

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

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

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



SEMIANNUAL REPORT

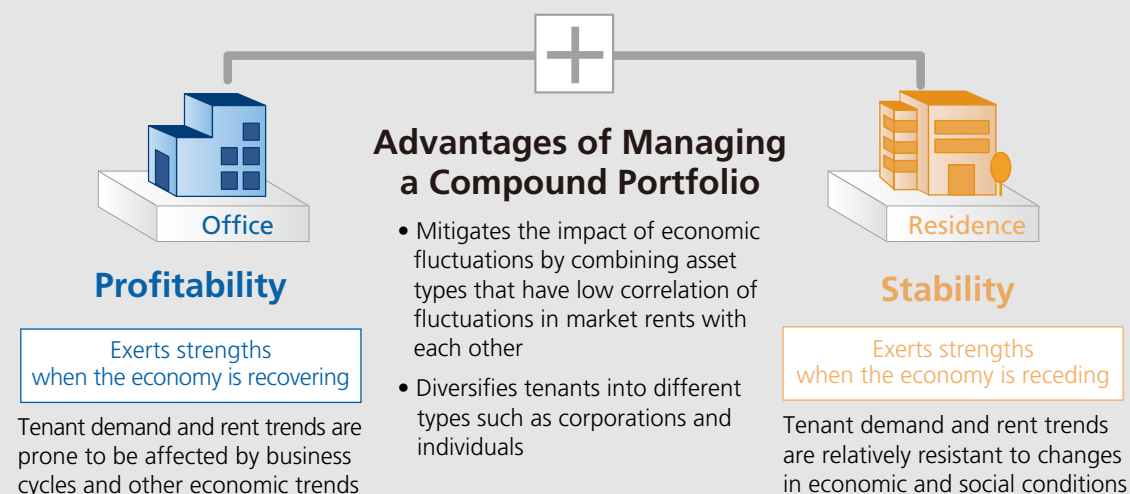
27TH FISCAL PERIOD
ENDED APRIL 30, 2016

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

NTT Urban Development

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

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

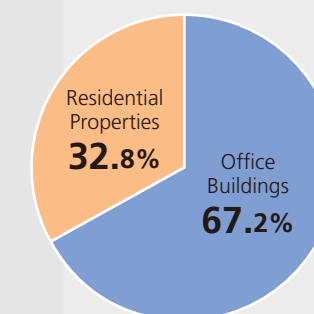


3. Focused Investment on Assets in the Tokyo Economic Bloc

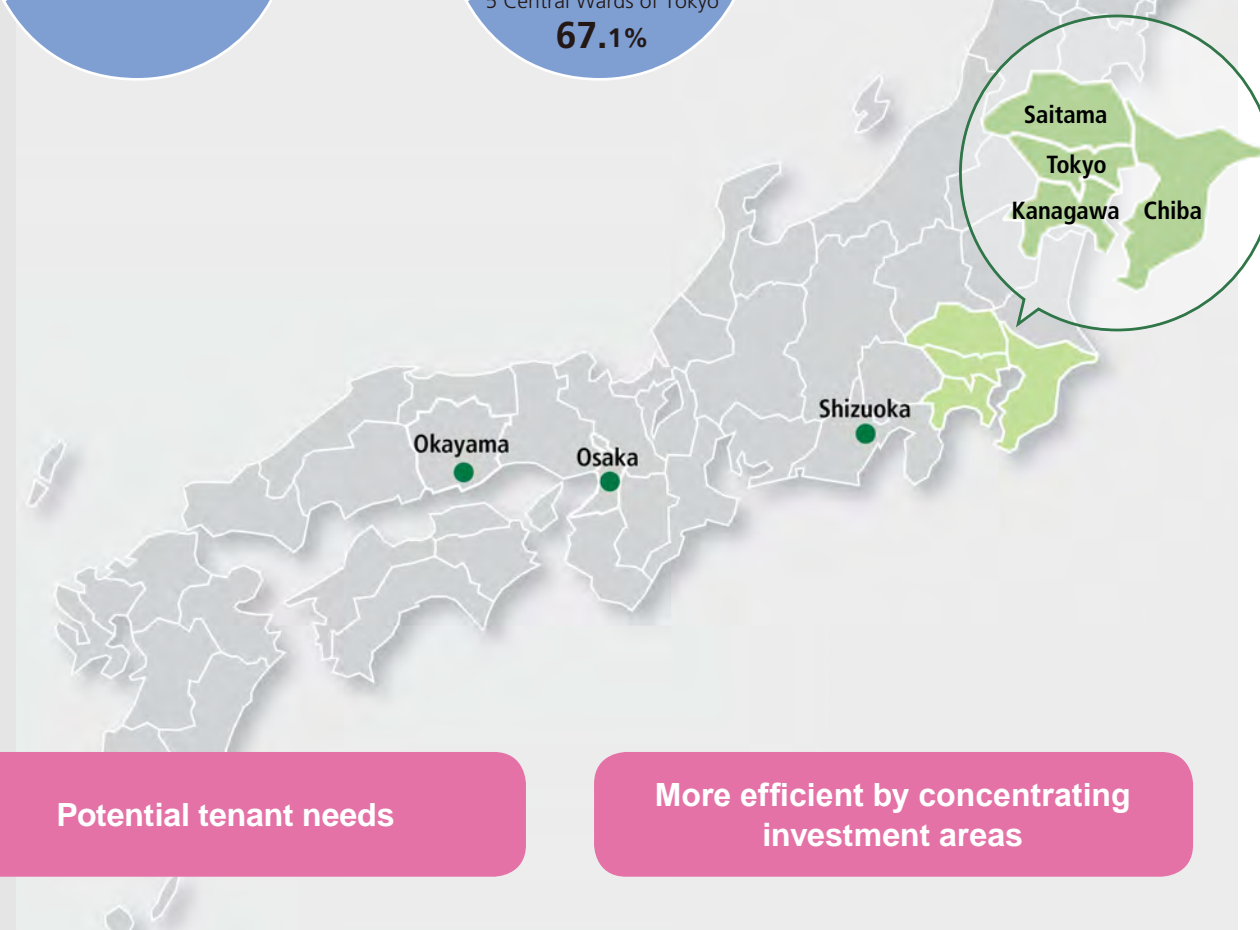
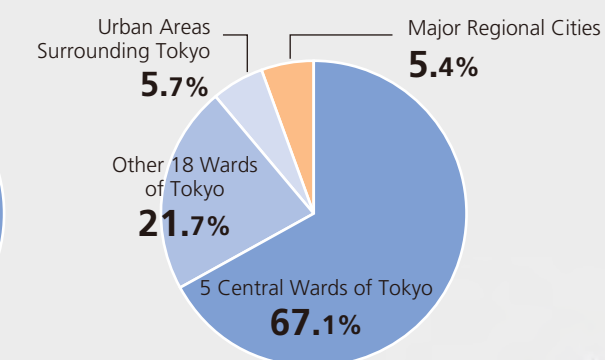
Investment Ratio of Portfolio and Portfolio Distribution (as of April 30, 2016)

(Note) The respective investment ratios are indicated on an acquisition price basis.

< By Asset Type >



< By Area >



Potential tenant needs

More efficient by concentrating investment areas

M

ESSAGE TO OUR UNITHOLDERS



Shuro Hoshizawa

Executive Director
Premier Investment Corporation (PIC)

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

PIC has continued to grow steadily through close coordination with NTT Urban Development Corporation (NTTUD), the main sponsor.

In the 27th fiscal period ended April 2016, we acquired 40% quasi co-ownership interest, in each of two office buildings owned by NTTUD for 2.7 billion yen in total in February 2016.

As a result, PIC's owned assets totaled 59 properties comprised of 28 office buildings and 31 residential properties as of the end of April 2016, with the asset size standing at 235.9

billion yen. The occupancy rate of the entire portfolio was 97.2% as of that date.

For the 27th fiscal period, PIC posted operating revenues of 8,094 million yen, up 0.2% period-on-period, and net income of 3,240 million yen, an increase of 3.8% from the previous fiscal period, thanks to such factors as the addition of revenues from the properties newly acquired in the fiscal period under review as well as the improved occupancy rates of the existing properties.

As for distribution per unit, PIC secured 2,460 yen that surpassed the forecast for the period (2,330 yen) announced in the Financial Report for the Fiscal Period Ended October

31, 2015 dated December 18, 2015.

Furthermore, PIC conducted a 5-for-1 split of its investment units, with November 1, 2015 set as the effective date, in order to create an environment where unitholders find it easier to invest in PIC and increase the liquidity of the investment units.

Going forward, we will continue our endeavors to further expand the asset size while working to enhance the quality of the portfolio as we aim to achieve stable management over the medium to long term. By doing so, we will put forth our utmost efforts to meet the expectations of our unitholders. We appreciate and request your continued support and encouragement of PIC.



Takahiro Okuda

President and CEO
Premier REIT Advisors Co., Ltd. (PRA)
Consolidated subsidiary of NTT Urban Development Corporation

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TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

Financial Results Highlights

| | | |
|--------------------------------------|--|--|
| Distribution per Unit (yen) (Note 1) | 26th Fiscal Period (ended October 2015) | ¥ 11,564 |
| | 27th Fiscal Period (ended April 2016) | ¥ 2,460 (after the 5-for-1 split of investment units) |
| | Forecast for 28th Fiscal Period (ending October 2016) (Note 2) | ¥ 2,450 |

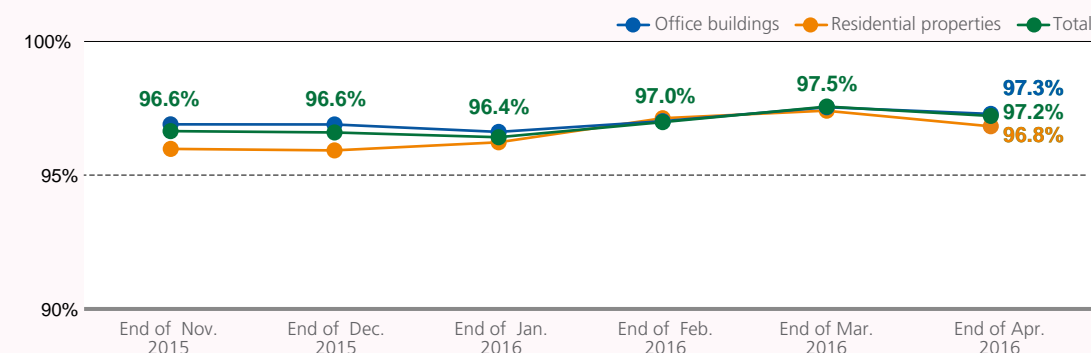
(Note 1) Number of outstanding investment units at end of period:
26th Fiscal Period: 263,399 units
27th Fiscal Period: 1,316,995 units*
28th Fiscal Period: 1,316,995 units (forecast)
* PIC implemented a 5-for-1 split of its investment units with November 1, 2015 as the effective date.

(Note 2) The figure is based on what was announced in the Financial Report for the 27th Fiscal Period Ended April 30, 2016 (November 1, 2015 – April 30, 2016) dated June 17, 2016.

| | 26th Fiscal Period (ended October 2015) | 27th Fiscal Period (ended April 2016) |
|----------------------------|--|--|
| Operating Revenues | 8,076 | 8,094 |
| Operating Income | 3,685 | 3,749 |
| Ordinary Income | 3,122 | 3,241 |
| Net Income | 3,120 | 3,240 |
| Total Assets | 237,733 | 240,017 |
| Net Assets | 123,656 | 123,850 |
| Net Assets Ratio | 52.0% | 51.6% |
| Net Assets per Unit (Note) | 93,892 yen | 94,040 yen |

(Note) PIC implemented a 5-for-1 split of its investment units with November 1, 2015 as the effective date. Accordingly, net assets per unit for the 26th fiscal period ended October 2015 have been calculated on the assumption that the split of investment units was conducted at the beginning of the said fiscal period.

Monthly Occupancy Rate for the 27th Fiscal Period



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

Events Undertaken in the 27th Fiscal Period

[Acquisition of Assets]

PIC acquired Urbannet Shizuoka Ote-machi Building and Urbannet Shizuoka Building on February 19, 2016.

