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

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



SEMIANNUAL REPORT

21ST FISCAL PERIOD
ENDED APRIL 30, 2013

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ESSAGE TO OUR UNITHOLDERS

Dear Investor,

I was appointed to the post of Executive Director of Premier Investment Corporation (PIC) at the Seventh General Meeting of Unitholders held on March 22, 2013, and took office as of April 1, 2013. I am resolved to do my best to help enhance investment value for our unitholders. I sincerely ask for and would greatly appreciate your continued support as you provided to my predecessor.

In the 21st fiscal period (November 1, 2012 – April 30, 2013), PIC posted operating revenues of 6,197 million yen, ordinary income of 2,004 million yen, and net income of 2,003 million yen, securing an increase of 48 million yen in operating revenues and 108 million yen in net income over the forecast announced in December 2012.

In terms of management results of owned properties, both office buildings and residential properties achieved the forecast occupancy rates. However, due to a relatively high number of contract cancellations for high-rent units of residential properties, the real estate rental income of the entire portfolio was only slightly higher than the forecast. Meanwhile, income surpassed the forecast thanks to an increase in dividend income from preferred securities, for which the underlying property (a Class S building) operated well, and due to cost reductions recorded in real estate rental expenses and back-office operations.

As a result, PIC secured distribution per unit (DPU) of 10,185 yen for the 21st fiscal period, higher than the 10,084 yen achieved in the previous fiscal period as well as the initial forecast of 10,000 yen. Although at the beginning of the period we had intended to reverse the reserve for reduction entry (100 million yen from gain on sale of a property transferred in the 19th period) by 71 million yen to complement the distribution, this turned out to be unnecessary and we decided to carry over the internal reserve to the 22nd fiscal period and thereafter.

While not making any property acquisitions in the 21st fiscal period, PIC acquired “Urbannet Irifune Building” for 2,900 million yen in May 2013 (the 22nd fiscal period) from NTT Urban Development Corporation (NTTUD), the main sponsor. The property is an office building located near central Tokyo, and represents the first case for PIC to make an acquisition directly from NTTUD. The property provides an NOI return surpassing that of PIC’s existing properties, and thus is expected to help enhance the performance of the entire portfolio.

For the 22nd fiscal period and thereafter, difficult conditions are anticipated to remain for some time as move-outs by small- and medium-sized tenants of our office buildings still continue and rents are hovering at the bottom. However, positive signs have also emerged, as inquiries for new move-ins

have increased since April in line with the improvement in business confidence in Japan and there is an improving trend in the rent-free period granted to new tenants.

PIC will continue its leasing activities and aim to secure the DPU threshold of 10,000 yen as its distribution policy, while also utilizing the internal reserves carried over to the 22nd fiscal period and thereafter. In terms of property acquisitions, PIC will focus on cash flows and pursue returns after depreciation in an attempt to further increase DPU. In doing so, PIC will seek to promote property acquisitions in response to the new Medium-Term Vision for future growth recently announced by NTTUD.

As of June 19, 2013, a new management team took office at Premier REIT Advisors Co., Ltd., the asset manager of PIC. Going forward, PIC will cooperate with the new management team and sponsors even more closely to realize stable management over the medium to long term. Your continued encouragement and support is greatly appreciated.



H. Takano
Hiroaki Takano
Executive Director
Premier Investment Corporation

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EW MANAGEMENT TEAM OF ASSET MANAGEMENT COMPANY

New Management Team of Asset Management Company

Entering the 22nd fiscal period, Kimito Muragishi retired from office of President and CEO of Premier REIT Advisors Co., Ltd. (PRA), the asset management company of PIC and, as of June 19, 2013, Takahiro Okuda (former auditor of PRA) succeeded the post of President and CEO under the approval of PRA’s annual general meeting of shareholders. The following table shows the members of the new management at PRA.

Name	New Title	Department in Charge
Takahiro Okuda	President and CEO	
Fumihiko Yasutake	Deputy President	
Kazuhiro Kimura	Director and CFO, Head of Business Affairs	Business Promotion Department and General Affairs Department
Katsushi Hattori	Director and CIO, Head of Investment Strategy	Investment Management Department and Operations Management Department

Greetings by New CEO

I am pleased to send my greetings to you on the occasion of taking office as President and Chief Executive Officer of PRA. Under the new leadership, I will dedicate myself as the CEO to the solid and stable asset management of PIC and efficient operation of PRA through strong teamwork with my colleagues.

Since its start in 2002 with a portfolio totaling 49 billion yen, PIC has quadrupled its asset size (to 200 billion yen) in ten years. Moreover, PIC has steadily and continuously realized the distribution of profits, steadfastly establishing its position as a REIT with a compound portfolio of office and residential properties.

Presently, the Japanese economy is regaining vigor, triggered by the change of administration at the end of 2012. The J-REIT market is also seeing accelerated moves by J-REITs to expand their asset size, conducting property acquisitions one after another. Looking at the real estate rental market, the occupancy rate is starting to show a recovery trend and rent levels have almost hit bottom. We expect the situation will further improve in line with the recovery of the real economy.

PRA remains committed to realizing stable expansion, enhanced profitability and higher dividend levels for PIC by continuously reinforcing leasing activities, conducting prudent financial operations based on the strong creditworthiness of the sponsors, and steadily seizing opportunities for growth while maintaining discipline. We appreciate and request the continued support of PIC’s unitholders and our stakeholders.

T. Okuda

Takahiro Okuda
President and CEO
Premier REIT Advisors Co., Ltd.



21ST FISCAL PERIOD PERFORMANCE HIGHLIGHTS

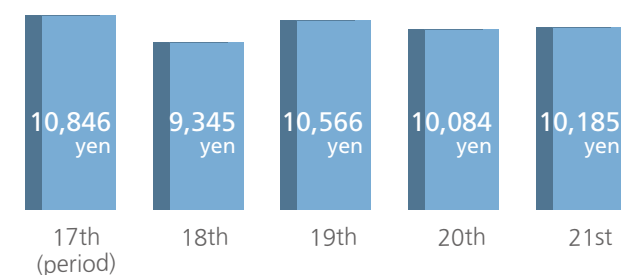
Management and Distribution Results	20th Fiscal Period (ended October 2012)	21st Fiscal Period (ended April 2013)
Operating Revenues (mm yen)	6,210	6,197
Operating Income (mm yen)	2,772	2,755
Ordinary Income (mm yen)	1,985	2,004
Net Income (mm yen)	1,983	2,003
Distribution per Unit (yen) (distribution in excess of profits not included)	10,084	10,185
Total Distributions (mm yen)	1,983	2,003
Distribution Payout Ratio ^(Note)	100.0%	100.0%
Distribution to Net Assets ^(Note)	2.3%	2.3%

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

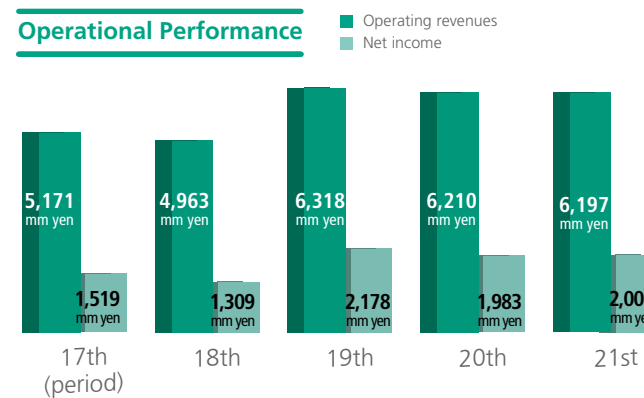
Financial Status	20th Fiscal Period (ended October 2012)	21st Fiscal Period (ended April 2013)
Total Assets (mm yen)	201,305	200,672
Net Assets (mm yen)	87,728	87,748
Net Assets Ratio	43.6%	43.7%
Net Assets per Unit (yen) ^(Note)	446,004	446,105

(Note) The number of outstanding investment units at the end of both the 20th and 21st fiscal periods was 196,699 units.

Cash Distribution per Unit



Operational Performance



REVIEW OF THE 21ST FISCAL PERIOD

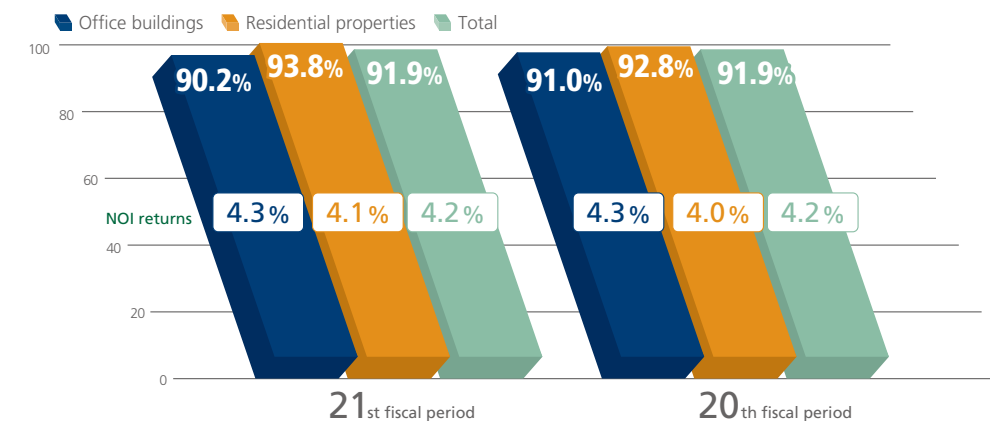
External Growth

- PIC did not make any acquisition or sale of properties in the 21st fiscal period.
- As of April 30, 2013, PIC owns 54 properties comprised of 21 office buildings, 32 residential properties and preferred securities of an SPC, with a total acquisition price of 196,544 million yen.
- Entering the 22nd fiscal period, PIC acquired Urbannet Irifune Building, an office building located near central Tokyo, for 2,900 million yen from NTT Urban Development, the main sponsor, on May 10, 2013.

Internal Growth

- For office buildings, move-ins during the 21st fiscal period totaled approximately 4,000m², surpassed by move-outs totaling 6,200m², resulting in a slight decrease in the period-average occupancy rate. Rents also continued on a decreasing trend.
- Residential properties saw the period-average occupancy rate increase slightly, partly due to seasonal factors. With rents remaining flat as a whole, residential properties continued stable operations in general.
- The occupancy rate of the entire portfolio remained unchanged from the 20th fiscal period, and so did the NOI return.

Period-Average Occupancy Rates



Financial Operations

- PIC refinanced borrowings totaling 15,750 million yen as well as the repayment of 475 million yen in the 21st fiscal period. As a result, the interest-bearing liabilities ratio (LTV) decreased by 0.2% from the end of the 20th fiscal period to 55.2%.
- The average number of years remaining of interest-bearing liabilities increased by 0.2 years to 2.5 years.
- Entering the 22nd fiscal period, PIC newly borrowed 2,500 million yen as of May 10, 2013 to fund a property acquisition (Urbannet Irifune Building).

Financing Results for the 21st Fiscal Period (million yen)

New borrowings	15,750
Repayment	-16,225
Redemption of corporate bonds	-
Reduction of interest-bearing liabilities	-475

LTV and Average Number of Years Remaining

	End of 20th period	End of 21st period
LTV	55.4%	55.2% (-0.2%)
Average number of years remaining of interest-bearing liabilities	2.3 years	2.5 years (0.2 years)

INTERNAL GROWTH

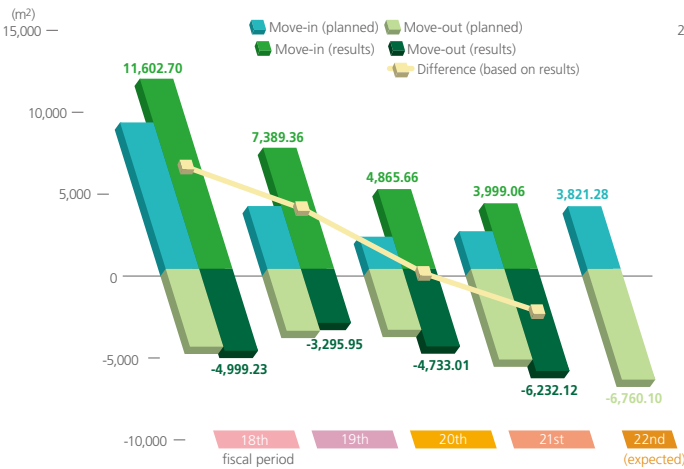
General Overview

	Occupancy Rate	Rent Situation
Office Buildings	The vacancy rate of Grade B office buildings still remains at a high level, but cancellation by large tenants has decreased and tenant demand appears to be starting to increase.	Rents still remain in the bottom zone and continue to show a decreasing trend, though the rate of decrease has decelerated.
Residential Properties	Despite a certain range of fluctuations at properties with WIDE units, the occupancy rate has been generally kept at a stable level.	Rents dropped at some high-rent units but generally stayed flat. The number of upward revisions of rents upon tenant replacement has also increased.

