up) from the increase in the income gains after acquisition, are also independently and actively sought.

- The targets of the investment assets classified by PIC as active assets are as follows: The amount of investment per

asset is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.

- The upper limit on active assets as a proportion of the portfolio shall generally be 20%.

b. Specific cases where sale will be considered

- When a strategic sale would contribute to earnings of PIC:

[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.

- When an investor offers an attractive purchase price:

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

- When the property has lost strategic importance:

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

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

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

of corporate bonds, while taking care to minimize losses from the sale.

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

4. Policy for Investment in Development Projects

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

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

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

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

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

6. 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).

7. Financial Policy

A) Borrowings and Corporate Bonds

a. In order to contribute to the steady growth of assets under management and efficient and stable operation of investments, PIC may borrow funds (including borrowings via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, or repay funds or debts (including repayment of deposit money, loans and obligations of its corporate bonds) necessary for PIC's operations. However, the respective and combined maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000).

b. In the case of borrowing funds in accordance with above a., PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover,

in order to flexibly respond to the capital needs for the acquisition of new investment assets, repayment of security deposits or other monies in custody for tenants, or other events, PIC may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or PIC may conclude agreements on the reservation of loans at any time it requires.

c. When borrowing funds in accordance with above a., the said funds shall only be borrowed from qualified institutional investors designated by the Enforcement Ordinance Concerning the Special Taxation Measures Law.

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

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

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

B) Issuance of Additional Investment Units

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

II. MANAGEMENT POLICY

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

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

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

OVERVIEW OF ASSET MANAGEMENT

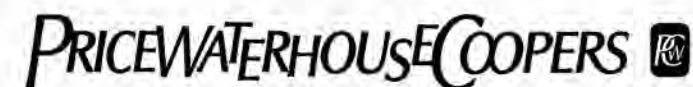
		Unit	12th Fiscal Period (May 1, 2008 – October 31, 2008)	13th Fiscal Period (November 1, 2008 – April 30, 2009)	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)
Business Results							
Operating Revenues		Thousands of yen	5,508,964	5,462,513	5,318,986	5,117,572	5,237,765
(Real estate rental revenues)		Thousands of yen	(5,508,964)	(5,462,513)	(5,318,986)	(5,117,572)	(5,237,765)
Operating Expenses		Thousands of yen	2,763,803	2,756,267	2,757,242	2,684,965	2,811,567
(Real estate rental expenses)		Thousands of yen	(2,337,063)	(2,337,182)	(2,350,247)	(2,265,101)	(2,396,183)
Operating Income		Thousands of yen	2,745,161	2,706,245	2,561,743	2,432,606	2,426,197
Ordinary Income		Thousands of yen	2,209,054	2,144,429	1,951,725	1,831,214	1,776,539
Net Income	(a)	Thousands of yen	2,207,687	2,143,393	1,950,036	1,830,214	1,774,814
Assets, etc. (as of end of period)							
Total Assets	(b)	Thousands of yen	149,485,112	147,430,632	146,906,094	146,755,777	152,370,359
(Period-on-period variation)		%	(+8.2)	(-1.4)	(-0.4)	(-0.1)	(+3.8)
Interest-bearing Liabilities		Thousands of yen	71,500,000	69,500,000	69,462,500	69,787,500	72,422,500
Net Assets	(c)	Thousands of yen	71,153,011	71,088,753	70,895,392	70,775,631	73,732,767
(Period-on-period variation)		%	(-2.1)	(-0.1)	(-0.3)	(-0.2)	(+4.2)
Unitholders’ Capital		Thousands of yen	68,945,312	68,945,312	68,945,312	68,945,312	71,957,904
Distribution							
Total Distributions	(d)	Thousands of yen	2,207,651	2,143,396	1,949,976	1,830,270	1,774,786
Distribution Payout Ratio (Note 1)	(d)/(a)	%	99.9	100.0	99.9	100.0	99.9
Per Unit Information							
Number of Units Outstanding	(e)	Units	131,400	131,400	131,400	131,400	140,100
Net Assets per Unit	(c)/(e)	Yen	541,499	541,010	539,538	538,627	526,286
Distribution per Unit	(d)/(e)	Yen	16,801	16,312	14,840	13,929	12,668
(Earnings distribution per unit)		Yen	(16,801)	(16,312)	(14,840)	(13,929)	(12,668)
(Distribution in excess of earnings per unit)		Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices							
Ordinary Income on Total Assets (Note 2)		%	1.5 (3.0)	1.4 (2.9)	1.3 (2.6)	1.2 (2.5)	1.2 (2.4)
Return on Unitholders’ Equity (Note 3)		%	3.1 (6.1)	3.0 (6.1)	2.7 (5.4)	2.6 (5.2)	2.5 (4.9)
Net Assets Ratio	(c)/(b)	%	47.6	48.2	48.3	48.2	48.4
(Period-on-period variation)			(-5.0)	(+0.6)	(+0.1)	(-0.1)	(+0.2)
Rental NOI (Net operating income) (Note 4)		Thousands of yen	4,086,140	4,034,434	3,872,198	3,752,979	3,760,367