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TOPICS IN THE 27TH FISCAL PERIOD

Reinforcement of Portfolio Profitability

| | | 26th fiscal period (actual) (as of October 31, 2015) | 27th fiscal period (actual) (as of April 30, 2016) |
|-----------|--|---|--|
| Portfolio | No. of properties | 57 properties | 59 properties |
| | Acquisition price | 233.2 billion yen | 235.9 billion yen |
| | Average building age | 19.8 years | 20.4 years |
| | Occupancy rate at end of period | 96.6% | 97.2% |
| | No. of tenants | 3,621 | 3,658 |
| | NOI yield ^(Note 1) | 4.9% | 5.0% |
| | Yield after depreciation ^(Note 2) | 3.8% | 3.8% |
| | Distribution by asset type | | |
| | Distribution by geographical area | | |
| | LTV (Loan To Value) ^(Note 3) | 46.5% | 46.9% |
| | Distribution per unit | 11,564 yen | 27th fiscal period: 2,460 yen (actual) ^(Note 4) 28th fiscal period: 2,450 yen (forecast) ^(Note 4) |

(Note 1) NOI yield is calculated by using the following formulas.
NOI yield = [annualized rental NOI (*) / investment value (**)] x 100
* Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned properties (including preferred securities) for each fiscal period
** Investment value = sum total of book value as of the end of each fiscal period of owned properties (including preferred securities) for each fiscal period

(Note 2) Yield after depreciation is calculated by using the following formulas.
Yield after depreciation = [annualized real estate rental income (*) / investment value (**)] x 100
* Annualized real estate rental income = sum total of [(real estate rental income + dividend income from preferred securities) x 2] for owned properties (including preferred securities) for each fiscal period
** Investment value = sum total of book value as of the end of each fiscal period of owned properties (including preferred securities) for each fiscal period

(Note 3) LTV (Loan To Value) = [interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital)] x 100

(Note 4) As PIC implemented a 5-for-1 split of its investment units with November 1, 2015 as the effective date, these figures have been calculated using the number of units outstanding of 1,316,995, the number after the split of investment units.

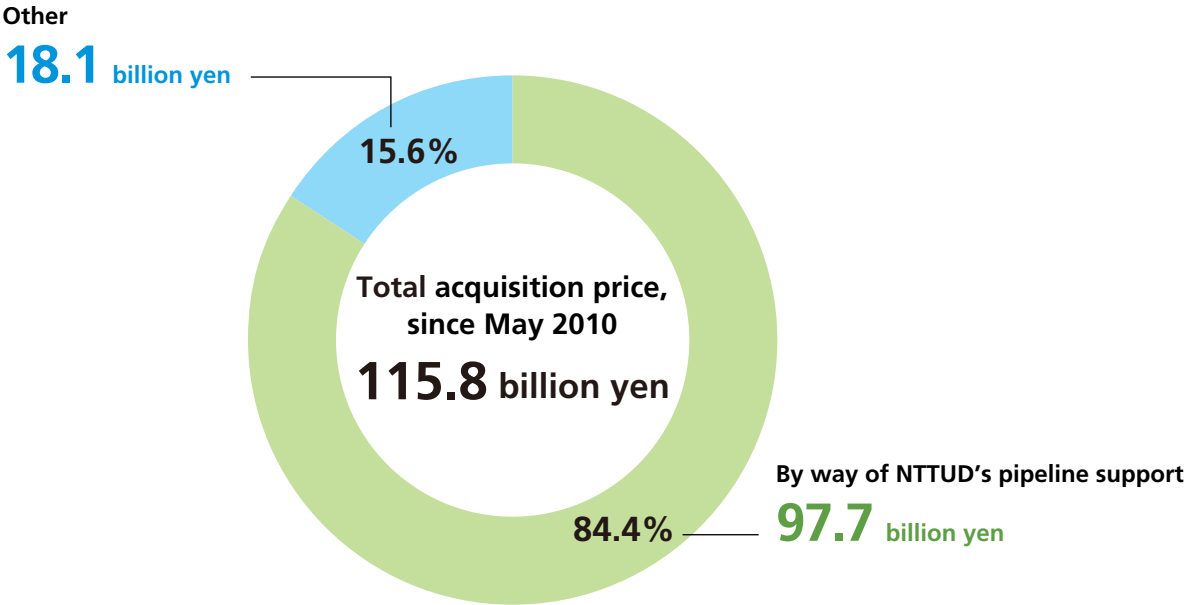
Property Acquisitions from NTTUD

PIC acquired two office buildings from NTTUD on February 19, 2016.

| | | |
|--|---|---|
| Acquired property | <div>Urbannet Shizuoka Ote-machi Building (40% quasi co-ownership interest)</div>  | <div>Urbannet Shizuoka Building (40% quasi co-ownership interest)</div>  |
| | Acquisition price | 1,628 million yen |
| Location | Shizuoka City, Shizuoka | Shizuoka City, Shizuoka |
| Occupancy rate (as of April 30, 2016) | 100.0% | 100.0% |

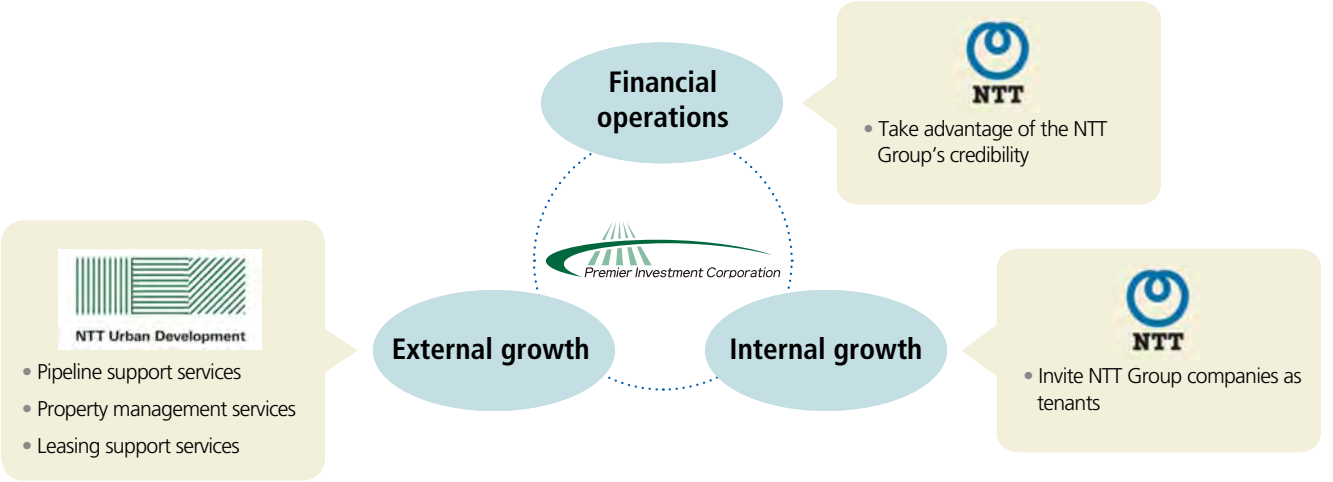
Results of Property Acquisitions (as of April 30, 2016)

PIC has acquired 17 properties (costing 97.7 billion yen in total) from NTTUD in approximately 6 years since the 16th fiscal period ended May 2010.



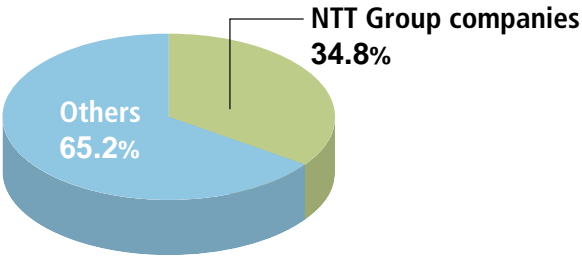
Multi-faceted Collaboration with the NTT Group

PIC aims to achieve growth by building on the synergy with the NTT Group.



Ratio of NTT Group Companies as Tenants of PIC's Office Buildings (as of April 30, 2016)

Utilizing its relationship with the NTT Group, PIC works to grasp the demand of Group companies for office spaces to move in and endeavors to invite them. By doing so, PIC aims to achieve stable management of its portfolio.



Top 10 Tenants Occupying PIC's Office Buildings (as of April 30, 2016)

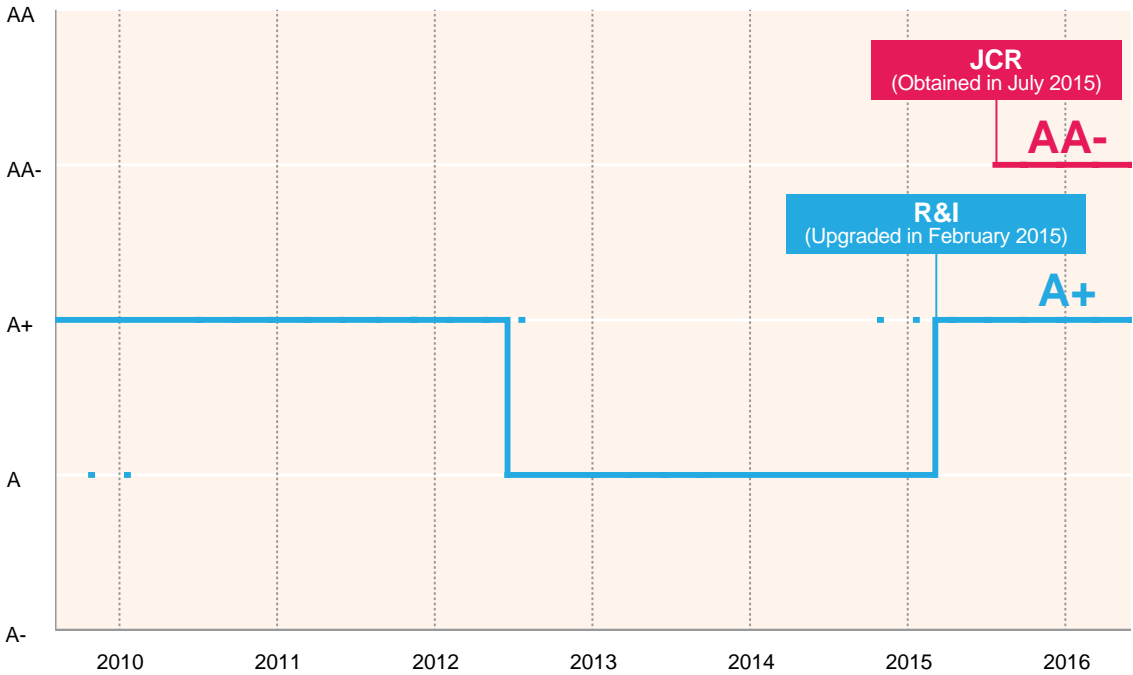
| Rank | Tenant name | Leased floor space | Ratio (Note 1) | Property |
|-------|-------------------------------------|-----------------------|----------------|--|
| | | | | |
| 1 | DOCOMO CS, Inc. | 8,773 m ² | 5.3% | Urbannet Ikebukuro Building |
| 2 | NTT Business Associe East Co., Ltd. | 7,125 m ² | 4.3% | Urbannet Omori Building |
| 3 | Sumitomo Osaka Cement Co., Ltd. | 6,872 m ² | 4.1% | Rokubancho Building |
| 4 | NTT Urban Development Corporation | 6,840 m ² | 4.1% | Tradepia Yodoyabashi (Land) (Note 2), etc. |
| 5 | NTT DATA Corporation | 5,530 m ² | 3.3% | Urbannet Mita Building |
| 6 | NTT Finance Corporation | 5,417 m ² | 3.3% | Urbannet Ikebukuro Building |
| 7 | Fields Corporation | 4,882 m ² | 2.9% | KN Shibuya No.3 |
| 8 | NTT Learning Systems Corporation | 4,801 m ² | 2.9% | Urbannet Azabu Building |
| 9 | Japan Display Inc. | 4,140 m ² | 2.5% | Landic Shimbashi 2 Building |
| 10 | Itoki Corporation | 4,037 m ² | 2.4% | Urbannet Irifune Building |
| Total | | 58,421 m ² | 35.3% | |

(Note 1) The ratio represents the percentage of the leased floor space of the relevant tenants to the gross area under lease of floors practically used for offices.
(Note 2) The effective leaseholder for Tradepia Yodoyabashi (Land) is NTTUD, which is the beneficiary interest in real estate trust for the entire building standing on the land as trust property. However, the leaseholder under the land leasehold establishment agreement is Sumitomo Mitsui Trust Bank, Limited, the trustee.