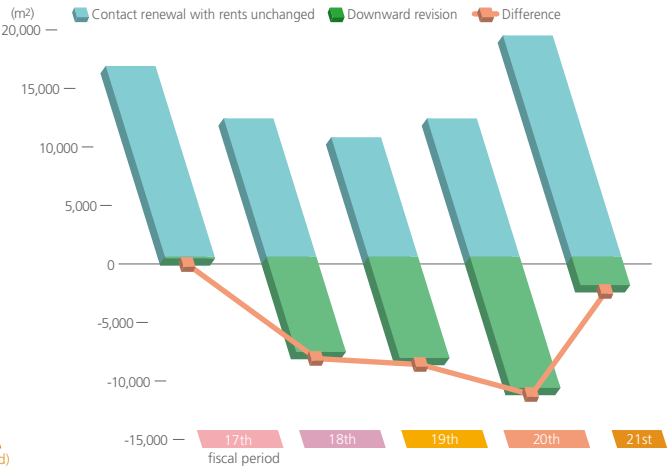
Management Status of Office Buildings

- When preparing the forecast of the 21st fiscal period, PIC had expected move-outs to exceed move-ins by over 3,000m² for the period, while the leasing results of new tenants during the period remained at 1,700m², leading to a period-on-period decrease in the occupancy rate.
- However, as the number of contract renewals with rents unchanged surpassed those with downward revisions of rents during the period, the real estate rental revenues of office buildings decreased only slightly while their NOI return remained flat compared with the 20th fiscal period.
- Although move-outs by tenants with leased floor space of less than 1,000m² have not come to a stop, signs of increased demand for office space have been observed since April (nearing the end of the 21st fiscal period), presumably backed by expectations for economic recovery through proactive financial and monetary policies of the new administration, with the leasing of approximately 5,000m² mostly confirmed in the three months from April to June 2013.

Move-ins and Move-outs by Office Space



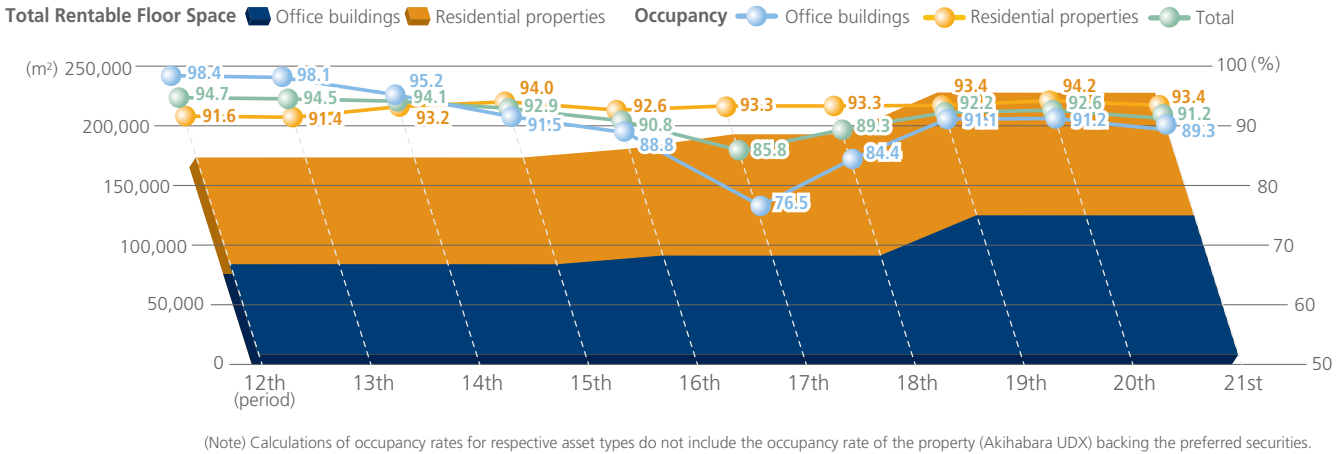
Increase/Decrease of Rents upon Contract Renewal by Office Space



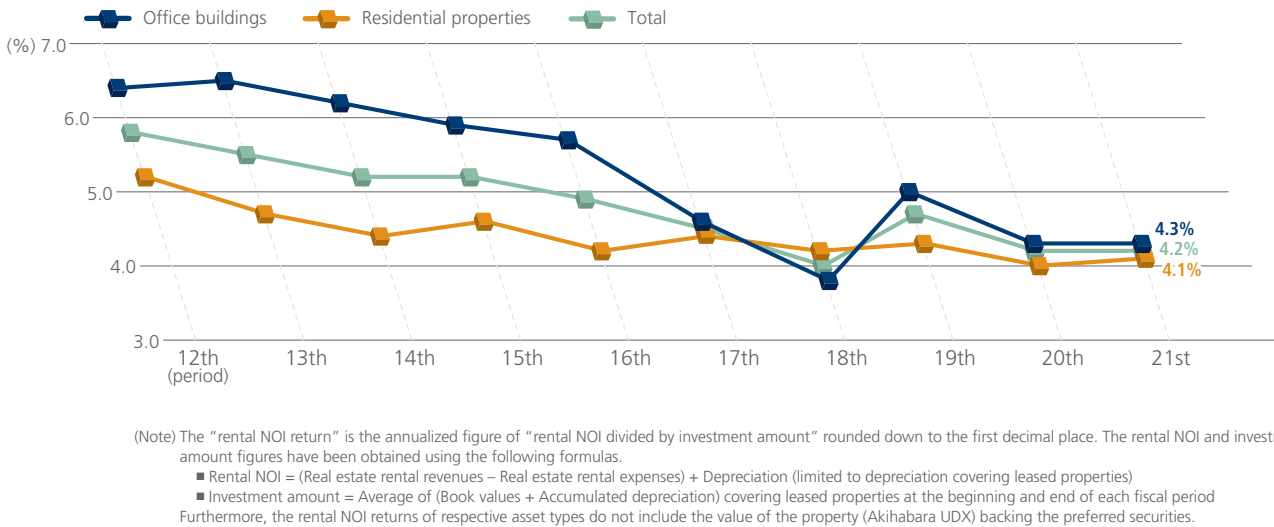
Management Status of Residential Properties

- Partly due to the impact of seasonal factors (the spring moving season), the period average occupancy rate for the 21st fiscal period increased by 1.0 percentage point period-on-period to 93.8%.
- Stable operations continued at properties with Single and DINKs units that call for monthly rent of less than 300,000 yen and occupy slightly less than 70% of units owned by PIC. In particular, for units with monthly rent of less than 200,000 yen, there were a growing number of cases in which rents were raised upon tenant replacement.
- During the 21st period, 15.7% of total leasable floor space was due for contract revision, and 96.4% of the relevant spaces had contract renewal with rents unchanged.
- PIC managed to increase opportunities to receive key money upon tenant replacement and contract renewal fees from continuing tenants, both of which had often been waived in order to invite and retain tenants. This, coupled with the improved occupancy rate, led to revenues and income of residential properties both surpassing the beginning-of-period forecast.

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



Changes in NOI Return on Portfolio



21st Fiscal Period Results

PIC did not conduct any new procurement of funds through debt financing except for refinancing. A total of 16,225 million yen in borrowings matured during the period, and PIC made partial repayment using cash on hand and refinanced the rest for the same amount.

Refinance

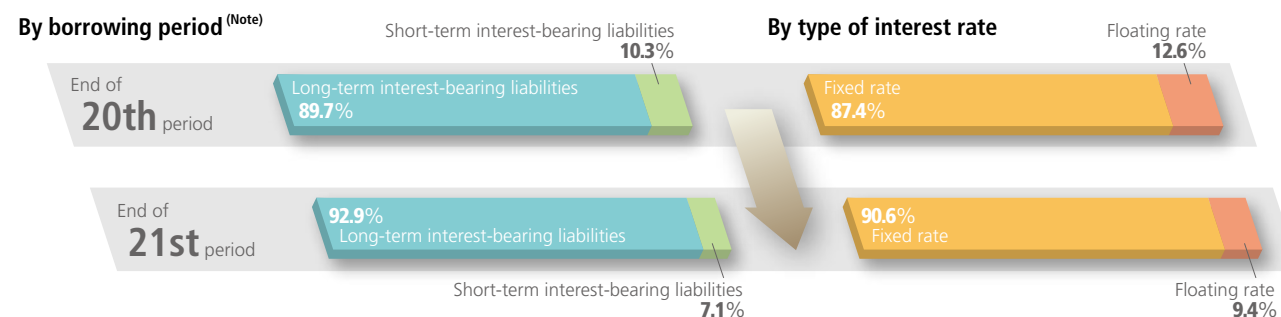
- (1) Of the 5,400 million yen in a short-term loan borrowed on November 18, 2011, PIC refinanced 2,000 million yen into a short-term loan and 3,000 million yen into a long-term loan, and repaid the remaining 400 million yen using cash on hand.
- (2) PIC refinanced 2,850 million yen in a long-term loan borrowed on February 28, 2007 into a long-term loan for the same amount.
- (3) PIC refinanced 7,900 million yen in a long-term loan borrowed on March 27, 2008 into a long-term loan for the same amount.

Repayment as Agreed

Of the long-term loan borrowed from Development Bank of Japan Inc. on May 22, 2009 (initial loan amount: 3,000 million yen), PIC repaid 75 million yen as a divided repayment as agreed.

Through the measures mentioned above, PIC continued its efforts to establish a stable financial foundation by raising the ratio of long-term, fixed-interest debt (Figure 1), diversifying repayment dates (Figure 2), extending the average number of years remaining (Figure 3), reducing the average interest rate for debt financing (Figure 3) and decreasing the interest-bearing liabilities ratio (Figure 4).

Figure 1: Ratio of Long-Term, Fixed-Interest Debt



(Note) Borrowing period has been calculated from the drawdown date for loans and from the issue date for corporate bonds.