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

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

(Note 3) Return on unitholders' equity: Net income/Average net assets
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 184 days for the 12th fiscal period, 181 days for the 13th fiscal period, 184 days for the 14th fiscal period, 181 days for the 15th fiscal period and 184 days for the 16th 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)



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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 October 31, 2010 and April 30, 2010 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 October 31, 2010 and April 30, 2010, 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-16 the Company has (1)acquired new properties,(2) borrowed loans.

PricewaterhouseCoopers Aarata

February 8, 2011

BALANCE SHEETS

AS OF OCTOBER 31, 2010 AND APRIL 30, 2010

	Thousands of yen	
	October 31, 2010	April 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-13)	¥ 1,668,105	¥ 2,431,460
Cash and deposits held in trust (Note-3) (Note-13)	7,947,576	7,881,280
Tenant receivables	62,604	52,296
Prepaid expenses	145,559	136,437
Consumption taxes refund receivables	29,937	-
Deferred tax assets (Note-9)	1,228	2,347
Other current assets	692	349
TOTAL CURRENT ASSETS	9,855,704	10,504,173
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	60,982,169	59,776,014
Structures held in trust (Note-4)	1,190,408	1,186,172
Tools, furniture and fixtures held in trust (Note-4)	167,647	160,631
Less accumulated depreciation	(10,942,836)	(10,024,351)
Land held in trust (Note-4)	88,737,629	82,903,948
Property and equipment, net	140,135,163	134,002,560
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	3,930	4,231
Intangible fixed assets	7,293	8,334
Total intangible fixed assets	1,788,826	1,790,168
Investment and other assets		
Other deposits	10,000	10,000
Long-term prepaid expenses	206,875	111,955
Other deposits held in trust	332,060	332,060
New investment unit issuance costs	10,614	4,859
Corporate bond issuance costs	31,115	-
Total investment and other assets	590,665	458,875
TOTAL LONG-TERM ASSETS	142,514,655	136,251,604
TOTAL ASSETS	¥ 152,370,359	¥ 146,755,777

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 536,427	¥ 477,100
Short-term loan payable (Note-7) (Note-13)	2,290,000	3,480,000
Long-term loan payable due within one year (Note-7) (Note-13)	13,770,000	150,000
Corporate bonds payable due within one year (Note-6) (Note-13)	-	15,000,000
Accrued expenses	189,931	174,505
Distributions payable	15,814	16,969
Income taxes payable	513	1,748
Business office taxes payable	3,123	5,748
Consumption taxes payable	-	32,014
Rents received in advance	688,537	722,269
Deposits received	23,675	22,084
Total current liabilities	17,518,024	20,082,441
LONG-TERM LIABILITIES		
Corporate bonds (Note-6) (Note-13)	17,000,000	10,000,000
Long-term loan payable (Note-7) (Note-13)	39,362,500	41,157,500
Tenant security deposits held in trust	4,757,067	4,740,205
Total long-term liabilities	61,119,567	55,897,705
TOTAL LIABILITIES	78,637,592	75,980,146
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	71,957,904	68,945,312
Units authorized - 2,000,000 units		
Units issued and outstanding - 140,100 units and 131,400 units as of October 31 and April 30, 2010		
Retained earnings		
Unappropriated income	1,774,863	1,830,319
Total unitholders' equity	73,732,767	70,775,631
TOTAL NET ASSETS	73,732,767	70,775,631
TOTAL LIABILITIES AND NET ASSETS	¥ 152,370,359	¥ 146,755,777