Credit Rating Status

As of July 8, 2015, PIC obtained an issuer credit rating (AA-) from Japan Credit Rating Agency, Ltd. (JCR).

Changes in Credit Ratings



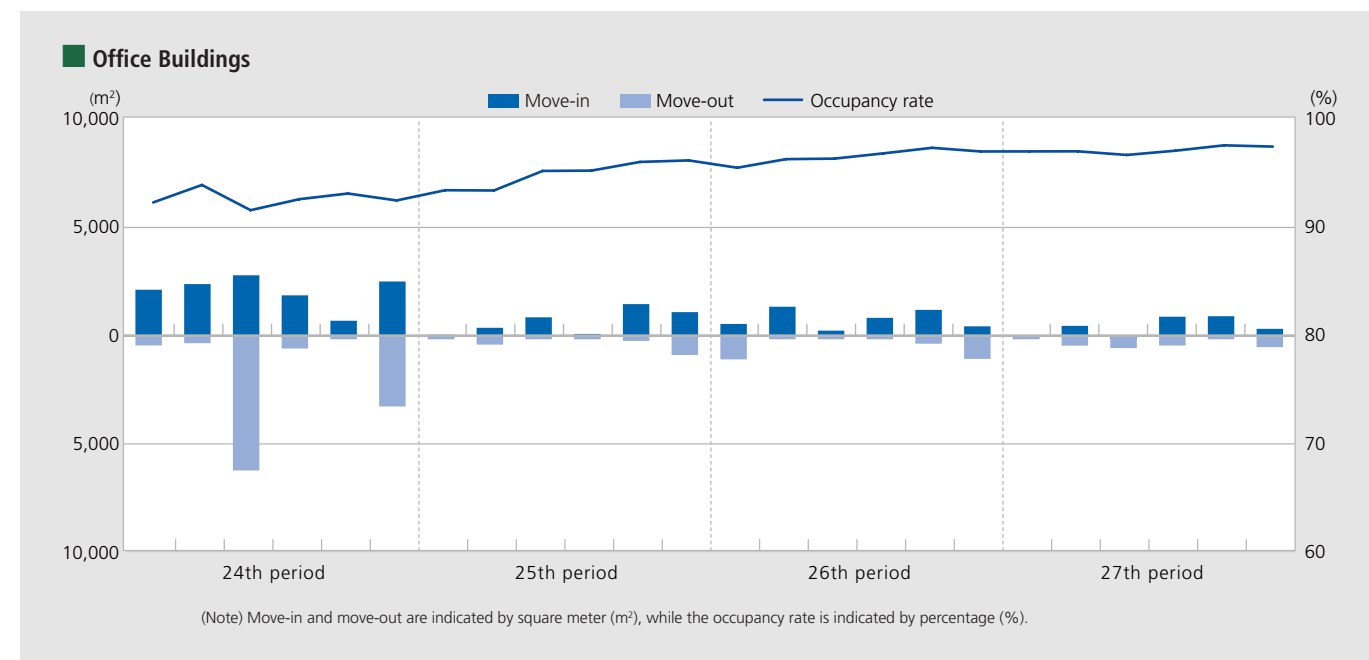
List of PIC's Ratings

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

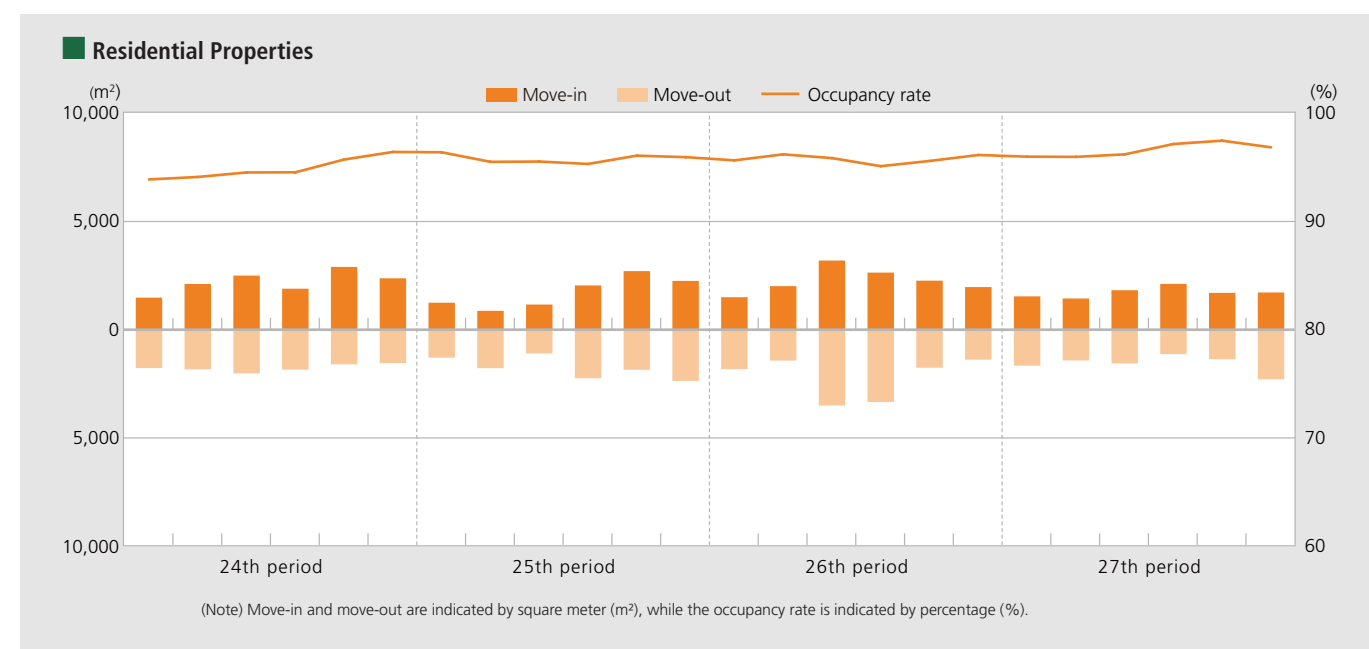
MANAGEMENT STATUS IN THE 27TH FISCAL PERIOD

Occupancy Rates

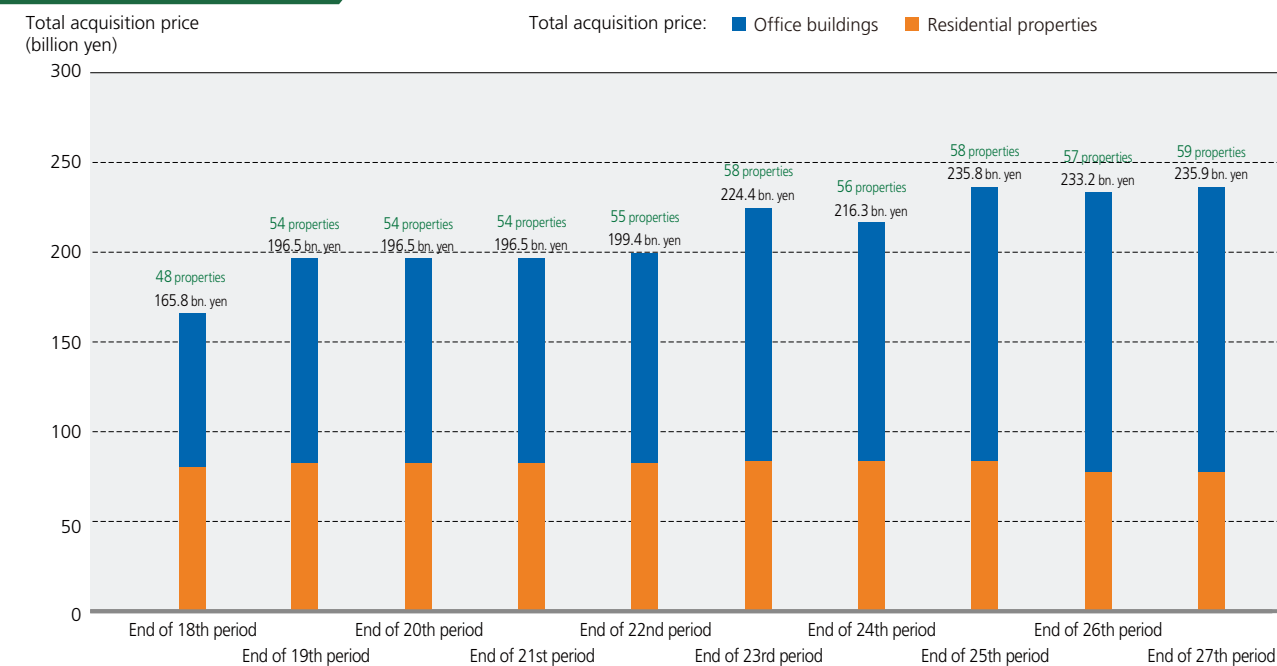
- **Office buildings:**
Period-average occupancy rate was 97.0%, up 0.5% period-on-period, staying at a high level



- **Residential properties:**
Period-average occupancy rate further increased to reach 96.6%, up 0.9% period-on-period



Growth in Asset Size



Changes in Portfolio NOI Yields

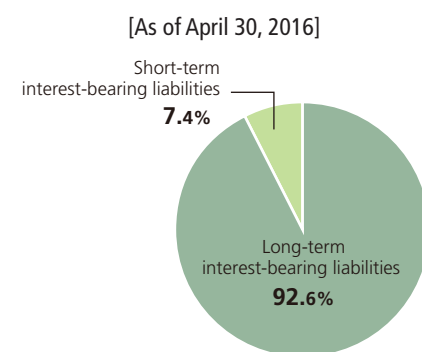


(Note) Portfolio NOI yield = [annualized rental NOI (*) / investment value (**)] x 100
 * Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned properties (including preferred securities) for each fiscal period
 ** Investment value = sum total of book value as of the end of each fiscal period of owned properties (including preferred securities) for each fiscal period

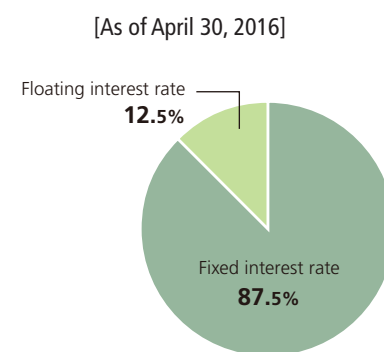
FINANCIAL STATUS IN THE 27TH FISCAL PERIOD

Status of Interest-Bearing Liabilities

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

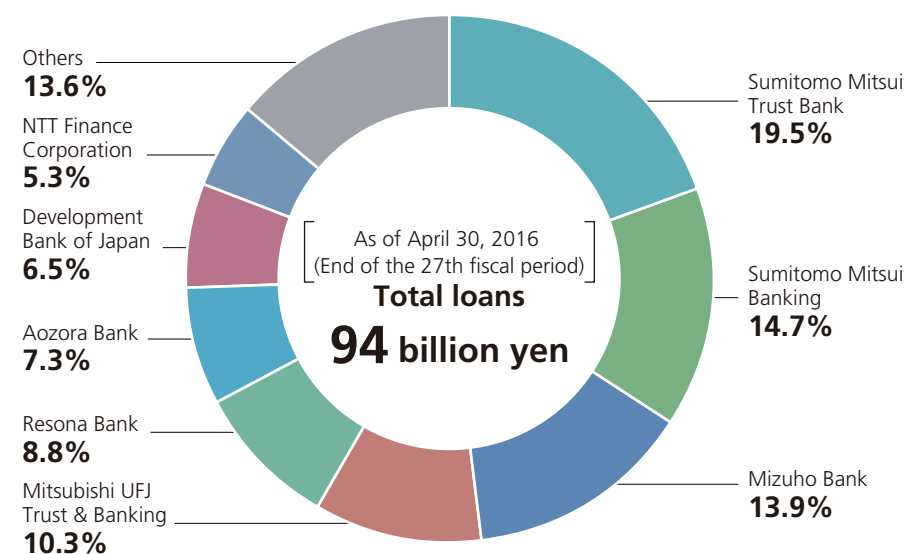


Ratios of Fixed and Floating Interest Rate Borrowings



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

Lender Formation



Changes in LTV ^(Note)