Figure 2: Diversification of Repayment Dates for Interest-Bearing Liabilities

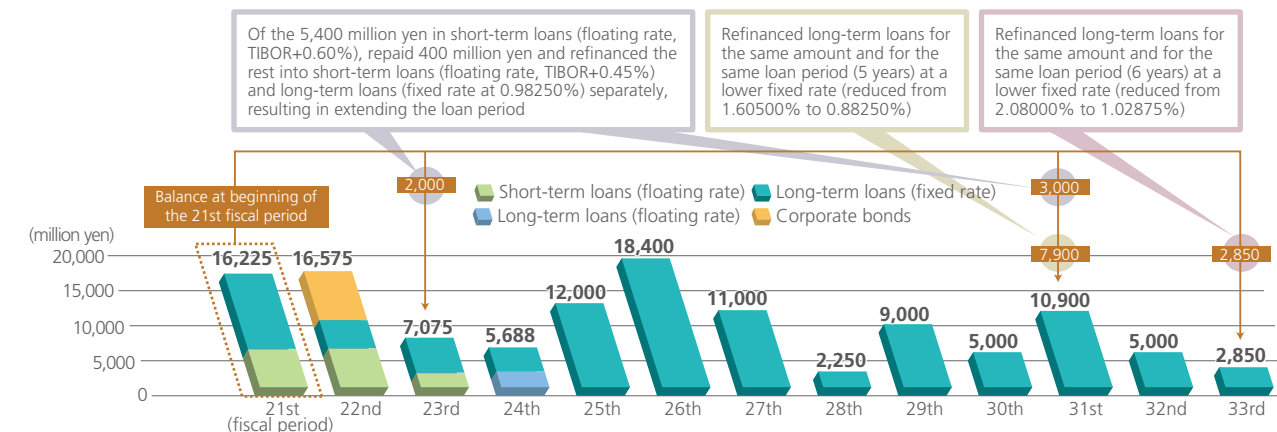
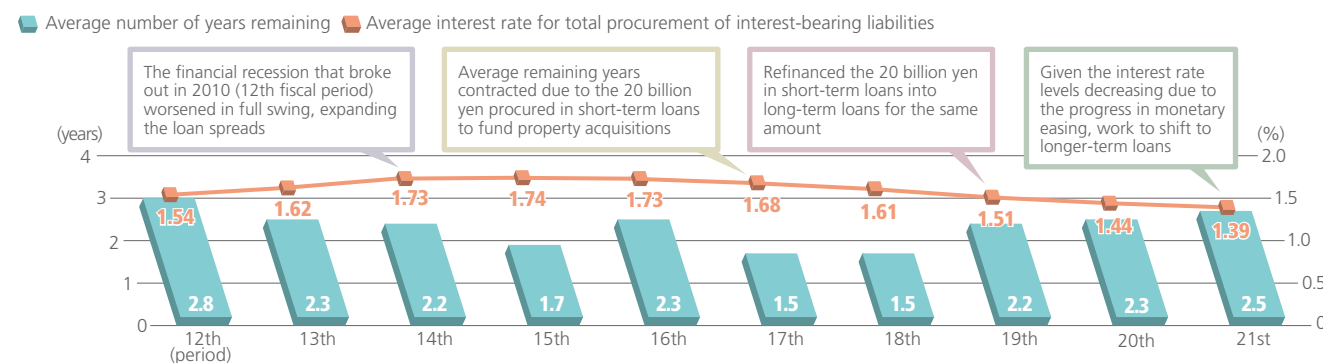
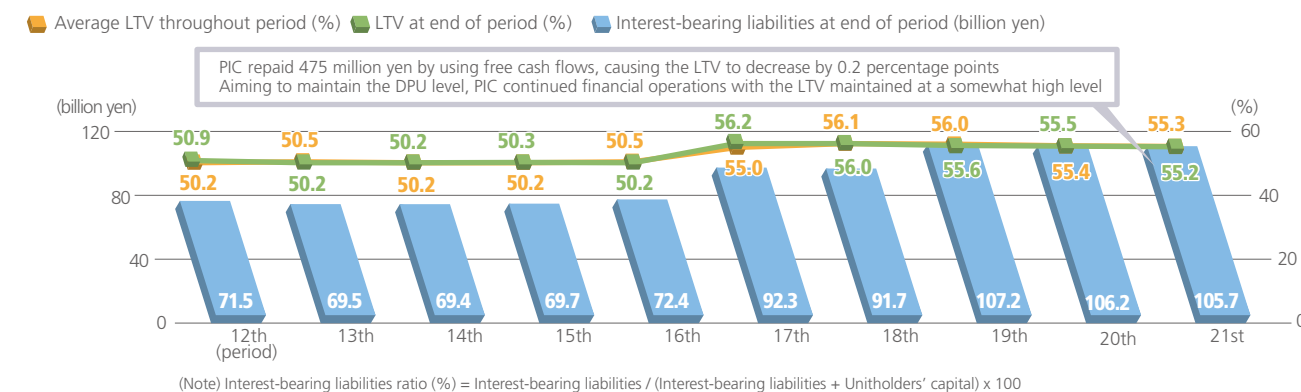


Figure 3: Average Interest Rate for Procurement and Remaining Years of Interest-Bearing Liabilities



(Note) The average number of years remaining have been rounded to the first decimal place, and the average interest rates for procurement of interest-bearing liabilities have been rounded to the second decimal place.

Figure 4: Changes in Interest-Bearing Liabilities Ratio (LTV)



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

[Special Note] As of May 10, 2013, PIC borrowed 2,500 million yen in a short-term loan (principal repayment date: May 9, 2014, floating rate) to partly fund the acquisition and related expenses of Urbannet Irifune Building, which PIC acquired after entering its 22nd fiscal period.

MARKET ENVIRONMENT AND PIC'S MANAGEMENT POLICY

Market Environment

In the 21st fiscal period, Japan's new government implemented various economic policies, including significant monetary easing, dubbed Abenomics. Due to heightened expectations, the Japanese

economy started picking up, with business confidence improving in accordance with increasingly higher stock prices and depreciated yen. In the domestic real estate rental market, residential properties maintained solid and stable operations both in terms of occupancy and rent

trends. However, the occupancy rate and the rent levels of office buildings, except for large, high-grade properties in central Tokyo, generally remained near the bottom. It is expected to require another year for office rent levels to bottom out.

Property Transaction Market Status

In the domestic real estate market, despite a significant increase both in number and value of acquisitions by REITs, the supply of blue-chip properties by parties other than sponsors is extremely limited. Property sales are anticipated to further decrease in volume, impacted by the improvement in corporate performances due to the pick-up of the Japanese economy.

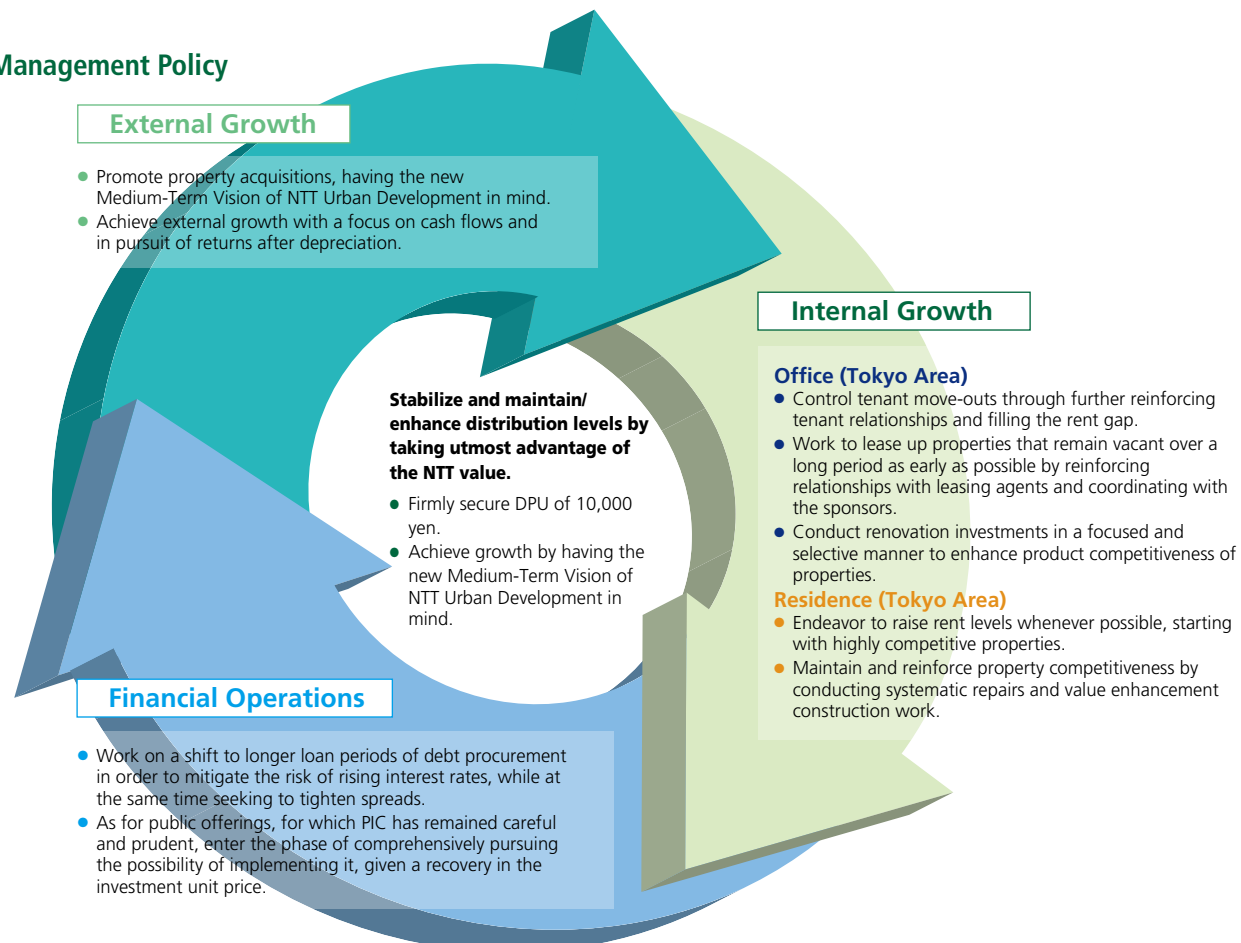
Rental Market Status

Mass supply of Grade A office buildings in central Tokyo has calmed down, and their vacancy rate has shown an improving trend since the 4th quarter of 2012. However, the vacancy rate of Grade B office buildings still remains at a high level, although they show signs of increasing tenant demands. Residential properties generally operate in a stable manner, thanks to the market environment continuing to remain favorable. There is a growing number of cases in which new contract rents are raised at properties with Single and DINKs units that call for monthly rent of less than 200,000 yen.

Financial Market Status

The financing environment remains favorable, both for equity financing and debt financing, as lenders maintain their proactive lending attitude and stock prices (including the TSE REIT Indexes) have soared compared with the beginning of the year due to expectations for economic buoyancy. However, the outlook of long-term interest rates appears to be unpredictable.

PIC's Management Policy



OVERVIEW OF ASSET MANAGEMENT

	Unit	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)	20th Fiscal Period (May 1, 2012 – October 31, 2012)	21st Fiscal Period (November 1, 2012 – April 30, 2013)
Business Results						
Operating Revenues	Thousands of yen	5,171,445	4,963,346	6,318,704	6,210,446	6,197,263
(Real estate rental revenues)	Thousands of yen	(5,022,768)	(4,715,752)	(5,860,014)	(5,926,147)	(5,893,596)
Operating Expenses	Thousands of yen	2,899,766	2,898,669	3,305,616	3,437,462	3,441,428
(Real estate rental expenses)	Thousands of yen	(2,479,011)	(2,526,964)	(2,860,979)	(2,994,557)	(2,993,621)
Operating Income	Thousands of yen	2,271,678	2,064,677	3,013,088	2,772,984	2,755,834
Ordinary Income	Thousands of yen	1,531,930	1,311,489	2,178,976	1,985,078	2,004,536
Net Income	(a) Thousands of yen	1,519,501	1,309,232	2,178,973	1,983,482	2,003,477
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	171,586,194	170,766,247	202,605,716	201,305,265	200,672,305
(Period-on-period variation)	%	(+12.6)	(-0.5)	(+18.6)	(-0.6)	(-0.3)
Interest-bearing Liabilities	Thousands of yen	92,347,500	91,762,500	107,287,500	106,212,500	105,737,500
Net Assets	(c) Thousands of yen	73,477,481	73,267,189	87,823,472	87,728,633	87,748,597
(Period-on-period variation)	%	(-0.3)	(-0.3)	(+19.9)	(-0.1)	(0.0)
Unitholders' Capital	Thousands of yen	71,957,904	71,957,904	85,644,448	85,644,448	85,644,448
Distribution						
Total Distributions	(d) Thousands of yen	1,519,524	1,309,234	2,078,321	1,983,512	2,003,379
Distribution Payout Ratio (Note 1)	(d)/(a) %	100.0	100.0	95.3	100.0	100.0
Per Unit Information						
Number of Units Outstanding	(e) Units	140,100	140,100	196,699	196,699	196,699
Net Assets per Unit	(c)/(e) Yen	524,464	522,963	446,486	446,004	446,105
Distribution per Unit	(d)/(e) Yen	10,846	9,345	10,566	10,084	10,185
(Earnings distribution per unit)	Yen	(10,846)	(9,345)	(10,566)	(10,084)	(10,185)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	0.9 (1.9)	0.8 (1.5)	1.2 (2.3)	1.0 (1.9)	1.0 (2.0)
Return on Unitholders' Equity (Note 3)	%	2.1 (4.2)	1.8 (3.5)	2.7 (5.4)	2.3 (4.5)	2.3 (4.6)
Net Assets Ratio	(c)/(b) %	42.8	42.9	43.3	43.6	43.7
(Period-on-period variation)		(-5.6)	(+0.1)	(+0.4)	(+0.3)	(+0.1)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	3,516,442	3,177,808	4,115,729	4,048,008	4,024,105

(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 × 100
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 × 100
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 181 days for the 17th fiscal period, 184 days for the 18th fiscal period, 182 days for the 19th fiscal period, 184 days for the 20th fiscal period and 181 days for the 21st fiscal period. This is true concerning both Note 2 and Note 3.

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

PERFORMANCE FORECASTS

For the 22nd fiscal period, PIC had already received notices of office tenant move-outs totaling over 6,700m² by the time it prepared forecasts, in contrast to anticipated move-ins of over 3,800m². Accordingly, with a decrease in leased floor space totaling approximately 3,000m² confirmed to date, PIC forecasts the period-average occupancy rate for the period to be 88.2% (versus 90.2% achieved in the 21st fiscal period). However, inquiries for new move-ins have been increasing since April 2013, partly due to expectations for economic recovery, and there has been an observed trend of improvement in the market situation, including shortening of rent-free periods granted to new tenants. These factors may

allow PIC to achieve better leasing results than expected. On the other hand, it is likely to require more than half a year for rent levels to bottom out. Until then, PIC intends to secure new tenants by taking a flexible approach in rent levels and other lease conditions, particularly for properties that remain vacant over a long period.