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

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ROFIT AND LOSS STATEMENTS

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

		Thousands of yen	
		October 31, 2010	April 30, 2010
OPERATING INCOME AND EXPENSES			
Operating revenues			
Rental revenue	(Note-8)	¥ 4,699,053	¥ 4,660,026
Other revenue	(Note-8)	538,711	457,545
Operating expenses			
Property-operating expenses	(Note-8)	2,396,183	2,265,101
Asset management fees		205,752	205,127
Directors' compensation		9,000	9,000
Custodian fees		14,220	13,609
Administration fees		69,742	76,449
Audit fees		8,500	8,500
Other expenses		108,168	107,177
Operating income		2,426,197	2,432,606
NON-OPERATING INCOME AND EXPENSES			
Non-operating income			
Interest income		1,831	1,881
Refund of unpaid distributions		998	1,059
Other non-operating income		-	4
Non-operating expenses			
Interest expense		504,465	458,563
Interest expenses on corporate bonds		134,793	140,326
Amortization of corporate bond issuance costs		2,828	-
Amortization of new investment unit issuance costs		6,982	4,859
Public listing related costs of new investment unit		2,711	-
Other non-operating expenses		708	587
Ordinary income		1,776,539	1,831,214
Income before income taxes		1,776,539	1,831,214
Income taxes	(Note-9)		
Current		605	2,124
Deferred		1,119	(1,124)
Net income		1,774,814	1,830,214
Income carried forward		48	104
UNAPPROPRIATED INCOME		¥ 1,774,863	¥ 1,830,319

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

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

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	
		Unappropriated Income		
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
Changes during the period				
Issuance of new investment units	3,012,592		3,012,592	3,012,592
Cash distributions paid	-	(1,830,270)	(1,830,270)	(1,830,270)
Net income	-	1,774,814	1,774,814	1,774,814
Total changes during the period	3,012,592	(55,456)	2,957,136	2,957,136
BALANCE AT OCTOBER 31, 2010	¥ 71,957,904	¥ 1,774,863	¥ 73,732,767	¥ 73,732,767

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

CASH FLOW STATEMENTS

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 1,776,539	¥ 1,831,214
Depreciation	919,826	901,549
Amortization of corporate bond issuance costs	2,828	-
Amortization of new investment unit issuance costs	6,982	4,859
Interest income	(1,831)	(1,881)
Refund of unpaid distributions	(998)	(1,059)
Interest expenses	639,258	598,889
(Increase) Decrease in tenant receivables	(10,034)	3,479
Increase in accounts payable	26,605	601
Increase in consumption taxes refund receivables	(29,937)	-
(Decrease) Increase in consumption taxes payable	(32,014)	4,921
Decrease in rent received in advance	(33,731)	(38,785)
Other	15,365	(45,967)
SUBTOTAL	3,278,857	3,257,823
Interest received	1,831	1,881
Interest paid	(744,915)	(555,922)
Income taxes paid	(2,114)	(602)
Net cash provided by operating activities	2,533,659	2,703,179
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(7,018,065)	(115,882)
Payments for purchases of intangible fixed assets held in trust	-	(2,780)
Proceeds from tenant security deposits held in trust	469,174	157,258
Payments of tenant security deposits held in trust	(452,311)	(450,256)
Net cash used in investing activities	(7,001,203)	(411,661)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	2,290,000	-
Proceeds from long-term loan payable	11,900,000	1,000,000
Repayments of short-term loan payable	(3,480,000)	-
Repayments of long-term loan payable	(75,000)	(675,000)
Proceeds from issuance of corporate bonds	7,000,000	-
Redemption of corporate bonds	(15,000,000)	-
Payments of corporate bond issuance costs	(33,943)	-
Proceeds from issuance of new investment units	3,012,592	-
Payments of new investment unit issuance costs	(12,737)	-
Payments of distributions	(1,830,427)	(1,949,031)
Net cash provided by (used in) financing activities	3,770,484	(1,624,031)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(697,059)	667,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,312,741	9,645,255
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 9,615,682	¥ 10,312,741