(Note) LTV (Loan To Value) = [interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital)] x 100

PROPERTY PORTFOLIO

[27th Fiscal Period (as of April 30, 2016)]

| No. | Area | Property Name <small>(Note 1)</small> | Acquisition Price (mm yen) <small>(Note 2)</small> | Share (%) <small>(Note 3)</small> | Period End Occupancy Rate (%) | Real Estate Rental Income | | | PML Value (%) <small>(Note 4)</small> |
|------------------|-------------------------------------|--|--|---|-------------------------------------|---------------------------|----------------------|--------------------|---|
| | | | | | | Revenues (mm yen) | Expenses (mm yen) | Income (mm yen) | |
| Office Buildings | | | | | | | | | |
| A01 | 5 Central Wards of Tokyo | Landic Shimbashi Building | 6,341 | 2.7 | 100.0 | 196 | 89 | 106 | 10.6 |
| A02 | | Landic Shimbashi 2 Building | 7,045 | 3.0 | 100.0 | 209 | 91 | 118 | 12.9 |
| A03 | | Premier Dogenzaka Building | 1,727 | 0.7 | 100.0 | 79 | 28 | 51 | 5.5 |
| A04 | | KN Shibuya No.3 | 5,348 | 2.3 | 100.0 | (Note 5) | (Note 5) | 92 | 10.6 |
| A05 | | Takadanobaba Center Building | 5,118 | 2.2 | 100.0 | 248 | 100 | 148 | 2.0 |
| A06 | | Rokubancho Building | 7,860 | 3.3 | 100.0 | (Note 5) | (Note 5) | 124 | 10.8 |
| A07 | | Ougaku Building | 1,796 | 0.8 | 100.0 | 63 | 27 | 36 | 14.2 |
| A08 | | Premier Kaigan Building | 5,100 | 2.2 | 100.0 | 116 | 90 | 25 | 10.6 |
| A10 | | Urbannet Mita Building | 10,300 | 4.4 | 92.5 | 277 | 130 | 146 | 7.2 |
| A11 | | Urbannet Azabu Building | 5,000 | 2.1 | 100.0 | (Note 5) | (Note 5) | 93 | 10.5 |
| A12 | | Urbannet Ichigaya Building | 1,650 | 0.7 | 100.0 | (Note 5) | (Note 5) | 36 | 7.0 |
| A14 | | Urbannet Irifune Building | 2,900 | 1.2 | 100.0 | (Note 5) | (Note 5) | 94 | 10.8 |
| A15 | | Granpark | 11,490 | 4.9 | 99.1 | 442 | 209 | 232 | 12.0 |
| A16 | | Urbannet Kojimachi Building | 3,600 | 1.5 | 100.0 | 161 | 40 | 121 | 10.0 |
| B02 | Other 18 Wards of Tokyo | Premier Toyochi Building | 4,310 | 1.8 | 100.0 | 93 | 65 | 27 | 16.2 |
| B03 | | Ueno TH Building | 4,380 | 1.9 | 100.0 | 113 | 66 | 46 | 12.8 |
| B04 | | Gotanda NT Building | 4,100 | 1.7 | 100.0 | 88 | 43 | 44 | 14.3 |
| B05 | | Ueno Tosei Building | 5,900 | 2.5 | 100.0 | 204 | 89 | 115 | 10.7 |
| B06 | | Urbannet Ikebukuro Building | 13,600 | 5.8 | 100.0 | 715 | 265 | 450 | 13.0 |
| B07 | | Urbannet Omori Building | 4,800 | 2.0 | 100.0 | 252 | 94 | 158 | 6.8 |
| C01 | Urban Areas Surrounding Tokyo | Premier Yokohama Nishiguchi Building | 3,558 | 1.5 | 100.0 | 133 | 71 | 61 | 10.2 |
| C02 | | The Kanagawa Science Park R&D Building | 6,556 | 2.8 | 94.9 | 390 | 260 | 130 | 10.4 |
| C04 | | NU Kannai Building | 3,300 | 1.4 | 80.2 | 149 | 92 | 57 | 14.3 |
| G01 | Major Regional Cities | Tradepia Yodoyabashi (Land) | 6,500 | 2.8 | 100.0 | (Note 5) | (Note 5) | (Note 5) | — |
| G02 | | NTT CRED Okayama Building | 3,600 | 1.5 | 87.0 | 254 | 170 | 83 | 14.4 |
| G03 | | Urbannet Shizuoka Ote-machi Building | 1,628 | 0.7 | 100.0 | 42 | 14 | 27 | 9.0 |
| G04 | | Urbannet Shizuoka Building | 1,119 | 0.5 | 100.0 | 31 | 10 | 20 | 9.0 |
| Subtotal | | | 138,626 | 58.7 | 97.3 | 5,267 | 2,481 | 2,785 | — |

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| No. | Area | Property Name <small>(Note 1)</small> | Acquisition Price <small>(mm yen)</small> <small>(Note 2)</small> | Share <small>(%)</small> <small>(Note 3)</small> | Period End Occupancy Rate <small>(%)</small> | Real Estate Rental Income | | | PML Value <small>(%)</small> <small>(Note 4)</small> |
|------------------------|--------------------------|---------------------------------------|--|---|--|----------------------------------|----------------------------------|--------------------------------|---|
| | | | | | | Revenues <small>(mm yen)</small> | Expenses <small>(mm yen)</small> | Income <small>(mm yen)</small> | |
| Residential Properties | | | | | | | | | |
| D01 | 5 Central Wards of Tokyo | Park Axis Yotsuya Stage | 5,208 | 2.2 | 96.7 | 155 | 76 | 78 | 7.4 |
| D02 | | Park Axis Meiji-Jingumae | 2,604 | 1.1 | 89.6 | 53 | 21 | 31 | 9.9 |
| D04 | | Cabin Arena Akasaka | 1,330 | 0.6 | 96.8 | 38 | 20 | 18 | 10.1 |
| D05 | | Cabin Arena Minami-Aoyama | 1,070 | 0.5 | 100.0 | 36 | 17 | 18 | 11.2 |
| D06 | | Bureau Kioicho | 1,840 | 0.8 | 100.0 | 37 | 14 | 22 | 11.6 |
| D08 | | Roppongi Green Terrace | 4,678 | 2.0 | 100.0 | 125 | 68 | 56 | 10.3 |
| D09 | | Premier Stage Shibakoen II | 2,181 | 0.9 | 94.3 | 58 | 28 | 29 | 11.5 |
| D11 | | Langue Tower Kyobashi | 927 | 0.4 | 98.3 | 36 | 15 | 21 | 12.5 |
| D12 | | Premier Stage MitaKeidaimae | 1,580 | 0.7 | 90.5 | 53 | 20 | 32 | 14.3 |
| D13 | | Premier Rosso | 1,662 | 0.7 | 96.4 | 51 | 24 | 27 | 14.0 |
| D14 | | Premier Blanc Yoyogikouen | 2,330 | 1.0 | 95.6 | 63 | 31 | 31 | 13.1 |
| D15 | | Premier Stage Uchikanda | 1,723 | 0.7 | 98.7 | 58 | 22 | 36 | 13.8 |
| D16 | | Premier Stage Ichigayakawadacho | 1,460 | 0.6 | 97.1 | 45 | 22 | 23 | 13.1 |
| D17 | | Walk Akasaka | 2,043 | 0.9 | 100.0 | 48 | 28 | 19 | 13.9 |
| D18 | | Premier Stage Shibakoen | 1,585 | 0.7 | 93.2 | 43 | 19 | 24 | 16.1 |
| D19 | | MEW | 1,556 | 0.7 | 100.0 | 35 | 24 | 11 | 13.9 |
| D20 | | Shibaura Island Air Tower | 7,590 | 3.2 | 95.6 | 331 | 235 | 96 | 11.2 |
| D21 | | Storia Akasaka | 3,930 | 1.7 | 96.5 | 86 | 42 | 44 | 11.7 |
| D22 | | Renai Shinjuku-Gyoen Tower | 6,500 | 2.8 | 96.9 | 177 | 107 | 70 | 7.2 |
| D23 | | Shibaura Island Bloom Tower | 5,500 | 2.3 | 97.6 | 273 | 164 | 109 | 10.0 |
| D24 | | Questcourt Harajuku | 4,500 | 1.9 | 97.7 | 143 | 54 | 88 | 12.7 |
| D25 | | Urbancourt Ichigaya | 1,385 | 0.6 | 100.0 | 59 | 21 | 37 | 12.0 |
| E01 | Other 18 Wards of Tokyo | B-Site Osaki | 1,072 | 0.5 | 100.0 | 29 | 10 | 18 | 12.1 |
| E02 | | Premier Garden Hongo | 975 | 0.4 | 93.8 | 29 | 30 | -0 | 12.1 |
| E03 | | Premier Grande Magome | 1,560 | 0.7 | 90.8 | 41 | 24 | 17 | 15.7 |
| E04 | | Premier Nozze Yutenji | 1,525 | 0.6 | 100.0 | 38 | 20 | 17 | 13.6 |
| E05 | | Premier Stage Yushima | 1,803 | 0.8 | 94.6 | 50 | 28 | 21 | 17.2 |
| E06 | | Premier Stage Komagome | 1,830 | 0.8 | 96.8 | 53 | 29 | 23 | 18.0 |
| E07 | | Premier Stage Otsuka | 1,310 | 0.6 | 95.3 | 41 | 21 | 20 | 22.5 |
| E08 | | Premier Stage Honjo-Azumabashi | 2,640 | 1.1 | 98.2 | 80 | 42 | 38 | 14.7 |
| E09 | | Premier Stage Ryogoku | 1,496 | 0.6 | 96.6 | 46 | 23 | 23 | 12.8 |
| Subtotal | | | 77,394 | 32.8 | 96.8 | 2,425 | 1,312 | 1,112 | — |

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| No. | Area | Property Name (Note 1) | Acquisition Price (mm yen) (Note 2) | Share (%) (Note 3) | Period End Occupancy Rate (%) | Real Estate Rental Income | | | PML Value (%) (Note 4) |
|--|------|---|-------------------------------------|--------------------|-------------------------------|---------------------------|-------------------|-----------------|------------------------|
| | | | | | | Revenues (mm yen) | Expenses (mm yen) | Income (mm yen) | |
| Preferred Securities (Office Building) | | | | | | | | | |
| Z01 | — | UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 6) | 19,940 | 8.5 | — | — | — | — | — |
| Subtotal | | | 19,940 | 8.5 | — | — | — | — | — |
| Total | | | 235,960 | 100.0 | 97.2 | 7,692 | 3,794 | 3,897 | 7.8 |

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

(Note 2) The acquisition price represents the transaction price before taxes, not including various expenses (such as transaction brokerage fees and real estate taxes) required for the acquisition of the property.

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

(Note 4) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures. In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.

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

(Note 6) 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.

SUSTAINABILITY INITIATIVES

Toward Realization of Sustainable Environment and Society as well as Enhancement of Unitholder Value

Sustainability Policy

Premier REIT Advisors Co., Ltd. (PRA), the asset management company for PIC, established the Sustainability Policy in November 2015 from the perspective of placing investors' interests as its top priority over the medium to long term. Based on this Policy, PRA will reflect ESG (Environmental, Social and Governance) awareness in all aspects of its real estate investment and management operations.