Given a generally favorable operational status of residential properties, PIC forecasts the period-average occupancy rate to be 93.6% for the 22nd fiscal period (versus 93.8% achieved in the 21st fiscal period). PIC anticipates that the supply-demand situation will continue to be favorable, due to the increasing trend in number of small households comprising singles or

married couples alone continuing into the future, along with the housing starts of condominiums remaining at a low level. PIC will work to enhance the potential profitability by raising rent levels, primarily for properties with competitive advantages.

For the 22nd fiscal period (ending October 2013), PIC currently forecasts a period-on-period decrease in the EPS due to a decrease in real estate rental income and an increase in costs of existing properties, despite the contribution made by the newly acquired property (Urbannet Irifune). However, PIC plans to achieve distribution per unit of 10,000 yen through cost reductions in financial operations and reversal of internal reserves.

Forecasts for the 22nd and 23rd Fiscal Periods

	21st Fiscal Period (results)	22nd Fiscal Period (forecast)	Change	23rd Fiscal Period (forecast)
Operating revenues (mm yen)	6,197	6,176	-20	6,090
Operating income (mm yen)	2,755	2,610	-145	2,593
Ordinary income (mm yen)	2,004	1,883	-121	1,874
Rental NOI (mm yen)	4,024	3,927	-96	3,910
Net income (mm yen)	2,003	1,881	-121	1,872
Distribution per unit (yen)	10,185	10,000	-185	9,600
Reversal of internal reserves (mm yen)	-	85	85	15
No. of investment assets	54	55	1	55

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

Assumptions for the Forecasts

	22nd Fiscal Period (ending October 2013)	23rd Fiscal Period (ending April 2014)
No. of investment assets	It is assumed that the number of investment assets owned will remain unchanged from 55, comprising 54 properties (including preferred securities of an SPC) owned as of the end of the 21st fiscal period plus a property acquired in May 2013.	It is assumed that the number of investment assets will remain unchanged from the end of the 22nd fiscal period.
No. of investment units outstanding	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 21st fiscal period, totaling 196,699 units.	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 22nd fiscal period.
Interest-bearing liabilities	<p>It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which was 105,737.5 million yen as of the end of the 21st fiscal period:</p> <p>1. Additional borrowings</p> <ul style="list-style-type: none">On May 10, 2013, PIC borrowed 2,500 million yen in short-term loans in order to partially fund property acquisition. <p>2. Refinancing of borrowings</p> <ul style="list-style-type: none">The 2,000 million yen in short-term loans maturing on May 17, 2013 and the 3,000 million yen in long-term loans maturing on May 22, 2013 were refinanced for the same amount, respectively.Other than these, it is planned that 3,500 million yen in short-term loans, 1,000 million yen in long-term loans and 7,000 million yen in the 3rd Unsecured Corporate Bond, all of which are to mature or to be redeemed in the 22nd fiscal period, will be refinanced for the same amount respectively. <p>3. Partial repayment of long-term loans as agreed upon</p> <ul style="list-style-type: none">75 million yen will be repaid during the 22nd fiscal period. <p>Other than these, no repayment dates will arrive in the 22nd fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the 22nd fiscal period will be 108,162.5 million yen.)</p>	<p>It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which will be 108,162.5 million yen as of the end of the 22nd fiscal period:</p> <p>1. Refinancing of borrowings</p> <ul style="list-style-type: none">It is planned that 2,000 million yen in short-term loans and 5,000 million yen in long-term loans, both of which will mature in the 23rd fiscal period, will be refinanced for the same amount, respectively. <p>2. Partial repayment of long-term loans as agreed upon</p> <ul style="list-style-type: none">75 million yen will be repaid during the 23rd fiscal period. <p>Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the 23rd fiscal period will be 108,087.5 million yen.)</p>
Period average occupancy rate	Office buildings: 88.2% (results in the 21st fiscal period: 90.2%) Residential properties: 93.6% (results in the 21st fiscal period: 93.8%) Total: 90.7% (results in the 21st fiscal period: 91.9%)	N/A
Others	<p>(Operating revenues)</p> <p>Calculations for office buildings have been made on the premise that no spaces will be filled during the fiscal period to replace tenants that have notified PIC of contract termination (except for spaces for which new contracts have already been confirmed). For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration.</p> <p>(Operating expenses)</p> <p>Major items include:</p> <ul style="list-style-type: none">Outsourcing fees: 722 million yenTax and public dues: 420 million yenDepreciation expenses: 1,141 million yenOperating expenses (excluding rental expenses): 454 million yen <p>(Non-operating expenses)</p> <ul style="list-style-type: none">Interest expenses (including interest for corporate bonds): 720 million yen <p>(Capital expenditures) 224 million yen</p> <p>(Distribution)</p> <p>It is assumed that, of the 100 million yen reserved in the 19th fiscal period as "reserve for reduction entry," 85 million yen is reversed and added to net income, and the combined amount is distributed.</p>	<p>(Operating revenues)</p> <p>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 as well as past occupancy results taken into consideration.</p> <p>(Operating expenses)</p> <p>Major items include:</p> <ul style="list-style-type: none">Outsourcing fees: 711 million yenTax and public dues: 420 million yenDepreciation expenses: 1,148 million yenOperating expenses (excluding rental expenses): 442 million yen <p>(Non-operating expenses)</p> <ul style="list-style-type: none">Interest expenses (including interest for corporate bonds): 715 million yen <p>(Capital expenditures) 219 million yen</p> <p>(Distribution)</p> <p>It is assumed that the remaining 15 million yen in the "reserve for reduction entry" is reversed and added to net income, and the combined amount is distributed.</p>

NEW PROPERTY ACQUISITION (22ND FISCAL PERIOD)

Entering the 22nd fiscal period, on May 10, 2013 PIC acquired Urbannet Irifune Building (beneficiary interests in a real estate trust), a medium-sized office building located in Chuo Ward, Tokyo (acquisition price: 2,900 million yen). The property was acquired directly from NTT Urban Development, PIC's main sponsor, by using newly borrowed funds (2,500 million yen) and cash on hand.

Property Characteristics

The property is located in an area that is near to Ginza in Tokyo and within a walking distance to Kabukiza Theater and the Tsukiji Market, one of the world's largest fish and vegetable markets. The Property is about a 1-minute walk from Shintomicho Station on the Tokyo Metro Yurakucho Line, and has excellent access to central Tokyo, such as Otemachi, as it is about 10 minutes by train from Shintomicho Station to Tokyo Station (transferring to the JR Yamanote Line at Yurakucho Station). The entire building is leased to a single tenant and thus fully occupied, and has a cap rate of 5.3% that surpasses the 4.2% NOI yield of PIC's existing properties. As such, the property is expected to help enhance the performance of the entire portfolio.



URBANNET IRIFUNE BUILDING	
Location	3-2-10 Irifune, Chuo Ward, Tokyo (residential indication)
Acquisition Price	2,900 million yen
Date of Acquisition	May 10, 2013 (in the 22nd fiscal period)
Seller	NTT Urban Development Corporation
Use	Office building
Construction Complete	July 1990
No. of Tenants	1
Land	830.11m ²
Building	6,058.22m ² (total floor space)
Total Leasable Space	4,037.67m ²
Total Leased Space	4,037.67m ² (occupancy rate: 100.0%)



PORTFOLIO STATUS

PIC did not acquire any properties in the 21st fiscal period. As of April 30, 2013, PIC owns 54 properties comprised of 21 office buildings, 32 residential properties and preferred securities of an SPC (Note), with the acquisition price totaling 196,544 million yen. (For the property acquisition conducted after entering the 22nd fiscal period, please see page 13.)

Under the policy of investing in office buildings and residential properties in the Tokyo Economic Bloc, PIC has focused on constructing a portfolio of investment assets comprised of 60% offices and 40% residences by use since its inception. As a result of having proactively acquired office buildings since NTTUD became its main sponsor, PIC has almost achieved its target

investment ratio by asset type, with office buildings currently standing at 58.2% and residential properties at 41.8% when preferred securities are classified into the office category.

(Note) PIC owns 39,480 units (14.0% equity) of the preferred securities (282,000 units in total) issued by UDX Special Purpose Company and backed by the cash flow from the underlying property, Akihabara UDX (an entire office building and its site, located in Chiyoda Ward, Tokyo).

Investment Ratio of Portfolio

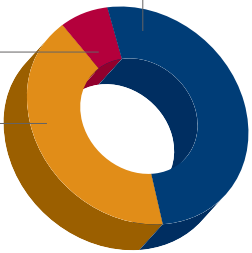
(Note) Each ratio indicated in the graphs is based on the acquisition price. Furthermore, the calculations of the ratios by area and by building age do not include the acquisition price of the preferred securities.

By Asset Type

Office Buildings
50.9%

Other
7.3%

Residential Properties
41.8%

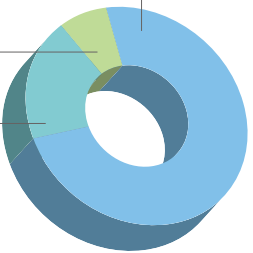


By Area

5 Central Wards of Tokyo
73.8%

Surrounding City Area
7.4%

Other 18 Wards of Tokyo
18.9%



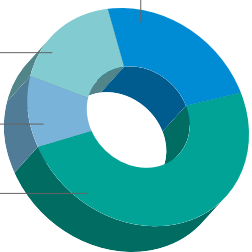
By Unit Type

Single
23.3%

Wide
16.7%

Family
10.7%

DINKs
49.3%

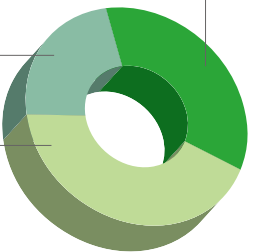


By Acquisition Pipeline

Acquired from sponsors
35.2%

Acquired through other sources
22.6%

Acquired with sponsor serving as mediator
42.2%



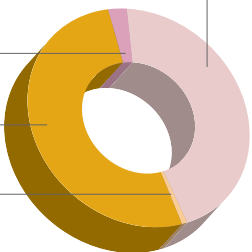
By Building Age

5-15 years
44.3%

Less than 5 years
3.0%

More than 20 years
51.8%

15-20 years
0.9%



Average Building Age by Asset Type (end of 21st period)