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

NOTES TO FINANCIAL STATEMENTS

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

Note-1. Organization and basis of presentation

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

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

As of October 31, 2010, PIC owned a portfolio of 15 office buildings and 31 residential properties (46 properties in total). Total acquisition costs of those properties were 146,074,826 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.

(c) Changes in significant accounting policies – Effective from the fiscal period ended October 31, 2010, PIC adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Statement No. 18 issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (Accounting Standard Board of Japan Guidance No. 21 issued on March 31, 2008). These changes had no effect on PIC’s balance sheets or profit and loss statements at October 31, 2010.

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.

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

(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 18,288 thousand yen and 0 yen for the six months ended October 31, 2010 and April 30, 2010, 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 October 31, 2010 and April 30, 2010 consisted of the following:

	Thousands of yen	
	October 31, 2010	April 30, 2010
Cash and deposits	¥ 1,668,105	¥ 2,431,460
Cash and deposits held in trust	7,947,576	7,881,280
Cash and cash equivalents	9,615,682	10,312,741

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2010 and April 30, 2010 consisted of the following:

	Thousands of yen					
	October 31, 2010			April 30, 2010		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 60,982,169	¥ 10,429,667	¥ 50,552,502	¥ 59,776,014	¥ 9,558,599	¥ 50,217,414
Structures	1,190,408	410,858	779,549	1,186,172	375,799	810,372
Tools, furniture and fixtures	167,647	102,165	65,481	160,631	89,807	70,824
Land	88,737,629	-	88,737,629	82,903,948	-	82,903,948
SUBTOTAL	151,077,854	10,942,691	140,135,163	144,026,767	10,024,206	134,002,560
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	566	3,930	4,497	265	4,231
SUBTOTAL	1,782,100	566	1,781,533	1,782,100	265	1,781,834
TOTAL	¥ 152,859,954	¥ 10,943,258	¥ 141,916,696	¥ 145,808,867	¥ 10,024,472	¥ 135,784,394

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

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

	Thousands of yen		Interest rate (%)
	October 31, 2010 (Amount)	April 30, 2010 (Amount)	
Unsecured bond No.1 (issued on September 8, 2005 and due on September 8, 2010)	¥ -	¥ 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
Unsecured bond No.3 (issued on August 18, 2010 and due on August 16, 2013)	7,000,000	-	0.97
TOTAL	¥ 17,000,000	¥ 25,000,000	

The anticipated maturities of corporate bonds for the following two years ended October 31 starting in 2012 are as follows:

(thousands of yen)		
2012	¥	10,000,000
2013		7,000,000

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

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

	October 31, 2010		April 30, 2010	
	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
Unsecured loan due on May 20, 2011 with floating rate	2,290,000	1.11	-	-
SUBTOTAL	2,290,000	-	3,480,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on May 22, 2014 with floating rate *1	150,000	1.99	150,000	2.10
Unsecured loan due on July 29, 2011 with fixed rate	10,500,000	1.89	-	-
Unsecured loan due on May 20, 2011 with floating rate	3,120,000	1.49	-	-
SUBTOTAL	13,770,000	-	150,000	-
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
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
Unsecured loan due on May 22, 2014 with floating rate *1 *2	2,662,500	1.99	2,737,500	2.10
Unsecured loan due on March 30, 2012 with floating rate	1,000,000	1.37	1,000,000	1.33
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.73	-	-
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14	-	-
SUBTOTAL	39,362,500	-	41,157,500	-
TOTAL	¥ 55,422,500	-	¥ 44,787,500	-

*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 (2,662,500 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 ended October 31 starting in 2012 are as follows:

(thousands of yen)		
2012	¥	10,200,000
2013		14,900,000
2014		2,362,500
2015		11,900,000

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. No amount has been drawn down as of April 30, 2010.