Sustainability Policy (Excerpt)

| | |
|---|--|
| Global warming countermeasures | Promote energy saving and reduction of CO ₂ emissions in managing PIC's investment assets. |
| Measures to preserve water resources and reduce waste | Continuously work on water saving as well as on reduction of waste and promotion of recycling. |
| Information disclosure to investors, etc. | Endeavor to proactively disclose information on ESG awareness, and work to continuously obtain environmental certifications and assessments and disclose their details. |
| Compliance | Conduct corporate activities in accordance with environmental preservation-related laws and regulations, fully aware of the importance of corporate ethics and compliance. |

Obtainment of Environmental Certifications from External Assessment Institutions



CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

A system to evaluate a building's comprehensive environmental performance, including energy saving and other environmental awareness as well as indoor comfort and aesthetic appeal, developed primarily by the Institute for Building Environment and Energy Conservation under the initiative of the Ministry of Land, Infrastructure, Transport and Tourism.

| | |
|---|---|
| Urbannet Azabu Building (Minato Ward, Tokyo)  CASBEE Real Estate Rank A  | Urbannet Ichigaya Building (Shinjuku Ward, Tokyo)  CASBEE Real Estate Rank A  |
|---|---|



BELS (Building Energy-efficiency Labeling System)

A system for third parties to evaluate and indicate energy conservation performance of non-residential buildings, based on the Evaluation Guidelines for the Building Energy-efficiency Labeling System for Non-Residential Buildings (2013).

| |
|---|
| Ueno Tosei Building (Taito Ward, Tokyo)  ★★★★★  |
|---|

Low-Carbon Small and Medium-Sized Model Building Certified by the Tokyo Metropolitan Government

An assessment index for low-carbon buildings (low-carbon building benchmark) announced by the Tokyo Metropolitan Government in May 2012, with an aim to create the real estate market in which low-carbon buildings featuring low CO₂ emission are valued.

| |
|--|
| Rokubancho Building (Chiyoda Ward, Tokyo)  A4  |
|--|

OVERVIEW OF ASSET MANAGER

Company Overview

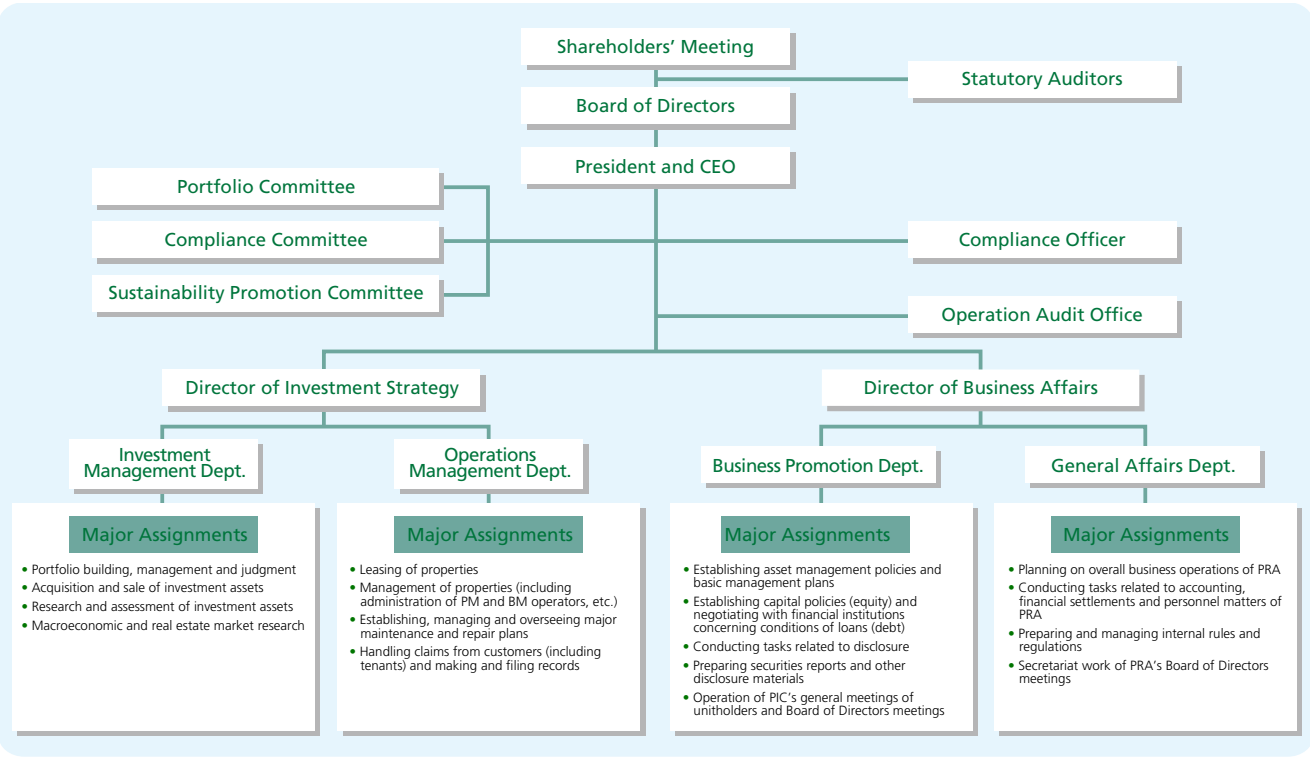
| | |
|-------------------------|--|
| Trade name | Premier REIT Advisors Co., Ltd. |
| Paid-in capital | 300 million yen (as of March 31, 2016) |
| Line of business | Investment management business in accordance with the Financial Instruments and Exchange Act |
| Shareholder composition | NTT Urban Development Corporation (53.1%), Kenedix, Inc. (30.0%), SOHGOH REAL ESTATE CO., LTD. (10.0%), Sumitomo Mitsui Trust Bank, Limited (4.9%) and Nikko Properties Co., Ltd. (2.0%) |

Corporate History

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

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

Organization of PRA



OVERVIEW OF PIC

Features of PIC

Characteristics and Basic Policy of PIC

Integrates Know-How in Real Estate and Finance

PIC conducts asset management that takes advantage of the expertise and experience nourished primarily by NTTUD, which operates the real estate development and leasing businesses, etc. and serves as the main sponsor of PRA as well as other major sponsors comprising Kenedix, Inc., one of Japan's leading real estate asset management companies, SOHGOH REAL ESTATE Group, which conducts comprehensive real estate businesses including sale of residences, and Sumitomo Mitsui Trust Bank, Limited, which boasts a first-rate track record in real estate-related businesses in Japan.

Aims to Maximize Real Estate Value

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

Firmly Holds a Dynamic and Sound Financial Balance

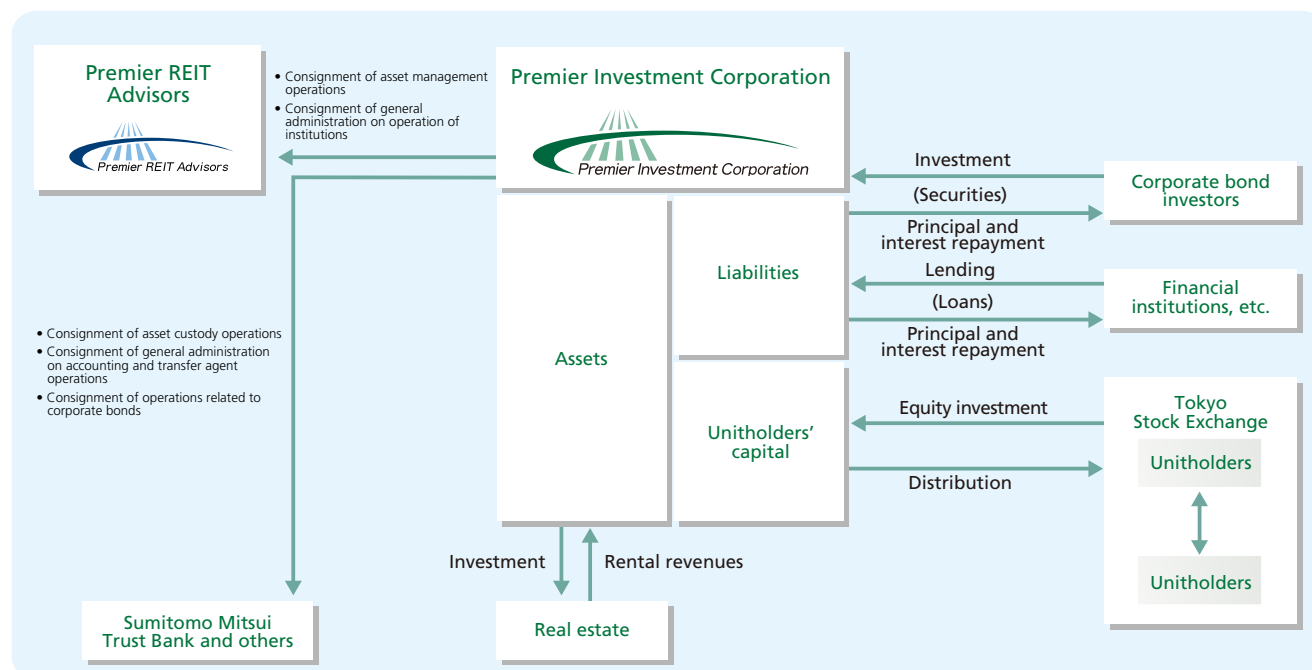
PIC has executed basic agreements on loans with various financial institutions including Sumitomo Mitsui Trust Bank, Limited to establish a framework that allows dynamic financing (fund procurement) in line with property acquisitions. In addition, PIC makes it a basic policy to keep its LTV ^(Note) at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

(Note) LTV (Loan To Value) = [Interest-bearing liabilities / (Interest-bearing liabilities + unitholders' capital)] x 100

Endeavors to Disclose Information in a Timely and Appropriate Manner

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

Structure of PIC



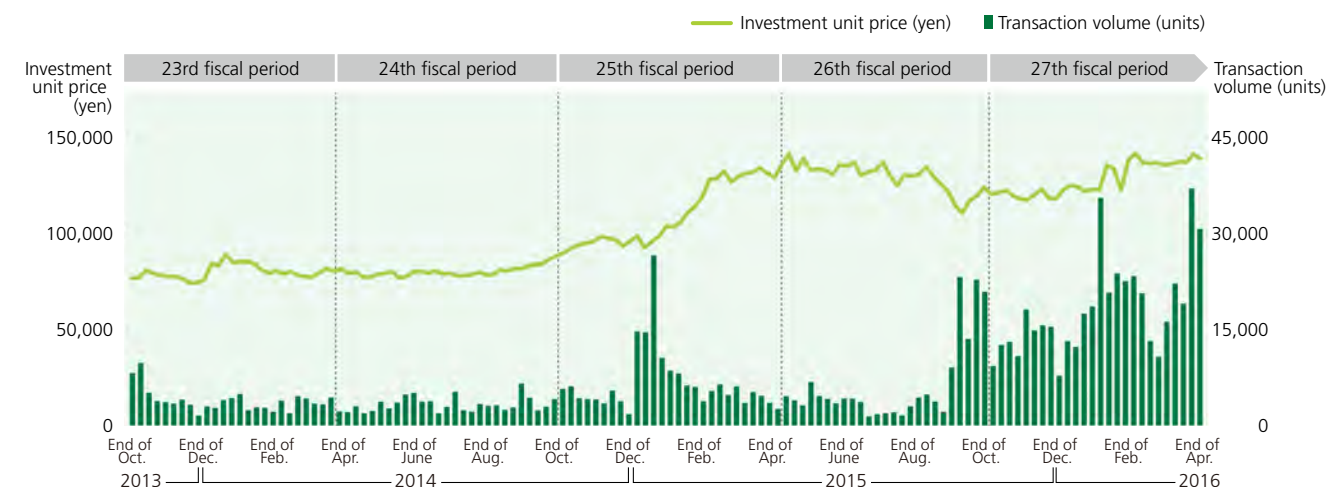
(Note) The above chart shows the major part of PIC's structure.

INFORMATION FOR UNITHOLDERS

Investment Unit Status

Change in Investment Unit Price of PIC

The following is the history of investment unit prices and weekly transaction volumes ^(Note) of PIC on the Tokyo Stock Exchange from the start of the 23rd fiscal period (November 1, 2013) to the end of the 27th fiscal period (April 30, 2016).