Office buildings	24.2 years
Residential properties	9.7 years
Total	17.7 years

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

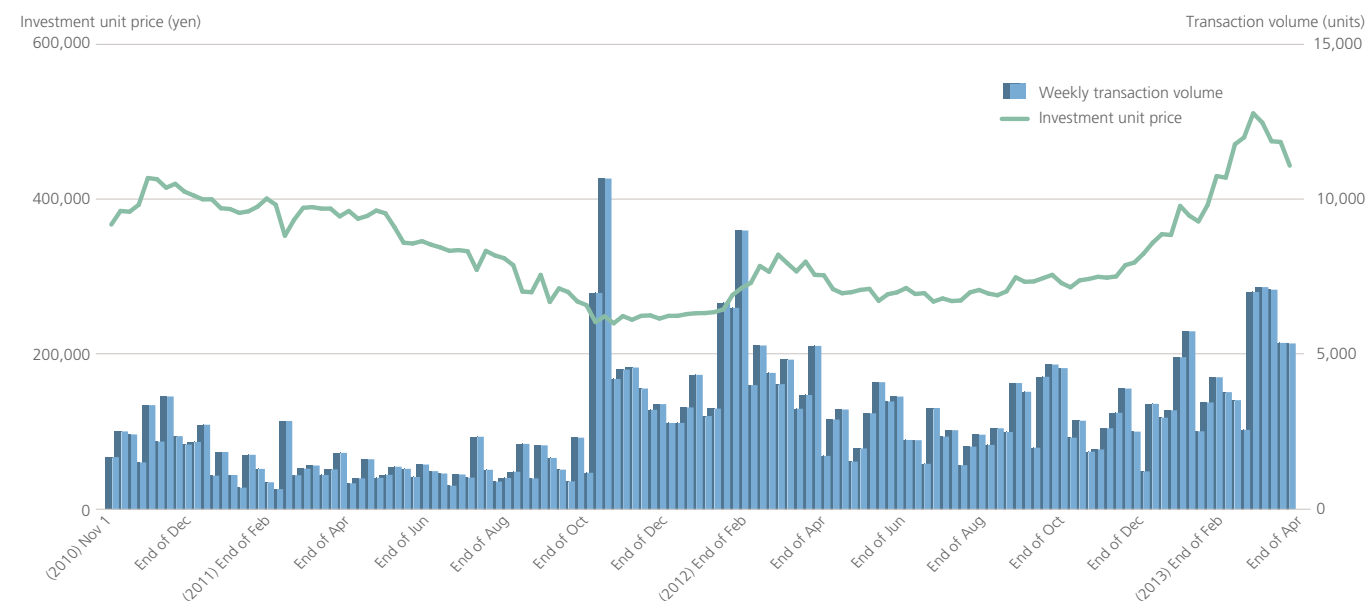
Area	Property Number	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
OFFICE BUILDINGS									
5 Central Wards of Tokyo	A1	Landic Shimbashi Building 1	6,341	3.2	57.7	131	77	53	10.6
	A2	Landic Shimbashi 2 Building	7,045	3.6	100.0	206	88	118	12.9
	A3	Premier Dogenzaka Building (Note 6)	1,727	0.9	83.0	57	28	28	5.5
	A4	KN Shibuya No.3	5,348	2.7	100.0	(Note 5)	(Note 5)	115	10.6
	A5	Takadanobaba Center Building	5,118	2.6	100.0	233	99	134	2.0
	A6	Rokubancho Building	7,860	4.0	100.0	(Note 5)	(Note 5)	198	10.8
	A7	Ougaku Building	1,796	0.9	86.2	71	30	41	14.2
	A8	YS Kaigan Building	5,100	2.6	79.6	118	87	31	10.6
	A9	Iwamotocho Building	6,700	3.4	69.0	192	82	109	12.2
	A10	Urbannet Mita Building	10,300	5.2	89.9	342	120	222	7.2
	A11	Urbannet Azabu Building	5,000	2.5	100.0	(Note 5)	(Note 5)	83	10.5
	A12	Urbannet Ichigaya Building	1,650	0.8	100.0	(Note 5)	(Note 5)	45	7.0
	A13	Kanda Chuodori Building	2,450	1.2	88.7	84	32	51	14.0
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	1,456	0.7	88.7	37	36	0	8.7
	B2	Premier Toyochi Building	4,310	2.2	31.7	(Note 5)	(Note 5)	-10	16.2
	B3	Ueno TH Building	4,380	2.2	74.5	130	82	48	12.8
	B4	Gotanda NT Building	4,100	2.1	100.0	91	47	43	14.3
	B5	Ueno Tosei Building	5,900	3.0	100.0	205	92	113	10.7
Surrounding City Area	C1	Nisso No.3 Building	3,558	1.8	94.5	163	67	95	10.2
	C2	The Kanagawa Science Park R&D Building	6,556	3.3	99.9	393	255	137	10.4
	C4	NU Kannai Building	3,300	1.7	96.0	177	97	80	14.3
SUBTOTAL			99,995	50.9	89.3	3,404	1,661	1,742	-
RESIDENTIAL PROPERTIES									
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	5,208	2.6	96.7	153	76	77	7.4
	D2	Park Axis Meiji-Jingumae	2,604	1.3	92.8	53	20	33	9.9
	D3	Sun Palace Minami-Azabu	1,150	0.6	92.0	29	20	8	5.3
	D4	Cabin Arena Akasaka	1,330	0.7	97.4	38	18	20	10.1
	D5	Cabin Arena Minami-Aoyama	1,070	0.5	96.9	37	15	21	11.2
	D6	Bureau Kioicho	1,840	0.9	100.0	62	15	47	11.6
	D7	Homat Woodville	5,090	2.6	86.0	124	62	62	7.4
	D8	Roppongi Green Terrace	4,678	2.4	94.2	114	67	46	10.3
	D9	Premier Stage Shibakoen II	2,181	1.1	96.5	57	27	29	11.5
	D11	Langue Tower Kyobashi	927	0.5	96.8	34	16	17	12.5
	D12	Premier Stage MitaKeidaimae	1,580	0.8	93.7	55	19	35	14.3
	D13	Premier Rosso	1,662	0.8	93.7	51	23	28	14.0
	D14	Premier Blanc Yoyogikouen	2,330	1.2	98.6	60	31	28	13.1
	D15	Premier Stage Uchikanda	1,723	0.9	81.9	49	23	26	13.8
	D16	Premier Stage Ichigayakawadacho	1,460	0.7	90.7	44	19	25	13.1
	D17	Walk Akasaka	2,043	1.0	92.0	47	29	17	13.9
	D18	Premier Stage Shibakoen	1,585	0.8	97.7	44	17	26	16.1
	D19	MEW	1,556	0.8	89.7	27	24	3	13.9
	D20	Shibaura Island Air Tower	7,590	3.9	92.9	323	229	93	11.2
	D21	Storia Akasaka	3,930	2.0	95.6	85	42	43	11.7
	D22	Renai Shinjuku-Gyoen Tower	6,500	3.3	92.9	179	111	67	7.2
	D23	Shibaura Island Bloom Tower	5,500	2.8	95.0	267	159	108	10.0
	D24	Questcourt Harajuku	4,500	2.3	90.4	138	53	84	12.7
	Other 18 Wards of Tokyo	E1	B-Site Osaki	1,072	0.5	100.0	29	11	17
E2		Premier Garden Hongo	975	0.5	93.2	25	13	11	12.1
E3		Premier Grande Magome	1,560	0.8	90.6	41	21	19	15.7
E4		Premier Nozze Yutenji	1,525	0.8	89.3	38	20	18	13.6
E5		Premier Stage Yushima	1,803	0.9	91.5	51	28	22	17.2
E6		Premier Stage Komagome	1,830	0.9	89.6	51	27	24	18.0
E7		Premier Stage Otsuka	1,310	0.7	97.0	42	19	23	22.5
E8		Premier Stage Honjo-Azumabashi	2,640	1.3	97.0	81	38	42	14.7
E9		Premier Stage Ryogoku	1,496	0.8	91.9	45	25	20	12.8
SUBTOTAL			82,249	41.8	93.4	2,489	1,332	1,157	-
OTHER									
-	-	UDX Special Purpose Company Preferred Securities (Note 7)	14,300	7.3	-	-	-	-	-
SUBTOTAL			14,300	7.3	-	-	-	-	-
TOTAL			196,544	100.0	91.2	5,893	2,993	2,899	8.6

- (Note 1) PIC has acquired the assets listed in the table to the left in the form of either beneficiary interests in real estate trust or preferred securities.
- (Note 2) The acquisition price of respective properties indicates the value (transaction price depicted in the sales agreement, etc.) that does not include incidental expenses accompanying the acquisition of the relevant real estate or preferred securities (such as transaction brokerage fees and tax and public dues.)
- (Note 3) The indicated shares represent the ratio of the acquisition price of respective properties to the total acquisition price of all properties.
- (Note 4) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures.
- In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.
- (Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.
- (Note 6) The property name was changed from the previous Fuji Building No. 37 as of April 1, 2013.
- (Note 7) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

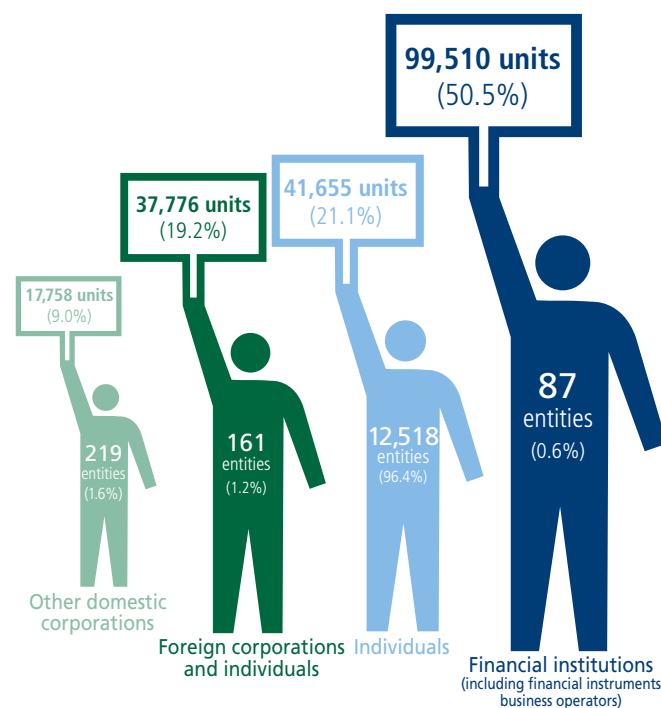
INVESTMENT UNIT STATUS

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 17th fiscal period (November 1, 2010) to the end of the 21st fiscal period (April 31, 2013).



Breakdown of Unitholders as of April 30, 2013



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

Top 10 Unitholders as of April 30, 2013

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	45,416	23.08
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	11,345	5.76
3	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	9,925	5.04
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	9,581	4.87
5	NTT Urban Development Corporation	8,700	4.42
6	UBS AG HONG KONG	5,998	3.04
7	NOMURA BANK (LUXEMBOURG) S.A.	3,663	1.86
8	State Street Bank & Trust Company 505223	2,256	1.14
9	Shikoku Railway Company	2,165	1.10
10	The Gibraltar Life Insurance Co., Ltd. (J-REIT Account)	1,918	0.97
	Total	100,967	51.33

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

2. Portfolio Management Standards Based on Basic Policy

Holding Period

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

Acquisition Standards

A) Acquisition Standards

In acquiring investment assets, PIC shall fully consider numerous factors including the real estate market situation over the medium to long term, the investment returns assumed from the acquisition prices of and the expected income from relevant investment assets, fluctuations in asset

values and their forecasted fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, capability to withstand earthquakes, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, and status of insurance. Investments shall be selected after considering such factors and the importance of these assets in the portfolio structure, and steps shall be taken to construct a portfolio that clearly classifies the strategic position of these investment assets.

B) Use

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

b. In consideration of the characteristics of each real estate use indicated in the table on the following page, PIC aims to ensure diversification of property uses by

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

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

C) Areas

a. As noted above, PIC's investments are focused primarily in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation.

b. Specifically, by dividing the Tokyo Economic Bloc into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo and the Surrounding City Area, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a diversified portfolio of office buildings and residential properties. The ideal portfolio balance over the medium to long term is 60% of invested funds in office buildings and 40% in residential properties. The table on page 20 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

Use

Use	Key Investment Points <small>(Note 1)</small>
Office Buildings	<div><div>a.</div><div>In the real estate market of Japan, office buildings are relatively less individualized and are in greater supply compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned said real estate as its primary investment target.</div></div> <div><div>b.</div><div>Tenant demand for office space may fluctuate in response to economic trends that include business cycles. This might adversely affect PIC's earnings derived from office buildings. However, compared to real estate for other uses, office buildings are generally expected to provide relatively higher levels of profitability.</div></div> <div><div>c.</div><div>PIC will acquire large-scale office buildings with great care, after thoroughly considering future supply and demand trends and location characteristics.</div></div>
Residential Properties	<div><div>a.</div><div>PIC invests in relatively high-quality Japanese rental residential properties with regard to designs of exteriors, entrances and other common areas; specifications of story height, exterior walls and other similar areas; total floor space, floor plans, and other aspects.</div></div> <div><div>b.</div><div>Rental residential properties are relatively resistant to the adverse effects of changes in social or economic conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. For these reasons, PIC has positioned such rental residential properties as part of the main investment target with the goals of establishing cash flow and diversifying assets.</div></div> <div><div>c.</div><div>PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will grow and expand over the medium to long term due to the effects of the recent demand for urban revitalization and lifestyle changes. However, if PRA determines that the aforementioned trends have changed due to changes in the market or other reasons, PIC may make different investment decisions.</div></div> <div><div>d.</div><div>Since tenants of rental residential properties are particularly selective about location, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends for different types of properties.</div></div>
<div>(Classification by type of residential properties)</div> <div>Wide</div>	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</div><div>This type refers to residential properties primarily intended for foreigners (i.e., executives dispatched or assigned by Western and multinational companies from overseas to offices located in the Tokyo Economic Bloc), specially planned in specific locations according to the demands of foreign residents' lifestyles.</div></div> <div><div>c.</div><div>Recently, the demand for these properties has increased among wealthy Japanese families as well. Like those described in b. above, these tenants are highly reliable compared to those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants tends to be low.</div></div> <div><div>d.</div><div>Because this type of property is in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected. Also, differences in profitability may arise regarding investments in said properties due to management performance.</div></div>
Family	<div><div>a.</div><div>Targeted investment area: The 23 Wards of Tokyo and surrounding city area.</div></div> <div><div>b.</div><div>This type refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children), and are designed to meet their lifestyles.</div></div> <div><div>c.</div><div>Generally, these families tend to place emphasis on neighborhood and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.</div></div>
DINKs	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</div><div>This type refers to residential properties intended for young households (without children) where both partners work, and are designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.")</div></div> <div><div>c.</div><div>Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties are in short supply in such areas and said households earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div></div>
Single	<div><div>a.</div><div>Targeted investment area: Five Central Wards of Tokyo and adjacent wards.</div></div> <div><div>b.</div><div>This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div></div> <div><div>c.</div><div>Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties may be considered stable targets for future investments as well.</div></div> <div><div>d.</div><div>Since the 5 Central Wards of Tokyo, especially Minato, Shibuya and Shinjuku Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</div></div>