Note-8. Rental revenues and expenses

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,103,084	¥ 4,092,712
Common area charge	595,969	567,313
Subtotal	4,699,053	4,660,026
Other revenue		
Parking fees	123,685	123,440
Facility fees	30,557	32,067
Incidental revenue	270,306	224,838
Miscellaneous income	114,162	77,198
Subtotal	538,711	457,545
TOTAL REAL ESTATE RENTAL REVENUE	5,237,765	5,117,572
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	561,164	538,991
Utilities	280,208	226,501
Real estate taxes	307,551	295,837
Insurance	14,088	14,188
Maintenance and repairs	162,701	132,986
Trust fees	53,135	52,238
Depreciation	918,785	900,508
Miscellaneous expenses	98,547	103,849
TOTAL REAL ESTATE RENTAL EXPENSES	2,396,183	2,265,101
REAL ESTATE RENTAL INCOME	¥ 2,841,581	¥ 2,852,470

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended October 31, 2010 and April 30, 2010:

	October 31, 2010	April 30, 2010
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.26)	(39.30)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.10%	0.05%

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

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
Deferred tax assets		
Enterprise taxes	¥ 1,228	¥ 2,347
Total of deferred tax assets	1,228	2,347
NET DEFERRED TAX ASSETS	¥ 1,228	¥ 2,347

Note-10. Per unit information

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

	October 31, 2010	April 30, 2010
Net assets per unit	¥ 526,286	¥ 538,627
Net income per unit	12,724	13,928

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

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
Net income	¥ 1,774,814	¥ 1,830,214
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,774,814	1,830,214
Average number of units during the period	139,485 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 October 31, 2010 and April 30, 2010.

Note-11. Leases

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

	Thousands of yen	
	October 31, 2010	April 30, 2010
Due within one year	¥ 250,882	¥ 260,968
Due after one year	757,674	770,129
TOTAL	¥ 1,008,557	¥ 1,031,097

Note-12. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC's Articles 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 PIC's Articles of Incorporation were made.

Based on this policy, the board of directors of PIC resolved on January 14, 2011 and July 9, 2010 to make cash distributions of 1,774,786,800 yen and 1,830,270,600 yen for 140,100 and 131,400 units to unitholders of record on October 31, 2010 and April 30, 2010, respectively.

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

	October 31, 2010	April 30, 2010
Unappropriated income	¥ 1,774,863,093	¥ 1,830,319,288
Cash distributions declared	1,774,786,800	1,830,270,600
(Cash distribution declared per unit)	(12,668)	(13,929)
INCOME CARRIED FORWARD	¥ 76,293	¥ 48,688

Note-13. Financial instruments

Effective from the fiscal period ended April 30, 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 periods under review.

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

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

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

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

(b) Items concerning fair value of financial instruments

The book values recorded on the balance sheet, fair values and their difference as of October 31, 2010 and April 30, 2010 were as follows:

	Thousands of yen					
	October 31, 2010			April 30, 2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 1,668,105	¥ 1,668,105	¥ -	¥ 2,431,460	¥ 2,431,460	¥ -
(2) Cash and deposits held in trust	7,947,576	7,947,576	-	7,881,280	7,881,280	-
TOTAL ASSETS	¥ 9,615,682	¥ 9,615,682	¥ -	¥ 10,312,741	¥ 10,312,741	¥ -
Liabilities						
(1) Short-term loans	¥ 2,290,000	¥ 2,290,000	¥ -	¥ 3,480,000	¥ 3,480,000	¥ -
(2) Long-term loans payable due within one year	13,770,000	13,878,015	108,015	150,000	150,000	-
(3) Corporate bonds payable due within one year	-	-	-	15,000,000	14,991,900	(8,100)
(4) Long-term loans	39,362,500	39,852,285	489,785	41,157,500	41,313,685	156,185
(5) Corporate bonds	17,000,000	17,099,770	99,770	10,000,000	9,886,000	(114,000)
TOTAL LIABILITIES	¥ 72,422,500	¥ 73,120,071	¥ 697,571	¥ 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 one year ending October 31, 2011 and April 30, 2011, respectively, are as follows;