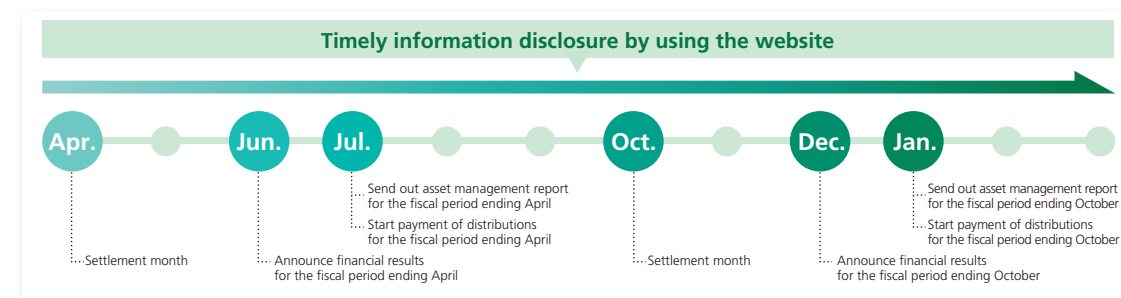
(Note) In consideration of the 5-for-1 split of the investment units with November 1, 2015 set as the effective date, modifications have been made to the figures for the investment unit price and the transaction volume on or before October 27, 2015, which was the final trading date at the pre-split price. The investment unit price has been made into a graph based on the closing price of the final trading date at the end of each week.

Number of Investment Units by Unitholders and Number of Unitholders (as of April 30, 2016)

| Number of investment units ^(Note) 1,316,995 units in total | | | Number of unitholders 11,609 entities in total | | |
|--|-------------|---|---|-----------------|--|
| 159,802 units | ◆ 12.1% | Individuals | 95.3% | 11,063 entities | |
| 79,877 units | ▶ 6.0% | Other domestic corporations | 2.1% | 244 entities | |
| 150,237 units | ◆ 11.4% | Foreign corporations and individuals | 1.5% | 177 entities | |
| 927,079 units | ▶▶▶▶▶ 70.3% | Financial institutions including financial instruments business operators | 1.1% | 125 entities | |

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

Annual Schedule (planned)





Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation:

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheet as at April 30, 2016, and the profit and loss statement, statement of changes in unitholders' equity and cash flow statement for the six months period then ended, 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 misstatements, 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 objective of the financial statement audit is not for the purpose of expressing 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, 2016, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

July 27, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountant Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

BALANCE SHEETS

AS OF OCTOBER 31, 2015 AND APRIL 30, 2016

| | Thousands of yen | |
|--|----------------------|----------------------|
| | October 31, 2015 | April 30, 2016 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and deposits (Note-3) (Note-14) | ¥ 3,171,424 | ¥ 3,208,902 |
| Cash and deposits held in trust (Note-3) (Note-14) | 11,642,194 | 11,990,744 |
| Tenant receivables | 130,274 | 97,956 |
| Prepaid expenses | 113,726 | 131,603 |
| Income taxes refund receivables | 71,066 | 80,833 |
| Deferred tax assets (Note-10) | 1,704 | 3,162 |
| Other current assets | 1,723 | 1,146 |
| TOTAL CURRENT ASSETS | 15,132,115 | 15,514,349 |
| LONG-TERM ASSETS | | |
| Property and equipment | | |
| Buildings held in trust (Note-4) | 81,579,314 | 83,202,788 |
| Structures held in trust (Note-4) | 1,820,255 | 1,840,479 |
| Tools, furniture and fixtures held in trust (Note-4) | 196,017 | 210,172 |
| Less accumulated depreciation (Note-4) | (20,365,845) | (21,662,956) |
| Land held in trust (Note-4) | 136,658,005 | 138,175,378 |
| Total property and equipment, net | 199,887,748 | 201,765,862 |
| Intangible fixed assets | | |
| Leasehold held in trust (Note-4) | 1,777,602 | 1,777,602 |
| Other intangible fixed assets held in trust (Note-4) | 2,899 | 2,447 |
| Other intangible fixed assets | 439 | 329 |
| Total intangible fixed assets | 1,780,940 | 1,780,379 |
| Investment and other assets | | |
| Investment securities (Note-14) (Note-15) | 20,035,175 | 20,035,175 |
| Other deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 201,066 | 237,986 |
| Other deposits held in trust | 623,220 | 623,220 |
| Total investment and other assets | 20,869,462 | 20,906,382 |
| TOTAL LONG-TERM ASSETS | 222,538,151 | 224,452,624 |
| Deferred assets | | |
| New investment unit issuance costs | 22,470 | 15,532 |
| Corporate bond issuance costs | 41,142 | 34,809 |
| Total deferred assets | 63,613 | 50,341 |
| TOTAL ASSETS | ¥ 237,733,880 | ¥ 240,017,315 |

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

| | Thousands of yen | |
|---|------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | ¥ 1,201,073 | ¥ 1,047,794 |
| Short-term loans payable (Note-7) (Note-14) | 7,900,000 | 7,900,000 |
| Long-term loans payable due within one year (Note-7) (Note-14) | 18,650,000 | 16,650,000 |
| Accrued expenses | 162,270 | 153,394 |
| Distributions payable | 14,020 | 12,295 |
| Income taxes payable | 539 | 1,418 |
| Consumption taxes payable | 148,852 | 35,325 |
| Business office taxes payable | 5,276 | 9,467 |
| Rents received in advance | 963,021 | 1,035,145 |
| Deposits received | 118,023 | 88,478 |
| Total current liabilities | 29,163,077 | 26,933,318 |
| LONG-TERM LIABILITIES | | |
| Long-term loans payable (Note-7) (Note-14) | 65,450,000 | 69,450,000 |
| Corporate bonds (Note-6) (Note-14) | 12,500,000 | 12,500,000 |
| Tenant security deposits held in trust | 6,964,440 | 7,283,112 |
| Total long-term liabilities | 84,914,440 | 89,233,112 |
| TOTAL LIABILITIES | 114,077,517 | 116,166,430 |
| NET ASSETS | | |
| UNITHOLDERS' EQUITY (Note-5) | | |
| Unitholders' capital | 120,350,148 | 120,350,148 |
| Units authorized – 2,000,000 units | | |
| Units issued and outstanding – 263,399 units as of October 31, 2015 | | |
| – 1,316,995 units as of April 30, 2016 | | |
| Surplus | | |
| Reserve for reduction entry | 185,554 | 260,208 |
| Unappropriated retained earnings | 3,120,660 | 3,240,527 |
| Total unitholders' equity | 123,656,363 | 123,850,884 |
| TOTAL NET ASSETS | 123,656,363 | 123,850,884 |
| TOTAL LIABILITIES AND NET ASSETS | ¥ 237,733,880 | ¥ 240,017,315 |

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

PROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND APRIL 30, 2016

| | Thousands of yen | |
|--|------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| OPERATING REVENUES AND EXPENSES | | |
| Operating revenues | | |
| Rental revenues (Note-8) | ¥ 6,742,614 | ¥ 6,852,309 |
| Other rental revenues (Note-8) | 893,247 | 839,759 |
| Gains from sale of properties (Note-9) | 93,317 | - |
| Dividend income | 347,036 | 402,307 |
| Operating expenses | | |
| Property operating expenses (Note-8) | 3,819,014 | 3,794,336 |
| Asset management fees | 323,666 | 331,843 |
| Directors' compensation | 9,000 | 9,000 |
| Custodian fees | 11,098 | 11,124 |
| Administration fees | 85,116 | 85,237 |
| Audit fees | 8,500 | 8,500 |
| Other expenses | 134,607 | 104,661 |
| Operating income | 3,685,211 | 3,749,672 |
| NON-OPERATING REVENUES AND EXPENSES | | |
| Non-operating revenues | | |
| Interest income | 1,376 | 1,428 |
| Return of unclaimed distribution | 1,264 | 1,920 |
| Other non-operating revenues | 1,324 | 154 |
| Non-operating expenses | | |
| Interest expense | 508,785 | 454,082 |
| Interest expenses on corporate bonds | 41,882 | 41,438 |
| Amortization of corporate bond issuance costs | 6,332 | 6,332 |
| Amortization of new investment unit issuance costs | 6,938 | 6,938 |
| Other non-operating expenses | 2,441 | 2,425 |
| Ordinary income | 3,122,796 | 3,241,957 |
| Income before income taxes | 3,122,796 | 3,241,957 |
| Income taxes (Note-10) | | |
| Current | 605 | 2,948 |
| Deferred | 1,690 | (1,458) |
| Net income | 3,120,501 | 3,240,467 |
| Income carried forward | 159 | 60 |
| UNAPPROPRIATED RETAINED EARNINGS | ¥ 3,120,660 | ¥ 3,240,527 |

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

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND APRIL 30, 2016

| | Thousands of yen | | | | | | |
|--|----------------------------------|-----------------------------------|-----------|----------------------------------|---------------|---------------------------|------------------|
| | Unitholders' Equity | | | | | | Total Net Assets |
| | Unitholders' Capital (Note-1) | Surplus | | | | Total Unitholders' Equity | |
| | | Voluntary Retained Earnings | | Unappropriated Retained Earnings | Total Surplus | | |
| Reserve for Reduction Entry (Note-13) | | Total Voluntary Retained Earnings | | | | | |
| BALANCE AT APRIL 30, 2015 | ¥ 120,350,148 | ¥ 185,554 | ¥ 185,554 | ¥ 2,826,693 | ¥ 3,012,247 | ¥ 123,362,396 | ¥ 123,362,396 |
| Changes during the period | | | | | | | |
| Cash distributions paid | | | | (2,826,534) | (2,826,534) | (2,826,534) | (2,826,534) |
| Net income | | | | 3,120,501 | 3,120,501 | 3,120,501 | 3,120,501 |
| Total changes during the period | - | - | - | 293,966 | 293,966 | 293,966 | 293,966 |
| BALANCE AT OCTOBER 31, 2015 | ¥ 120,350,148 | ¥ 185,554 | ¥ 185,554 | ¥ 3,120,660 | ¥ 3,306,214 | ¥ 123,656,363 | ¥ 123,656,363 |
| Changes during the period | | | | | | | |
| Provision of reserve for reduction entry | | 74,654 | 74,654 | (74,654) | - | - | - |
| Cash distributions paid | | | | (3,045,946) | (3,045,946) | (3,045,946) | (3,045,946) |
| Net income | | | | 3,240,467 | 3,240,467 | 3,240,467 | 3,240,467 |
| Total changes during the period | - | 74,654 | 74,654 | 119,867 | 194,521 | 194,521 | 194,521 |
| BALANCE AT APRIL 30, 2016 | ¥ 120,350,148 | ¥ 260,208 | ¥ 260,208 | ¥ 3,240,527 | ¥ 3,500,736 | ¥ 123,850,884 | ¥ 123,850,884 |

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND APRIL 30, 2016

| | Thousands of yen | |
|--|-----------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before income taxes | ¥ 3,122,796 | ¥ 3,241,957 |
| Depreciation | 1,274,449 | 1,297,672 |
| Amortization of corporate bond issuance costs | 6,332 | 6,332 |
| Amortization of new investment unit issuance costs | 6,938 | 6,938 |
| Interest income | (1,376) | (1,428) |
| Refund of unpaid distributions | (1,264) | (1,920) |
| Interest expenses | 550,667 | 495,521 |
| Decrease (increase) in tenant receivables | (33,138) | 32,318 |
| Increase (decrease) in accounts payable | 86,505 | (58,912) |
| Decrease (increase) in consumption taxes refund receivables | 460,133 | - |
| Increase (decrease) in consumption taxes payable | 148,852 | (113,526) |
| Increase (decrease) in rents received in advance | (2,966) | 72,123 |
| Increase (decrease) in deposits received | (7,322) | (29,545) |
| Decrease in carrying amounts of property and equipment due to sale | 5,782,385 | - |
| Other | 53,862 | (6,373) |
| SUBTOTAL | 11,446,855 | 4,941,158 |
| Interest received | 1,376 | 1,428 |
| Interest paid | (648,160) | (548,051) |
| Income taxes paid | (2,857) | (11,835) |
| Net cash provided by (used in) operating activities | 10,797,214 | 4,382,699 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Payments for purchases of property and equipment held in trust | (3,892,109) | (3,269,593) |
| Proceeds from tenant security deposits held in trust | 528,797 | 460,250 |
| Payments of tenant security deposits held in trust | (272,613) | (141,578) |
| Other | (18,818) | - |
| Net cash provided by (used in) investing activities | (3,654,742) | (2,950,921) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term loans payable | 7,900,000 | - |
| Proceeds from long-term loans payable | 18,400,000 | 13,000,000 |
| Repayments of short-term loans payable | (10,900,000) | - |
| Repayments of long-term loans payable | (18,400,000) | (11,000,000) |
| Payments of distributions | (2,824,899) | (3,045,750) |
| Net cash provided by (used in) financing activities | (5,824,899) | (1,045,750) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 1,317,572 | 386,027 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 13,496,046 | 14,813,619 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | (Note-3) ¥ 14,813,619 | ¥ 15,199,646 |

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND APRIL 30, 2016

Note-1. Organization and basis of presentation

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

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

| Date | Description | Total Number of Investment Units Issued and Outstanding | | Unitholders' Capital (millions of yen) | |
|-------------------|--|---|-----------------|--|---------|
| | | Increase (Decrease) | Balance | Increase (Decrease) | Balance |
| November 14, 2011 | Capital increase through public offering | 53,000 units | 193,100 units | 12,816 | 84,774 |
| December 12, 2011 | Capital increase through third-party allotment | 3,599 units | 196,699 units | 870 | 85,644 |
| November 7, 2013 | Capital increase through public offering | 20,900 units | 217,599 units | 7,942 | 93,587 |
| December 4, 2013 | Capital increase through third-party allotment | 1,100 units | 218,699 units | 418 | 94,005 |
| January 21, 2015 | Capital increase through public offering | 42,500 units | 261,199 units | 25,048 | 119,053 |
| February 18, 2015 | Capital increase through third-party allotment | 2,200 units | 263,399 units | 1,296 | 120,350 |
| November 1, 2015 | Splitting 5-for-1 investment units | 1,053,596 units | 1,316,995 units | - | 120,350 |

As of April 30, 2016, PIC had total unitholders’ capital of 120,350,148 thousand yen with 1,316,995 units outstanding.