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

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

(approximately 700 tsubos) or more, and standard floor sizes of approximately 300m² (approximately 90 tsubos) or more, are the investment targets.

b. Residential properties

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

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

E) Due Diligence ➡see table on page 21

PIC decides on the acquisition of investment assets after considering all the results of economic, physical and legal inspections of the assets. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each

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

F) Standards for Tenant Selection

➡see table below

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

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

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

G) Amount of Investment

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

b. The maximum ratio of the investment amount of a single investment asset will generally be 25% of the total amount invested in the investment assets after investing in that single asset, and an

Areas

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

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

Asset Size per Property

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

Standards for Tenant Selection

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

Due Diligence

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

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

3. Sales Standards

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

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

a. Strategic classifications

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

4. Policy for Investment in Development Projects

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

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

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

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

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

6. Insurance Policy

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

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

7. Financial Policy

A) Borrowings and Corporate Bonds

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

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

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

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

B) Issuance of Additional Investment Units

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

II. MANAGEMENT POLICY

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

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

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

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

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

III. DISCLOSURE POLICY

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

Standards for Selection of Property Manager

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



IV. DISTRIBUTION POLICY

■ Distribution of Profits

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

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

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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

Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheet as at April 30, 2013, and the profit and loss statements, statements of changes in unitholders' equity and statements of cash flows for the six months period then ended, all expressed in Japanese yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2013, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

July 29, 2013

PricewaterhouseCoopers Aarata
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BALANCE SHEETS

AS OF APRIL 30, 2013 AND OCTOBER 31, 2012

	Thousands of yen	
	April 30, 2013	October 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-13)	¥ 1,638,412	¥ 1,282,239
Cash and deposits held in trust (Note-3) (Note-13)	9,011,796	9,100,170
Tenant receivables	74,660	96,807
Prepaid expenses	190,314	166,608
Income taxes refund receivables	60,364	57,014
Deferred tax assets (Note-9)	2,744	1,492
Other current assets	11,578	26,026
TOTAL CURRENT ASSETS	10,989,871	10,730,358
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	73,434,934	73,204,552
Structures held in trust (Note-4)	1,619,330	1,613,541
Tools, furniture and fixtures held in trust (Note-4)	203,431	192,922
Less accumulated depreciation	(15,914,072)	(14,790,243)
Land held in trust (Note-4)	113,322,467	113,319,930
Property and equipment, net	172,666,237	173,540,848
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	2,390	2,691
Intangible fixed assets	2,851	3,130
Total intangible fixed assets	1,782,843	1,783,424
Investment and other assets		
Investment Securities (Note-13) (Note-14)	14,378,482	14,378,482
Other deposits	10,000	10,000
Long-term prepaid expenses	225,677	231,179
Other deposits held in trust	604,365	604,365
New investment unit issuance costs	11,999	18,122
Corporate bond issuance costs	2,828	8,485
Total investment and other assets	15,233,352	15,250,634
TOTAL LONG-TERM ASSETS	189,682,434	190,574,907
TOTAL ASSETS	¥ 200,672,305	¥ 201,305,265

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

	Thousands of yen	
	April 30, 2013	October 31, 2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 546,988	¥ 538,288
Short-term loan payable (Note-7) (Note-13)	7,500,000	10,900,000
Long-term loan payable due within one year (Note-7) (Note-13)	9,150,000	14,900,000
Corporate bonds payable due within one year (Note-6) (Note-13)	7,000,000	7,000,000
Accrued expenses	211,418	232,061
Distributions payable	12,679	11,706
Income taxes payable	1,061	553
Consumption taxes payable	31,719	111,858
Business office taxes payable	7,217	4,078
Rents received in advance	830,584	813,851
Deposits received	50,819	33,002
Total current liabilities	25,342,489	34,545,401
LONG-TERM LIABILITIES		
Long-term loan payable (Note-7) (Note-13)	82,087,500	73,412,500
Tenant security deposits held in trust	5,493,718	5,618,730
Total long-term liabilities	87,581,218	79,031,230
TOTAL LIABILITIES	112,923,707	113,576,632
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	85,644,448	85,644,448
Units authorized - 2,000,000 units		
Units issued and outstanding - 196,699 units as of April 30, 2013 and October 31, 2012		
Retained earnings		
Reserve for reduction entry	100,653	100,653
Unappropriated income	2,003,496	1,983,531
Total unitholders' equity	87,748,597	87,728,633
TOTAL NET ASSETS	87,748,597	87,728,633
TOTAL LIABILITIES AND NET ASSETS	¥ 200,672,305	¥ 201,305,265

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2013 AND OCTOBER 31, 2012

	Thousands of yen	
	April 30, 2013	October 31, 2012
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 5,269,033	¥ 5,284,720
Other revenue (Note-8)	624,563	641,426
Dividend income	303,666	284,299
Operating expenses		
Property-operating expenses (Note-8)	2,993,621	2,994,557
Asset management fees	240,999	239,496
Directors' compensation	9,000	9,000
Custodian fees	9,461	9,502
Administration fees	82,208	72,497
Audit fees	8,500	8,500
Other expenses	97,637	103,907
Operating income	2,755,834	2,772,984
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	1,018	1,028
Return of unclaimed distribution	1,402	1,380
Other non-operating income	100	823
Non-operating expenses		
Interest expense	706,597	694,564
Interest expenses on corporate bonds	33,613	83,871
Amortization of corporate bond issuance costs	5,657	5,657
Amortization of new investment unit issuance costs	6,122	6,122
Other non-operating expenses	1,827	922
Ordinary income	2,004,536	1,985,078
Income before income taxes	2,004,536	1,985,078
Income taxes (Note-9)		
Current	2,311	605
Deferred	(1,251)	990
Net income	2,003,477	1,983,482
Income carried forward	19	49
UNAPPROPRIATED INCOME	¥ 2,003,496	¥ 1,983,531

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 APRIL 30, 2013 AND OCTOBER 31, 2012

	Thousands of yen	
	April 30, 2013	October 31, 2012
UNITHOLDERS' EQUITY		
UNITHOLDERS' CAPITAL		
Balance at the beginning of the period	¥ 85,644,448	¥ 85,644,448
Changes during the period	-	-
Total changes during the period	-	-
Balance at the end of the period	85,644,448	85,644,448
RETAINED EARNINGS		
Reserve for reduction entry		
Balance at the beginning of the period	100,653	-
Changes during the period		
Provision of reserve for reduction entry	-	100,653
Total changes during the period	-	100,653
Balance at the end of the period	100,653	100,653
Unappropriated income		
Balance at the beginning of the period	1,983,531	2,179,024
Changes during the period		
Provision of reserve for reduction entry	-	(100,653)
Cash distributions paid	(1,983,512)	(2,078,321)
Net income	2,003,477	1,983,482
Total changes during the period	19,964	(195,492)
Balance at the end of the period	2,003,496	1,983,531
Total retained earnings		
Balance at the beginning of the period	2,084,185	2,179,024
Changes during the period		
Cash distributions paid	(1,983,512)	(2,078,321)
Net income	2,003,477	1,983,482
Total changes during the period	19,964	(94,839)
Balance at the end of the period	2,104,149	2,084,185
TOTAL UNITHOLDERS' EQUITY		
Balance at the beginning of the period	87,728,633	87,823,472
Changes during the period		
Issuance of new investment units	(1,983,512)	(2,078,321)
Net income	2,003,477	1,983,482
Total changes during the period	19,964	(94,839)
Balance at the end of the period	87,748,597	87,728,633
TOTAL NET ASSETS		
Balance at the beginning of the period	87,728,633	87,823,472
Changes during the period		
Cash distributions paid	(1,983,512)	(2,078,321)
Net income	2,003,477	1,983,482
Total changes during the period	19,964	(94,839)
Balance at the end of the period	¥ 87,748,597	¥ 87,728,633

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2013 AND OCTOBER 31, 2012

	Thousands of yen	
	April 30, 2013	October 31, 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,004,536	¥ 1,985,078
Depreciation	1,125,183	1,117,459
Amortization of corporate bond issuance costs	5,657	5,657
Amortization of new investment unit issuance costs	6,122	6,122
Interest income	(1,018)	(1,028)
Refund of unpaid distributions	(1,402)	(1,380)
Interest expenses	740,211	778,435
Decrease (Increase) in tenant receivables	22,147	(7,612)
Increase (Decrease) in accounts payable	8,467	(17,591)
Decrease in consumption taxes refund receivables	-	261,724
(Decrease) Increase in consumption taxes payable	(80,138)	111,858
Increase (Decrease) in rent received in advance	16,733	(49,023)
Other	21,441	(36,085)
SUBTOTAL	3,867,941	4,153,614
Interest received	1,018	1,028
Interest paid	(765,097)	(776,040)
Income taxes paid	(5,153)	(318)
Net cash provided by operating activities	3,098,709	3,378,283
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(249,745)	(225,880)
Proceeds from tenant security deposits held in trust	183,283	276,262
Payments of tenant security deposits held in trust	(308,296)	(415,570)
Other	(14)	14,861
Net cash used in investing activities	(374,771)	(350,326)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	2,000,000	5,500,000
Proceeds from long-term loan payable	13,750,000	10,000,000
Repayments of short-term loan payable	(5,400,000)	(6,500,000)
Repayments of long-term loan payable	(10,825,000)	(75,000)
Redemption of corporate bonds	-	(10,000,000)
Payments of distributions	(1,981,138)	(2,075,787)
Net cash (used in) provided by financing activities	(2,456,138)	(3,150,787)
NET CHANGE IN CASH AND CASH EQUIVALENTS	267,799	(122,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,382,410	10,505,240
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 10,650,209	¥ 10,382,410

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2013 AND OCTOBER 31, 2012

Note-1. Organization and basis of presentation

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

Status of equity financing is as follows:

Date	Description	Total Number of Investment Units Issued and Outstanding		Unitholders' Capital (thousands of yen)	
		Increase (Decrease)	Balance	Increase (Decrease)	Balance
May 2, 2002	Incorporation through private placement	400 units	400 units	200,000	200,000
September 10, 2002	Capital increase through public offering	59,000 units	59,400 units	27,187,200	27,387,200
November 15, 2003	Capital increase through public offering	18,000 units	77,400 units	8,699,904	36,087,104
December 10, 2003	Capital increase through third-party allotment	2,000 units	79,400 units	966,656	37,053,760
May 31, 2005	Capital increase through public offering	22,000 units	101,400 units	14,381,092	51,434,852
November 26, 2007	Capital increase through public offering	30,000 units	131,400 units	17,510,460	68,945,312
May 14, 2010	Capital increase through third-party allotment	8,700 units	140,100 units	3,012,592	71,957,904
November 14, 2011	Capital increase through public offering	53,000 units	193,100 units	12,816,248	84,774,152
December 12, 2011	Capital increase through third-party allotment	3,599 units	196,699 units	870,295	85,644,448

As of April 30, 2013, PIC had total unitholders' capital of 85,644,448 thousand yen with 196,699 units outstanding.

As of April 30, 2013, PIC owned a portfolio of 21 office buildings, 32 residential properties and preferred securities of an SPC (54 properties in total). Total acquisition costs of those properties were 196,544,826 thousand yen.

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

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

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

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

Note-2. Summary of significant accounting policies

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

(b) Valuation standard and method for securities –
Available-for-sale securities - Private securities without fair market value are stated at cost being determined by the moving average method.

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

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

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

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

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

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

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

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. There were no capitalized property-related taxes for the six months ended April 30, 2013 and October 31, 2012, respectively.