	Thousands of yen	
	October 31, 2011	April 30, 2011
(1) Cash and deposits	¥ 1,668,105	¥ 2,431,460
(2) Cash and deposits held in trust	7,947,576	7,881,280
TOTAL	¥ 9,615,682	¥ 10,312,741

*3 Planned repayment and redemption amounts of loans and corporate bonds for the following five years as of October 31, 2010 and April 30, 2010, are as follows;

	Thousands of yen				
	October 31, 2010				
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
Short-term loans	¥ 2,290,000	¥ -	¥ -	¥ -	¥ -
Long-term loans	13,770,000	10,200,000	14,900,000	2,362,500	11,900,000
Corporate bonds	-	10,000,000	7,000,000	-	-
TOTAL	¥ 16,060,000	¥ 20,200,000	¥ 21,900,000	¥ 2,362,500	¥ 11,900,000

	Thousands of yen				
	April 30, 2010				
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
Short-term loans	¥ 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 October 31, 2010 and April 30, 2010, the variations during the fiscal period and their fair values are as follows:

	Thousands of yen							
	October 31, 2010				April 30, 2010			
	Book value at ^{*1}	Increase and decrease ^{*2}	Book value at ^{*1}	Fair value at ^{*3}	Book value at ^{*1}	Increase and decrease ^{*2}	Book value at ^{*1}	Fair value at ^{*3}
	April 30, 2010	during the period	October 31, 2010	October 31, 2010	October 31, 2009	during the period	April 30, 2010	April 30, 2010
Office buildings	¥ 63,026,960	¥ 6,614,480	¥ 69,641,440	¥ 72,350,000	¥ 63,280,093	¥ (253,132)	¥ 63,026,960	¥ 69,400,000
Residential properties	72,753,202	(481,877)	72,271,325	60,028,000	73,279,822	(526,620)	72,753,202	62,187,000
TOTAL	¥ 135,780,163	¥ 6,132,602	¥ 141,912,765	¥ 132,378,000	¥ 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 3,930 thousand yen and 4,231 thousand yen as of October 31, 2010 and April 30, 2010) are not included.
- *2 Of the increase and decrease during the fiscal period, major increases in the fiscal period ended October 31, 2010 are due to the acquisition of Iwamotocho Building (6,897,553 thousand yen) and the capital expenditures (153,533 thousand yen), and major decreases are due to depreciation (918,785 thousand yen). Major increases in the fiscal period ended April 30, 2010 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 on external real estate appraisers.

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended October 31, 2010 and April 30, 2010 are as follows:

	Thousands of yen					
	May 1, 2010 to October 31, 2010			November 1, 2009 to April 30, 2010		
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income
Office buildings	¥ 2,940,702	¥ 1,221,088	¥ 1,719,614	¥ 2,770,370	¥ 1,132,697	¥ 1,637,672
Residential properties	2,297,062	1,175,095	1,121,967	2,347,201	1,132,403	1,214,797
TOTAL	¥ 5,237,765	¥ 2,396,183	¥ 2,841,581	¥ 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. Segment Information

Effective from the fiscal period ended October 31, 2010, PIC adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information " (Accounting Standards Board of Japan Statement No.17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information " (Accounting Standards Board of Japan Guidance No.20 issued on March 21, 2008).

Furthermore, the segment information for the fiscal period ended April 30, 2010 based on the concerned Accounting Standard, etc. has been omitted because the real estate business constitutes PIC's sole business segment.

Segment information

Description has been omitted because the real estate business constitutes PIC's sole business segment.