As of April 30, 2016, PIC owned a portfolio of 27 office buildings, 31 residential properties and preferred securities of an SPC (59 properties in total). Total acquisition costs of those properties were 235,960 million 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:

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

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

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

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

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

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 40,037 thousand yen for the six months ended October 31, 2015 and 20,804 thousand yen for the six months ended April 30, 2016.

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

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

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

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

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

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

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

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2015 and April 30, 2016 consisted of the following:

| | Thousands of yen | |
|---------------------------------|------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| Cash and deposits | ¥ 3,171,424 | ¥ 3,208,902 |
| Cash and deposits held in trust | 11,642,194 | 11,990,744 |
| CASH AND CASH EQUIVALENTS | ¥ 14,813,619 | ¥ 15,199,646 |

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2015 and April 30, 2016 consisted of the following:

| | Thousands of yen | | | | | |
|---------------------------------------|-------------------|--------------------------|---------------|-------------------|--------------------------|---------------|
| | October 31, 2015 | | | April 30, 2016 | | |
| | Acquisition costs | Accumulated depreciation | Book value | Acquisition costs | Accumulated depreciation | Book value |
| Property and equipment held in trust | | | | | | |
| Buildings and structures | | | | | | |
| Buildings | ¥ 81,579,314 | ¥ 19,448,363 | ¥ 62,130,951 | ¥ 83,202,788 | ¥ 20,691,314 | ¥ 62,511,474 |
| Structures | 1,820,255 | 791,188 | 1,029,067 | 1,840,479 | 834,479 | 1,005,999 |
| Tools, furniture and fixtures | 196,017 | 126,292 | 69,724 | 210,172 | 137,162 | 73,010 |
| Land | 136,658,005 | - | 136,658,005 | 138,175,378 | - | 138,175,378 |
| SUBTOTAL | 220,253,593 | 20,365,845 | 199,887,748 | 223,428,818 | 21,662,956 | 201,765,862 |
| Intangible fixed assets held in trust | | | | | | |
| Leasehold | 1,777,602 | - | 1,777,602 | 1,777,602 | - | 1,777,602 |
| Other intangible fixed assets | 6,469 | 3,570 | 2,899 | 6,469 | 4,022 | 2,447 |
| SUBTOTAL | 1,784,072 | 3,570 | 1,780,501 | 1,784,072 | 4,022 | 1,780,050 |
| TOTAL | ¥ 222,037,665 | ¥ 20,369,415 | ¥ 201,668,249 | ¥ 225,212,891 | ¥ 21,666,978 | ¥ 203,545,912 |

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 October 31, 2015 and April 30, 2016 were as follows:

| | Thousands of yen | | Interest rate (%) |
|--|---------------------------|-------------------------|-------------------|
| | October 31, 2015 (Amount) | April 30, 2016 (Amount) | |
| Unsecured bond No.4 (issued on July 25, 2013 and due on July 25, 2018) | ¥ 7,500,000 | ¥ 7,500,000 | 0.72 |
| Unsecured bond No.5 (issued on March 6, 2014 and due on March 6, 2019) | 2,500,000 | 2,500,000 | 0.45 |
| Unsecured bond No.6 (issued on March 6, 2014 and due on March 5, 2021) | 2,500,000 | 2,500,000 | 0.72 |
| TOTAL | ¥ 12,500,000 | ¥ 12,500,000 | - |

* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning May 1, starting in 2016 are as follows:

| (thousands of yen) | | | |
|--|---|--|---|
| More than one year and two years or less | More than two years and three years or less | More than three years and four years or less | More than four years and five years or less |
| ¥ - | 10,000,000 | - | 2,500,000 |

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

Short-term and long-term loans as of October 31, 2015 and April 30, 2016 consisted of the following:

| Lender | Thousands of yen | | | | Average interest rate *1 (%) | Repayment | Remarks |
|--|---------------------------|----------|-----------|-------------------------|------------------------------|---------------|--|
| | October 31, 2015 (Amount) | Increase | Decrease | April 30, 2016 (Amount) | | | |
| SHORT-TERM LOANS | | | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | ¥ 2,250,000 | ¥ - | ¥ - | ¥ 2,250,000 | 0.34714 | Jul. 29, 2016 | Unsecured and non-guaranteed Floating rate |
| Mizuho Bank, Ltd. | 1,110,000 | - | - | 1,110,000 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 795,000 | - | - | 795,000 | | | |
| Sumitomo Mitsui Banking Corporation | 345,000 | - | - | 345,000 | | | |
| Sumitomo Mitsui Banking Corporation | 1,700,000 | - | - | 1,700,000 | 0.34370 | Sep. 30, 2016 | Unsecured and non-guaranteed Floating rate |
| Aozora Bank, Ltd. | 680,000 | - | - | 680,000 | | | |
| Resona Bank, Limited. | 680,000 | - | - | 680,000 | | | |
| Mizuho Bank, Ltd. | 340,000 | - | - | 340,000 | | | |
| SUBTOTAL | 7,900,000 | - | - | 7,900,000 | | | |
| LONG-TERM LOANS *3 | | | | | | | |
| Aozora Bank, Ltd. | 3,000,000 | - | 3,000,000 | - | 1.29375 | Dec. 8, 2015 | Unsecured and non-guaranteed Fixed rate |
| NTT Finance Corporation | 3,000,000 | - | 3,000,000 | - | | | |
| Resona Bank, Limited. | 3,000,000 | - | 3,000,000 | - | | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,000,000 | - | 1,000,000 | - | | | |
| Mitsui Sumitomo Insurance Co., Ltd. | 1,000,000 | - | 1,000,000 | - | 1.43375 | Dec. 8, 2016 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Trust Bank, Limited | 4,000,000 | - | - | 4,000,000 | | | |
| Sumitomo Mitsui Banking Corporation | 3,000,000 | - | - | 3,000,000 | | | |
| Mizuho Bank, Ltd. | 2,000,000 | - | - | 2,000,000 | | | |
| Sumitomo Mitsui Banking Corporation | 1,000,000 | - | - | 1,000,000 | 1.34525 | Aug. 31, 2016 | Unsecured and non-guaranteed Fixed rate |
| Aozora Bank, Ltd. | 700,000 | - | - | 700,000 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 550,000 | - | - | 550,000 | | | |
| Mizuho Bank, Ltd. | 1,500,000 | - | - | 1,500,000 | | | |
| Resona Bank, Limited. | 1,500,000 | - | - | 1,500,000 | 1.21000 | Sep. 5, 2018 | Unsecured and non-guaranteed Fixed rate |
| Mitsubishi UFJ Trust and Banking Corporation | 1,250,000 | - | - | 1,250,000 | | | |
| Aozora Bank, Ltd. | 750,000 | - | - | 750,000 | | | |
| The Bank of Fukuoka | 2,000,000 | - | - | 2,000,000 | 0.95375 | Sep. 5, 2017 | Unsecured and non-guaranteed Fixed rate |
| The 77 Bank, Ltd. | 600,000 | - | - | 600,000 | | | |
| The Nomura Trust and Banking Co., Ltd. | 600,000 | - | - | 600,000 | | | |
| HIGASHI-NIPPON BANK, Ltd. | 600,000 | - | - | 600,000 | | | |
| The Hiroshima Bank, Ltd. | 600,000 | - | - | 600,000 | | | |
| THE KAGAWA BANK Ltd. | 300,000 | - | - | 300,000 | | | |
| The Tokyo Tomin Bank, Limited | 300,000 | - | - | 300,000 | | | |
| Development Bank of Japan Inc. | 750,000 | - | - | 750,000 | 0.98250 | Nov. 16, 2017 | Unsecured and non-guaranteed Fixed rate |
| Mizuho Bank, Ltd. | 750,000 | - | - | 750,000 | | | |
| Sumitomo Mitsui Banking Corporation | 750,000 | - | - | 750,000 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 750,000 | - | - | 750,000 | | | |
| Resona Bank, Limited. | 1,850,000 | - | - | 1,850,000 | 1.02875 | Feb. 28, 2019 | Unsecured and non-guaranteed Fixed rate |
| Mitsui Sumitomo Insurance Co., Ltd. | 1,000,000 | - | - | 1,000,000 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 2,600,000 | - | - | 2,600,000 | 0.88250 | Mar. 27, 2018 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,500,000 | - | - | 1,500,000 | | | |
| Resona Bank, Limited. | 1,200,000 | - | - | 1,200,000 | | | |
| Aozora Bank, Ltd. | 1,100,000 | - | - | 1,100,000 | | | |
| Development Bank of Japan Inc. | 3,000,000 | - | - | 3,000,000 | 1.15125 | May 22, 2018 | Unsecured and non-guaranteed Fixed rate |

(continued on next page)

(cont.)

| Lender | Thousands of yen | | | | Average interest rate ^{*1} (%) | Repayment | Remarks |
|--|---------------------------|--------------|--------------|-------------------------|---|---------------|--|
| | October 31, 2015 (Amount) | Increase | Decrease | April 30, 2016 (Amount) | | | |
| Mizuho Bank, Ltd. | 2,500,000 | - | - | 2,500,000 | 0.39714 | Oct. 31, 2016 | Unsecured and non-guaranteed Floating rate |
| Mitsubishi UFJ Trust and Banking Corporation | 1,500,000 | - | - | 1,500,000 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,400,000 | - | - | 1,400,000 | | | |
| Development Bank of Japan Inc. | 2,400,000 | - | - | 2,400,000 | 0.71625 | Sep. 30, 2019 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Banking Corporation | 2,400,000 | - | - | 2,400,000 | 0.71625 ^{*2} | Sep. 30, 2019 | Unsecured and non-guaranteed Fixed rate |
| Mitsubishi UFJ Trust and Banking Corporation | 2,400,000 | - | - | 2,400,000 | 0.71625 ^{*2} | Sep. 30, 2019 | Unsecured and non-guaranteed Fixed rate |
| Mizuho Bank, Ltd. | 2,400,000 | - | - | 2,400,000 | 0.91125 | Sep. 30, 2021 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Trust Bank, Limited | 1,050,000 | - | - | 1,050,000 | 0.87000 ^{*2} | Mar. 31, 2022 | Unsecured and non-guaranteed Fixed rate |
| Aozora Bank, Ltd. | 650,000 | - | - | 650,000 | 0.69000 | Mar. 31, 2020 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Trust Bank, Limited | 1,950,000 | - | - | 1,950,000 | 0.91375 ^{*2} | Apr. 28, 2022 | Unsecured and non-guaranteed Fixed rate |
| Sumitomo Mitsui Banking Corporation | 1,950,000 | - | - | 1,950,000 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 3,500,000 | - | - | 3,500,000 | 0.86625 ^{*2} | Jul. 29, 2022 | Unsecured and non-guaranteed Fixed rate |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,800,000 | - | - | 1,800,000 | | | |
| Sumitomo Mitsui Banking Corporation | 1,200,000 | - | - | 1,200,000 | 0.80125 ^{*2} | Aug. 31, 2022 | Unsecured and non-guaranteed Fixed rate |
| Mitsubishi UFJ Trust and Banking Corporation | 3,000,000 | - | - | 3,000,000 | | | |
| The Norinchukin Bank | 2,500,000 | - | - | 2,500,000 | | | |
| Mizuho Bank, Ltd. | 2,500,000 | - | - | 2,500,000 | | | |
| Aozora Bank, Ltd. | - | 3,000,000 | - | 3,000,000 | 0.73875 | Nov. 30, 2022 | Unsecured and non-guaranteed Fixed rate |
| NTT Finance Corporation | - | 3,000,000 | - | 3,000,000 | 0.72875 ^{*2} | Nov. 30, 2022 | Unsecured and non-guaranteed Fixed rate |
| Resona Bank, Limited. | - | 3,000,000 | - | 3,000,000 | | | |
| Mitsui Sumitomo Insurance Co., Ltd. | - | 1,000,000 | - | 1,000,000 | | | |
| Sumitomo Mitsui Trust Bank, Limited | - | 1,000,000 | - | 1,000,000 | | | |
| NTT Finance Corporation | - | 2,000,000 | - | 2,000,000 | 0.41375 | Jan. 29, 2021 | Unsecured and non-guaranteed Fixed rate |
| SUBTOTAL | 84,100,000 | 13,000,000 | 11,000,000 | 86,100,000 | | | |
| TOTAL | ¥ 92,000,000 | ¥ 13,000,000 | ¥ 11,000,000 | ¥ 94,000,000 | | | |