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

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

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

Note-3. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2013 and October 31, 2012 consisted of the following:

	Thousands of yen	
	April 30, 2013	October 31, 2012
Cash and deposits	¥ 1,638,412	¥ 1,282,239
Cash and deposits held in trust	9,011,796	9,100,170
CASH AND CASH EQUIVALENTS	¥ 10,650,209	¥ 10,382,410

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

Property and equipment and intangible fixed assets held in trust as of April 30, 2013 and October 31, 2012 consisted of the following:

	Thousands of yen					
	April 30, 2013			October 31, 2012		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 73,434,934	¥ 15,153,608	¥ 58,281,326	¥ 73,204,552	¥ 14,078,163	¥ 59,126,388
Structures	1,619,330	600,694	1,018,635	1,613,541	562,929	1,050,612
Tools, furniture and fixtures	203,431	159,624	43,807	192,922	149,005	43,917
Land	113,322,467	-	113,322,467	113,319,930	-	113,319,930
SUBTOTAL	188,580,164	15,913,927	172,666,237	188,330,946	14,790,098	173,540,848
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	4,462	2,072	2,390	4,462	1,771	2,691
SUBTOTAL	1,782,065	2,072	1,779,992	1,782,065	1,771	1,780,293
TOTAL	¥ 190,362,229	¥ 15,915,999	¥ 174,446,229	¥ 190,113,011	¥ 14,791,869	¥ 175,321,142

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

Corporate bonds for the six months ended April 30, 2013 and October 31, 2012 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2013 (Amount)	October 31, 2012 (Amount)	
Unsecured bond No.3 (issued on August 18, 2010 and due on August 16, 2013)	¥ 7,000,000	¥ 7,000,000	0.97
TOTAL	¥ 7,000,000	¥ 7,000,000	-

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

Short-term and long-term loans as of April 30, 2013 and October 31, 2012 consisted of the following:

	April 30, 2013		October 31, 2012	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on November 16, 2012 with floating rate ^{*1}	¥ -	-	¥ 5,400,000	0.93902
Unsecured loan due on May 17, 2013 with floating rate	2,000,000	0.85412	2,000,000	0.90380
Unsecured loan due on July 26, 2013 with floating rate	3,500,000	0.80412	3,500,000	0.79926
Unsecured loan due on November 15, 2013 with floating rate	2,000,000	0.77060	-	-
SUBTOTAL	7,500,000	-	10,900,000	-
LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on May 22, 2014 with floating rate ^{*2}	150,000	1.90412	150,000	1.93360
Unsecured loan due on February 28, 2013 with fixed rate	-	-	2,850,000	2.08000
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.23875	1,000,000	2.23875
Unsecured loan due on March 27, 2013 with fixed rate	-	-	7,900,000	1.60500
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08125	3,000,000	2.08125
Unsecured loan due on March 7, 2014 with fixed rate	5,000,000	1.05500	-	-
SUBTOTAL	9,150,000	-	14,900,000	-
LONG-TERM LOANS				
Unsecured loan due on May 22, 2014 with floating rate ^{*2 *3}	2,287,500	1.90412	2,362,500	1.93360
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.72750	3,900,000	1.72750
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14250	8,000,000	1.14250
Unsecured loan due on May 20, 2014 with fixed rate	3,400,000	1.36125	3,400,000	1.36125
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39250	6,500,000	1.39250
Unsecured loan due on November 18, 2014 with fixed rate	12,000,000	1.16500	12,000,000	1.16500
Unsecured loan due on December 8, 2015 with fixed rate	11,000,000	1.29375	11,000,000	1.29375
Unsecured loan due on December 8, 2016 with fixed rate	9,000,000	1.43375	9,000,000	1.43375
Unsecured loan due on August 31, 2016 with fixed rate	2,250,000	1.34525	2,250,000	1.34525
Unsecured loan due on March 7, 2014 with fixed rate	-	-	5,000,000	1.05500
Unsecured loan due on September 5, 2018 with fixed rate	5,000,000	1.21000	5,000,000	1.21000
Unsecured loan due on September 5, 2017 with fixed rate	5,000,000	0.95375	5,000,000	0.95375
Unsecured loan due on November 16, 2017 with fixed rate	3,000,000	0.98250	-	-
Unsecured loan due on February 28, 2019 with fixed rate	2,850,000	1.02875	-	-
Unsecured loan due on March 27, 2018 with fixed rate	7,900,000	0.88250	-	-
SUBTOTAL	82,087,500	-	73,412,500	-
TOTAL	¥ 98,737,500	-	¥ 99,212,500	-

*1 PIC repaid 1,200 million yen on December 16, 2011 and 1,000 million yen on August 31, 2012, before their maturity date (7,600 million yen in total).

*2 The loan calls for divided repayments upon arranged dates, and thus has been separated into Long-term loans payable due within one year and Long-term loans in accordance with the principal repayment conditions described in*3. The average interest rate of the loan has been entered in the relevant column for the Long-term loans.

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

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 five years beginning May 1, starting in 2014 are as follows:

(thousands of yen)		
2014	¥	17,687,500
2015		29,400,000
2016		11,250,000
2017		15,900,000
2018		7,850,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2013 and October 31, 2012 were as follows:

	Thousands of yen	
	April 30, 2013	October 31, 2012
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,452,423	¥ 4,464,957
Common area charge	816,609	819,762
Subtotal	5,269,033	5,284,720
Other revenue		
Parking fees	150,600	153,066
Facility fees	40,114	36,115
Incidental revenue	294,468	336,895
Miscellaneous income	139,379	115,349
Subtotal	624,563	641,426
TOTAL REAL ESTATE RENTAL REVENUE	5,893,596	5,926,147
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	685,090	688,575
Utilities	347,662	379,428
Real estate taxes	415,842	416,671
Insurance	12,605	13,685
Maintenance and repairs	225,799	200,242
Trust fees	46,022	50,008
Depreciation	1,124,130	1,116,419
Miscellaneous expenses	136,468	129,527
TOTAL REAL ESTATE RENTAL EXPENSES	2,993,621	2,994,557
REAL ESTATE RENTAL INCOME	¥ 2,899,974	¥ 2,931,589

Note-9. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2013 and October 31, 2012:

	April 30, 2013	October 31, 2012
Statutory tax rate	36.59%	36.59%
Adjustments		
Deductible cash distributions	(36.56)	(36.54)
Other	0.03	0.03
EFFECTIVE TAX RATE	0.05%	0.08%

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of April 30, 2013 and October 31, 2012 were as follows:

	Thousands of yen	
	April 30, 2013	October 31, 2012
Deferred tax assets		
Enterprise taxes	¥ 2,744	¥ 1,492
Total of Deferred tax assets	2,744	1,492
NET DEFERRED TAX ASSETS	¥ 2,744	¥ 1,492

Note-10. Per unit information

The following table summarizes the net assets per unit as of April 30, 2013 and October 31, 2012 and the net income per unit for the six months ended April 30, 2013 and October 31, 2012:

	April 30, 2013	October 31, 2012
Net assets per unit	¥ 446,105	¥ 446,004
Net income per unit	10,185	10,083

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

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

	Thousands of yen	
	April 30, 2013	October 31, 2012
Net income	¥ 2,003,477	¥ 1,983,482
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,003,477	1,983,482
Average number of units during the period	196,699 units	196,699 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2013 and October 31, 2012.

Note-11. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of April 30, 2013 and October 31, 2012, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2013	October 31, 2012
Due within one year	¥ 402,960	¥ 358,838
Due after one year	2,303,049	2,283,290
TOTAL	¥ 2,706,009	¥ 2,642,129

Note-12. Distribution information

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

In accordance with this policy, PIC declared on a total distribution of 2,003,379,315 yen as distribution of income for the 21st fiscal period (payment to start on July 8, 2013). This is the maximum value arrived at when the number of units outstanding (196,699 units) is multiplied by an integer, within the limit of the unappropriated retained earnings for the 21st fiscal period. And PIC declared a total distribution of 1,983,512,716 yen as distribution of income for the 20th fiscal period (payment starting on January 15, 2013), it was the maximum value arrived at when the number of units outstanding (196,699 units) was multiplied by an integer, within the limit of the unappropriated retained earnings as of the end of the fiscal period after deducting the reserve for reduction entry, which is defined in Article 66-2 of the Special Taxation Measures Law.

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

Income carried forward after the distributions for the six months ended April 30, 2013 and October 31, 2012 were as follows:

	April 30, 2013	October 31, 2012
Unappropriated income	¥ 2,003,496,338	¥ 1,983,531,894
Cash distributions declared	2,003,379,315	1,983,512,716
(Cash distribution declared per unit)	(10,185)	(10,084)
INCOME CARRIED FORWARD	¥ 117,023	¥ 19,178

Note-13. Financial instruments

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

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

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

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

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

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

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

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

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

(b) Items concerning fair value of financial instruments -

The book values recorded on the balance sheet, fair values and their difference as of April 30, 2013 and October 31, 2012 were as follows:

	Thousands of yen					
	April 30, 2013			October 31, 2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 1,638,412	¥ 1,638,412	¥ -	¥ 1,282,239	¥ 1,282,239	¥ -
(2) Cash and deposits held in trust	9,011,796	9,011,796	-	9,100,170	9,100,170	-
TOTAL ASSETS	¥ 10,650,209	¥ 10,650,209	¥ -	¥ 10,382,410	¥ 10,382,410	¥ -
Liabilities						
(3) Short-term loans	¥ 7,500,000	¥ 7,500,000	¥ -	¥ 10,900,000	¥ 10,900,000	¥ -
(4) Long-term loans payable due within one year	9,150,000	9,190,404	40,404	14,900,000	15,009,294	109,294
(5) Corporate bonds payable due within one year	7,000,000	7,009,870	9,870	7,000,000	7,016,730	16,730
(6) Long-term loans	82,087,500	82,648,308	560,808	73,412,500	73,997,396	584,896
TOTAL LIABILITIES	¥ 105,737,500	¥ 106,348,583	¥ 611,083	¥ 106,212,500	¥ 106,923,421	¥ 710,921

*1 The following methods are used to estimate the fair value of financial instruments:
(1) **Cash and deposits, and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) **Short-term loan** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(4) **Long-term loans payable due within one year and (6) long-term loans** - 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.
(5) **Corporate bonds payable due within one year** - Fair values of these instruments are calculated based on their market prices.
*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:
Investment securities - The preferred securities (recorded on the Balance Sheets at 14,378,482 thousand yen) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.
*3 Planned redemption amount of monetary claims for the following five years as of April 30, 2013 and October 31, 2012, are as follows:

	Thousands of yen					
	April 30, 2013					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(1) Cash and deposits	¥ 1,638,412	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,011,796	-	-	-	-	-
TOTAL	¥ 10,650,209	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	October 31, 2012					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(1) Cash and deposits	¥ 1,282,239	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,100,170	-	-	-	-	-
TOTAL	¥ 10,382,410	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds for the following five years as of April 30, 2013 and October 31, 2012, are as follows:

	Thousands of yen					
	April 30, 2013					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans	¥ 7,500,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	9,150,000	-	-	-	-	-
(5) Corporate bonds payable due within one year	7,000,000	-	-	-	-	-
(6) Long-term loans	-	17,687,500	29,400,000	11,250,000	15,900,000	7,850,000
TOTAL	¥ 23,650,000	¥ 17,687,500	¥ 29,400,000	¥ 11,250,000	¥ 15,900,000	¥ 7,850,000

	Thousands of yen					
	October 31, 2012					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans	¥ 10,900,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	14,900,000	-	-	-	-	-
(5) Corporate bonds payable due within one year	7,000,000	-	-	-	-	-
(6) Long-term loans	-	10,762,500	30,400,000	13,250,000	14,000,000	5,000,000
TOTAL	¥ 32,800,000	¥ 10,762,500	¥ 30,400,000	¥ 13,250,000	¥ 14,000,000	¥ 5,000,000

Note-14. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flow from Real Estate Property managed by UDX Special Purpose Company. PIC owns 39,480 units (14.0% equity) of the preferred securities (282,000 units in total).