Related information

(a) Information by product/service category

Description has been omitted because operating revenues from external customers in a single product/service category account for over 90% of the operating revenues on the profit and loss statements.

(b) Information on geographical area

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

Property and equipment - Description has been omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheets.

(c) Information by major customer

Description has been omitted because operating revenues from a single external customer account for less than 10% of the operating revenues on the profit and loss statements.

Note-16. Subsequent events

Acquisition of property

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

- On December 8, 2010, PIC purchased 39,480 units of the preferred securities issued by UDX Special Purpose Company backed by the cash flow gained from real estate*1 for 14,300 million yen. The acquisition was financed with the loans described below. The real estate which substantiates the preferred securities is located at 4-14-1 Sotokanda, Chiyoda Ward, Tokyo, with a land area of 11,547m², total floor space of 155,629.05m², and total leasable space of 86,536.69m². Construction was completed in January 2006.
- On December 9, 2010, PIC purchased trust beneficiary interests*2 in Shibaura Island Bloom Tower for 5,500 million yen. The acquisition was financed with loans described below. The residential property is located at 4-20-2, 4-20-3 and 4-20-4 Shibaura, Minato Ward, Tokyo, with a land area of 13,848.38m², total floor space of 104,186.74m² (rental housing tower and fitness gym: 90,085.18m², clinic, rental housing: 14,101.56m²), and total leasable space of 12,254.17m²*3. Construction was completed in September 2008, and the property is composed of residential and retail spaces.

*1 The real estate managed by UDX Special Purpose Company is the entire office building (Akihabara UDX) and its site.
*2 The trust beneficiary interests entrust the co-ownership interest in fee simple ownership (16% co-ownership) of the two buildings in the registry within Shibaura Island Bloom Tower (building names: Bloom Tower [comprised of a rental housing building and a fitness gym buildings] and Bloom Home [comprised of a nursing home building, a senior rental housing building and a clinic building]), and the quasi co-ownership interest (16% quasi co-ownership) in an ordinary fixed-term leasehold and servitudes for the land. The trustee owns the co-ownership interest and the quasi co-ownership interest for the benefit of PIC. The trustee owns the other co-ownership interests in buildings related to Shibaura Island Bloom Tower as well as the quasi co-ownership interests in an ordinary fixed-term leasehold and servitudes for the land for the benefit of other co-owners.
*3 The total leasable space represents the actual leasable space of the property for the percentage of PIC's joint ownership of the property (16%).
*4 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 20,000 million yen in total on December 8, 2010 in order to partly fund the acquisition of the UDX Special Purpose Company Preferred Securities and the real estate trust beneficiary interests in Shibaura Bloom Tower that were acquired as of December 8 and December 9, 2010, respectively (as described in the above Acquisition of property) and the expenses related to the acquisition.

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

- Under unsecured and unguaranteed loan agreement with Sumitomo Mitsui Banking Corporation, The Chuo Mitsui Trust and Banking Company, Limited and NTT Finance Corporation effective December 6, 2010, PIC received 20,000 million yen on December 8, 2010. The interest rate of the loan is TIBOR (for each interest calculation period) plus 0.70%, and the loan will mature on December 8, 2011.

OTHER INFORMATION (UNAUDITED)

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 16th Fiscal Period	Amount Paid before the 16th Fiscal Period
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2007 – October 2013	129,041	9,603	56,481
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Renovation of residential unit specifications	April 2010 - April 2015	33,750	3,234	505

2. Capital Expenditures during the 16th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 16th fiscal period for the portfolio owned by PIC. Capital expenditures during the period totaled 153,533 thousand yen. This, combined with maintenance and repair expenditures of 162,701 thousand yen that were classified as operating expenses for the period, means a total of 316,235 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Premier Stage Shibakoen II (Note)	Minato Ward, Tokyo	Renovation and installment of interior fittings and fixtures	July 2010 - September 2010	42,797
The Kanagawa Science Park R&D Building	Kwasaki, Kanagawa	Renovation of high-voltage switchboards	May 2010 - May 2010	13,015
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of central monitoring systems	July 2010 - October 2010	12,735
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of air conditioning systems	May 2010 - May 2010	11,415
Other construction	–	–	–	73,571
Total				153,533

(Note) The property name was changed from B-Site Shibakoen to Premier Stage Shibakoen II as of August 1, 2010.

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

(thousands of yen)						
Item	Fiscal Period	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)	16th Fiscal Period (May 1, 2010 – October 31, 2010)
Deposits at end of the preceding period		231,563	274,445	280,195	285,945	291,695
Deposits made during the period		42,882	5,750	5,750	5,750	5,750
Amounts used from deposits during the period		-	-	-	-	-
Deposits carried forward to the next period		274,445	280,195	285,945	291,695	297,445

OVERVIEW OF FUND PROCUREMENT AND OTHER ARRANGEMENTS

1. Issuance of New Investment Units

On May 14, 2010, PIC issued new investment units by way of third-party allotment to NTTUD as allottee to procure fund amounting to approximately 3,012 million yen. As a result of this issuance, the number of PIC’s investment units outstanding became 140,100 units (as of October 31, 2010).

2. Issuance of Corporate Bonds

On August 18, 2010, PIC issued corporate bonds (total issue price: 7,000 million yen) to partly fund the redemption of Unsecured Bond No. 1 (15,000 million yen) that matured on September 8, 2010.

Issuance of New Investment Units

Number of new investment units issued	8,700 units
Issue price	346,275 yen per unit
Payment date	May 14, 2010
Total issue price	3,012,592,500 yen
Method of issuance	Third-party allotment (allottee: NTTUD)

New Borrowings

Loan amount	3,900 million yen	2,290 million yen	8,000 million yen
Drawdown date	May 14, 2010	May 21, 2010	September 6, 2010
Lenders	The Chuo Mitsui Trust and Banking Company, Limited (1,950 million yen) and Sumitomo Mitsui Banking Corporation (1,950 million yen)	Resona Bank, Limited. (1,190 million yen) and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (1,100 million yen)	Mitsubishi UFJ Trust and Banking Corporation (3,000 million yen), The Norinchukin Bank (2,500 million yen) and Mizuho Corporate Bank, Ltd. (2,500 million yen)
Maturity date	May 14, 2015	May 20, 2011	September 4, 2015
Repayment method	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity
Interest rate	Fixed rate: 1.72750%	Floating rate: TIBOR +0.70000% corresponding to the respective interest periods	Fixed rate: 1.14250%
Collateral/Guarantee	Unsecured and non-guaranteed	Unsecured and non-guaranteed	Unsecured and non-guaranteed

3. New Borrowings

1) On May 14, 2010, PIC borrowed 3,900 million yen in long-term loans. PIC used the funds together with the proceeds procured through the issuance of new investment units by way of third-party allotment indicated in the 1 above to acquire Iwamotocho Building on May 17, 2010.

2) On May 21, 2010, PIC borrowed 2,290 million yen in short-term loans to use as partial funds for repaying 3,480 million yen in short-term loans borrowed on May 22, 2009.

3) On September 6, 2010, PIC borrowed 8,000 million yen in long-term loans to partly fund the redemption of Unsecured Bond No. 1 (15,000 million yen) that matured on September 8, 2010.

4. Other Repayments

On May 31, 2010 and August 31, 2010, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of a long-term loan borrowed from Development Bank of Japan Inc. on May 22, 2009) using cash on hand.

As a result of the above, PIC’s interest-bearing liabilities totaled 72,422.5 million as of October 31, 2010. The breakdown is as follows: 2,290 million yen in short-term loans, 53,132.5 million yen in long-term loans (including long-term loans due within one year), and 17,000 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 96.8%.

Corporate Bonds

Bond name	Unsecured Bond No. 3
Total issue price	7,000 million yen
Payment date	August 18, 2010
Maturity	August 16, 2013
Method of offering	Public offering
Interest rate	Fixed rate (0.97% per annum)

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