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

Note-15. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheet as of April 30, 2013 and October 31, 2012, the variations during the fiscal periods and their fair values are as follows:

	Thousands of yen							
	April 30, 2013				October 31, 2012			
	Book value at November 1, 2012	Increase and Decrease during the period	Book value at April 30, 2013	Fair value at April 30, 2013	Book value at May 1, 2012	Increase and Decrease during the period	Book value at October 31, 2012	Fair value at October 31, 2012
Office buildings	¥ 97,448,700	¥ (270,353)	¥ 97,178,347	¥ 94,060,000	¥ 97,779,724	¥ (331,024)	¥ 97,448,700	¥ 95,190,000
Residential properties	77,869,750	(604,258)	77,265,491	68,069,000	78,455,986	(586,236)	77,869,750	68,259,000
TOTAL	¥ 175,318,450	¥ (874,611)	¥ 174,443,839	¥ 162,129,000	¥ 176,235,711	¥ (917,260)	¥ 175,318,450	¥ 163,449,000

*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 2,390 thousand yen and 2,691 thousand yen as of April 30, 2013 and October 31, 2012) are not included.
*2 Major increases in the fiscal period ended April 30, 2013 are due to the capital expenditures (249,217 thousand yen) for renovation of air conditioning system at IPB Ochanomizu Building, and major decreases are due to depreciation (1,123,828 thousand yen). Major increases in the fiscal period ended October 31, 2012 are due to the capital expenditures (198,803 thousand yen) for renewal of the entrance hall at Landic Shimbashi 2 Building, and major decreases are due to depreciation (1,116,117 thousand yen).
*3 The fair values at the end of the fiscal period in the above table are appraisal values based on external real estate appraisers.

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended April 30, 2013 and October 31, 2012 are as follows:

	Thousands of yen					
	November 1, 2012 to April 30, 2013			May 1, 2012 to October 31, 2012		
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income
Office buildings	¥ 3,404,147	¥ 1,661,278	¥ 1,742,869	¥ 3,453,797	¥ 1,666,478	¥ 1,787,319
Residential properties	2,489,449	1,332,343	1,157,105	2,472,349	1,328,079	1,144,270
TOTAL	¥ 5,893,596	¥ 2,993,621	¥ 2,899,974	¥ 5,926,147	¥ 2,994,557	¥ 2,931,589

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

Note-16. Segment information

(a) Segment information -

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

(b) Related information -

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

Note-17. Subsequent events

(a) Acquisition of property -

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

- On May 10, 2013, Trust beneficiary interest in Urbannet Irifune Building for 2,900 million yen. The acquisition was financed with cash on hand and a loan described below. This Office building located at 3-2-10 Irifune, Chuo Ward, Tokyo has an area of 830.11m², total floor space of 6,058.22m², and total leasable space of 4,037.67m². The construction was completed in July 1990.

(b) Loan -

PIC borrowed 2,500 million yen on May 10, 2013 in order to fund the acquisition of the trust beneficiary interest in Urbannet Irifune Building that was acquired on May 10, 2013 (as described in the above Acquisition of property).

The lender and other information on this loan are as indicated below:

- Under unsecured and unguaranteed loan agreement with Sumitomo Mitsui Trust Bank, Limited effective May 8, 2013, PIC received 2,500 million yen on May 10, 2013. The interest rate on the loan is TIBOR (for each interest calculation period) plus 0.40%, and the loan will mature on May 9, 2014.

(c) Issuance of corporate bonds -

PIC issued the following corporate bonds on July 25, 2013 in order to fund repayment of existing short-term loans.

Name of corporate bonds	Premier Investment Corporation No.4 Unsecured Corporate Bonds (subject to a limited pari passu clause between specified corporate bonds)
Total issue price	7,500 million yen
Collateral	Unsecured and unguaranteed
Maturity	July 25, 2018 (5-year bonds)
Method of offering	Public offering
Interest rate	0.72% per annum
Interest payment dates	January 25 and July 25 of each year

OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED APRIL 30, 2013 AND OCTOBER 31, 2012

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 21st Fiscal Period	Amount Paid before the 21st Fiscal Period
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems, etc.	October 2007 – October 2016	129,041	-	80,550
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 – April 2015	33,750	794	12,212
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of elevator	August 2013 – October 2013	29,935	-	-
Nisso No.3 Building	Yokohama City, Kanagawa	Renovation of mechanical parking system	April 2013 - May 2013	20,801	-	-

2. Capital Expenditures during the 21st Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 21st fiscal period (November 1, 2012 – April 30, 2013) for the portfolio owned by PIC. Capital expenditures during the period totaled 249,217 thousand yen. This, combined with maintenance and repair expenditures of 225,799 thousand yen that were classified as operating expenses for the period, aggregating a total of 475,017 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
IPB Ochanomizu Building	Bunkyo Ward, Tokyo	Renovation of air conditioning systems	September 2012 - November 2012	64,145
YS Kaigan Building	Minato Ward, Tokyo	Renovation of air conditioning systems	September 2012 - November 2012	25,521
Ougaku Building	Chiyoda Ward, Tokyo	Renovation of sanitary facilities	November 2012 - December 2012	19,102
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Addition of air conditioning systems	December 2012 - January 2013	17,145
Landic Shimbashi Building 1	Minato Ward, Tokyo	Renovation of elevator hall, etc.	September 2012 - December 2012	12,580
Other construction	-	-	-	110,723
Total				249,217

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

(thousands of yen)					
Item \ Fiscal Period	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)	20th Fiscal Period (May 1, 2012 – October 31, 2012)	21st Fiscal Period (November 1, 2012 – April 30, 2013)
Deposits at end of the preceding period	297,445	345,941	360,264	375,917	390,240
Deposits made during the period	48,496	14,323	15,983	14,323	14,323
Amounts used from deposits during the period	-	-	330	-	-
Deposits carried forward to the next period	345,941	360,264	375,917	390,240	404,563

OVERVIEW OF FUND PROCUREMENT

1. Refinance and Repayment of Borrowings

- (i) Of the 5,400 million yen in a long-term loan borrowed on November 18, 2011, PIC refinanced 5,000 million yen into a short-term (2,000 million yen) and a long-term loan (3,000 million yen) on November 16, 2012, and repaid the remaining 400 million yen by using cash on hand.
- (ii) On February 28, 2013, PIC refinanced 2,850 million yen in a long-term loan borrowed on February 28, 2007 into a long-term loan for the same amount.
- (iii) On March 27, 2013, PIC refinanced 7,900 million yen in a long-term loan borrowed on March 27, 2008 into a long-term loan for the same amount.

2. Other Repayments

On November 30, 2012 and February 28, 2013, PIC respectively repaid 37.5 million yen in a long-term loan (divided repayments as agreed of a long-term loan borrowed from Development Bank of Japan Inc. on May 22, 2009) by using cash on hand.

As a result of the above, PIC’s interest-bearing liabilities totaled 105,737.5 million yen as of April 30, 2013. The breakdown is as follows:

7,500 million yen in short-term loans, 91,237.5 million yen in long-term loans (including long-term loans due within one year) and 7,000 million yen in corporate bond due within one year. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 92.9%.

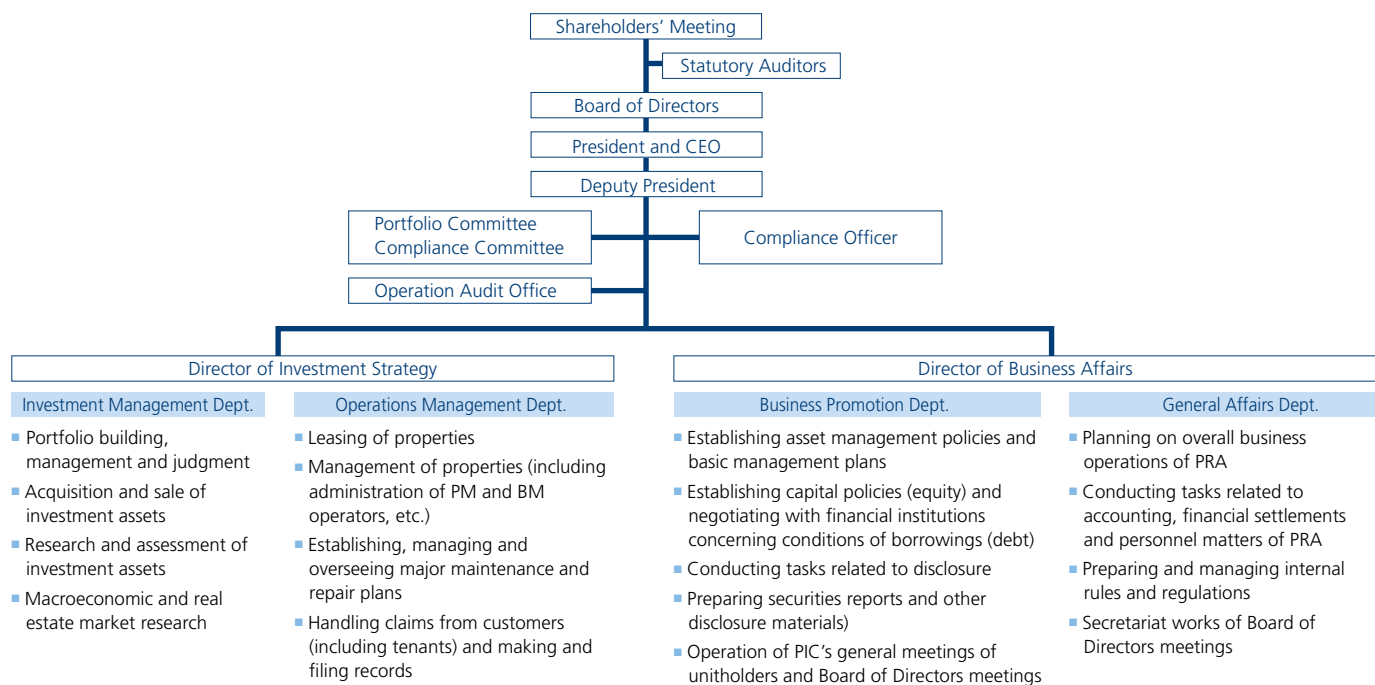
Details of the Refinancing in the 21st Fiscal Period

	Short-term loan	Long-term loan		
	Term Loan 034	Term Loan 035	Term Loan 036	Term Loan 037
Loan Amount	2,000 million yen	3,000 million yen	2,850 million yen	7,900 million yen
Lenders	■ Mizuho Corporate Bank, Ltd. ■ Mitsubishi UFJ Trust and Banking Corporation ■ Sumitomo Mitsui Banking Corporation	■ Development Bank of Japan Inc. ■ Mizuho Corporate Bank, Ltd. ■ Sumitomo Mitsui Banking Corporation ■ Mitsubishi UFJ Trust and Banking Corporation	■ Resona Bank, Limited ■ Mitsui Sumitomo Insurance Company, Limited	■ Sumitomo Mitsui Trust Bank, Limited ■ Sumitomo Mitsui Banking Corporation ■ The Bank of Tokyo-Mitsubishi UFJ, Ltd. ■ Resona Bank, Limited ■ Aozora Bank, Ltd.
Use of Funds	Repayment of short-term loan	Repayment of short-term loan	Repayment of long-term loan	Repayment of long-term loan
Drawdown Date	November 16, 2012	November 16, 2012	February 28, 2013	March 27, 2013
Maturity Date	November 15, 2013	November 15, 2017	February 28, 2019	March 27, 2018
Repayment Period	1 year	5 years	6 years	5 years
Repayment Method	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity	Lump-sum repayment upon maturity
Interest Rate (p.a.), etc.	Floating rate: TIBOR + 0.45% corresponding to the respective interest periods	Fixed rate: 0.98250%	Fixed rate: 1.02875%	Fixed rate: 0.88250 %
Collateral/ Guarantee	Unsecured and non-guaranteed	Unsecured and non-guaranteed	Unsecured and non-guaranteed	Unsecured and non-guaranteed

ASSET MANAGER OVERVIEW

Trade name	Premier REIT Advisors Co., Ltd.
Line of business	Asset management business in accordance with the Financial Instruments and Exchange Act
President & CEO	Takahiro Okuda (taking office as of June 19, 2013)
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo
Paid-in capital	300 million yen (as of March 31, 2013)
Major shareholders and their shareholdings	NTT Urban Development Corporation (shareholding: 53.1%) The sole general real estate company within the NTT (Nippon Telegraph and Telephone Corporation) Group, with a stable financial base and high credibility as an NTT Group company.
	Ken Corporation Ltd. (shareholding: 30.0%) An integrated real estate think tank with strong expertise in brokerage, planning and management of high-grade rental residences primarily in central Tokyo.
	SOHGOH REAL ESTATE CO., LTD. (shareholding: 10.0%) A total solution provider in real estate that provides prime living spaces by taking advantage of its Group's comprehensive capabilities centering on condominium development services.
	Sumitomo Mitsui Trust Bank, Limited (shareholding: 4.9%) A leading trust bank claiming achievements in structured finance operations that are of the highest level among Japanese banks, and boasting brokerage results at the forefront of the real estate industry.

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



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