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

*2 As PIC has conducted interest rate swap transactions for the balance of the loan in order to reduce the interest rate fluctuation risk, the fixed rate interest obtained by taking into account the effect of the interest rate swaps is indicated.

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

*4 The anticipated maturities of long-term loans for the following five years (excluding long-term loans payable due within one year) beginning May 1, starting in 2016 are as follows:

| (thousands of yen) | | | | |
|--|---|--|---|--|
| More than one year and two years or less | More than two years and three years or less | More than three years and four years or less | More than four years and five years or less | |
| ¥ 15,900,000 | 10,850,000 | 7,850,000 | 2,000,000 | |

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2015 and April 30, 2016 were as follows:

| | Thousands of yen | | | |
|-----------------------------------|------------------|-----------|----------------|-----------|
| | October 31, 2015 | | April 30, 2016 | |
| REAL ESTATE RENTAL REVENUES | | | | |
| Rental revenues | | | | |
| Rents | ¥ | 5,606,167 | ¥ | 5,704,354 |
| Common area charge | | 1,136,447 | | 1,147,954 |
| Subtotal | 6,742,614 | | 6,852,309 | |
| Other rental revenues | | | | |
| Parking fees | | 197,890 | | 212,412 |
| Facility fees | | 56,299 | | 60,441 |
| Incidental revenues | | 529,527 | | 476,949 |
| Miscellaneous income | | 109,530 | | 89,956 |
| Subtotal | 893,247 | | 839,759 | |
| TOTAL REAL ESTATE RENTAL REVENUES | 7,635,862 | | 7,692,068 | |
| REAL ESTATE RENTAL EXPENSES | | | | |
| Property operating expenses | | | | |
| Property management fees | | 950,302 | | 949,686 |
| Utilities | | 582,836 | | 524,410 |
| Real estate taxes | | 471,073 | | 462,804 |
| Insurance | | 15,736 | | 15,493 |
| Maintenance and repairs | | 297,813 | | 347,977 |
| Trust fees | | 37,154 | | 35,608 |
| Depreciation | | 1,274,339 | | 1,297,562 |
| Miscellaneous expenses | | 189,757 | | 160,793 |
| TOTAL REAL ESTATE RENTAL EXPENSES | 3,819,014 | | 3,794,336 | |
| REAL ESTATE RENTAL INCOME | ¥ | 3,816,847 | ¥ | 3,897,732 |

Note-9. Gains from sale of properties

Gains from sale of properties for the six months ended October 31, 2015 was as follows:

| | Thousands of yen | | | |
|----------------------------------|-------------------------|-----------|-----------------|-----------|
| | October 31, 2015 | | | |
| | Sun Palace Minami-Azabu | | Homat Woodville | |
| Revenues from sale of properties | ¥ | 1,017,400 | ¥ | 4,861,600 |
| Cost of properties | | 1,027,071 | | 4,753,607 |
| Other expenses for sale | | 2,279 | | 2,724 |
| GAINS FROM SALE OF PROERTIES | ¥ | (11,950) | ¥ | 105,267 |

Gains from sale of properties for the six months ended April 30, 2016 was not applicable.

Note-10. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended October 31, 2015 and April 30, 2016:

| | October 31, 2015 | April 30, 2016 |
|-------------------------------|------------------|----------------|
| Statutory tax rate | 32.31% | 32.31% |
| Adjustments | | |
| Deductible cash distributions | (31.49) | (32.29) |
| Other | (0.75) | 0.02 |
| EFFECTIVE TAX RATE | 0.07% | 0.05% |

Under PIC’s distribution policy, cash distributions are made in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan for the fiscal period to qualify for conditions as set forth in the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, PIC treated the cash distributions as tax deductions as allowed in the Special Taxation Measures Law. The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of October 31, 2015 and April 30, 2016 were as follows:

| | Thousands of yen | |
|------------------------------|------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| Deferred tax assets | | |
| Enterprise taxes | ¥ 1,704 | ¥ 3,162 |
| Total of deferred tax assets | 1,704 | 3,162 |
| NET DEFERRED TAX ASSETS | ¥ 1,704 | ¥ 3,162 |

Revisions to deferred tax assets and deferred tax liabilities due to change in corporate tax rate.

With the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) passing the Diet on March 29, 2016, the income tax rate will be lowered, effective for the accounting period starting on April 1, 2016 and thereafter. Accordingly, with regard to the temporary differences that are anticipated to be reversed in the accounting period starting on May 1, 2016, the effective statutory income tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 32.31% to 31.74%. Furthermore, the tax rate change will have only a minimum impact on PIC’s deferred tax assets.

Note-11. Per unit information

The following table summarizes the net assets per unit as of October 31, 2015 and April 30, 2016 and the net income per unit for the six months ended October 31, 2015 and April 30, 2016:

| | October 31, 2015 | April 30, 2016 |
|-----------------------|------------------|----------------|
| Net assets per unit * | ¥ 93,892 | ¥ 94,040 |
| Net income per unit * | 2,369 | 2,460 |

* PIC implemented a 5-for-1 split of its investment units with October 31, 2015 as the record date and November 1, 2015 as the effective date. Accordingly, net assets per unit and net income per unit as of October 31, 2015 have been calculated on the assumption that the split of investment units was conducted at the beginning of the 26th fiscal period (May 1, 2015).

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

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

| | Thousands of yen | |
|--|------------------|-----------------|
| | October 31, 2015 | April 30, 2016 |
| Net income | ¥ 3,120,501 | ¥ 3,240,467 |
| Amount not available to ordinary unitholders | - | - |
| Net income related to ordinary units | 3,120,501 | 3,240,467 |
| Average number of units during the period | 1,316,995 units | 1,316,995 units |

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2015 and April 30, 2016.

Note-12. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of October 31, 2015 and April 30, 2016, the future lease revenues under the non-cancellable operating leases were as follows:

| | Thousands of yen | |
|---------------------|------------------|----------------|
| | October 31, 2015 | April 30, 2016 |
| Due within one year | ¥ 472,787 | ¥ 467,175 |
| Due after one year | 2,508,046 | 2,414,817 |
| TOTAL | ¥ 2,980,833 | ¥ 2,881,992 |

Note-13. Distribution information

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

[October 31, 2015]

In accordance with this policy, PIC declared a total distribution of 3,045,946,036 yen as distribution of income for the 26th fiscal period (payment to start on January 15, 2016). This is the maximum value arrived at when the number of units outstanding (263,399 units) is multiplied by an integer, within the limit of the unappropriated retained earnings for the 26th fiscal period after deducting the provision of the newly recorded reserve for reduction entry.

[April 30, 2016]

In accordance with this policy, PIC declared a total distribution of 3,239,807,700 yen as distribution of income for the 27th fiscal period (payment to start on July 8, 2016), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 27th fiscal period.

Income carried forward after the distributions for the six months ended October 31, 2015 and April 30, 2016 were as follows:

| | October 31, 2015 | April 30, 2016 |
|--|------------------|-----------------|
| Unappropriated retained earnings | ¥ 3,120,660,244 | ¥ 3,240,527,890 |
| Cash distributions declared | 3,045,946,036 | 3,239,807,700 |
| (Cash distribution declared per unit) | (11,564) | (2,460) |
| Provision of reserve for reduction entry | 74,654,083 | - |
| INCOME CARRIED FORWARD | ¥ 60,125 | ¥ 720,190 |

Note-14. Financial instruments

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

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

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

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

As for derivative transactions, PIC may use them only to hedge against interest rate fluctuation risks arising from liabilities.

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

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

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

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

(b) Items concerning fair value of financial instruments - The book values recorded on the balance sheet, fair values and their difference as of October 31, 2015 and April 30, 2016 were as follows:

| | Thousands of yen | | | | | |
|---|------------------|---------------|------------|----------------|---------------|-------------|
| | October 31, 2015 | | | April 30, 2016 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| ASSETS | | | | | | |
| (1) Cash and deposits | ¥ 3,171,424 | ¥ 3,171,424 | ¥ - | ¥ 3,208,902 | ¥ 3,208,902 | ¥ - |
| (2) Cash and deposits held in trust | 11,642,194 | 11,642,194 | - | 11,990,744 | 11,990,744 | - |
| TOTAL ASSETS | ¥ 14,813,619 | ¥ 14,813,619 | ¥ - | ¥ 15,199,646 | ¥ 15,199,646 | ¥ - |
| LIABILITIES | | | | | | |
| (3) Short-term loans payable | ¥ 7,900,000 | ¥ 7,900,000 | ¥ - | ¥ 7,900,000 | ¥ 7,900,000 | ¥ - |
| (4) Long-term loans payable due within one year | 18,650,000 | 18,703,477 | 53,477 | 16,650,000 | 16,742,483 | 92,483 |
| (5) Long-term loans payable | 65,450,000 | 66,030,954 | 580,954 | 69,450,000 | 70,423,475 | 973,475 |
| (6) Corporate bonds | 12,500,000 | 12,625,075 | 125,075 | 12,500,000 | 12,673,125 | 173,125 |
| TOTAL LIABILITIES | ¥ 104,500,000 | ¥ 105,259,506 | ¥ 759,506 | ¥ 106,500,000 | ¥ 107,739,084 | ¥ 1,239,084 |
| (7) Derivative Transactions | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

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

(1) **Cash and deposits, and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.

(3) **Short-term loans payable** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.

(4) **Long-term loans payable due within one year and (5) long-term loans payable** - For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note 16. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that PIC borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that PIC borrows new loans corresponding to the remaining periods.

(6) **Corporate bonds** - Fair values of these instruments are calculated based on their market prices.

(7) **Derivative Transactions** - Refer to Note 16. Derivative Transactions below.

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

Investment securities - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen as of October 31, 2015 and April 30, 2016, respectively) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.

*3 Planned redemption amount of monetary claims as of October 31, 2015 and April 30, 2016, are as follows:

| | Thousands of yen | | | | | |
|-------------------------------------|------------------|--|---|--|---|----------------------|
| | October 31, 2015 | | | | | |
| | 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 | ¥ 3,171,424 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| (2) Cash and deposits held in trust | 11,642,194 | - | - | - | - | - |
| TOTAL | ¥ 14,813,619 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

| | Thousands of yen | | | | | |
|-------------------------------------|------------------|--|---|--|---|----------------------|
| | April 30, 2016 | | | | | |
| | 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 | ¥ 3,208,902 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| (2) Cash and deposits held in trust | 11,990,744 | - | - | - | - | - |
| TOTAL | ¥ 15,199,646 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

*4 Planned repayment and redemption amounts of loans and corporate bonds as of October 31, 2015 and April 30, 2016, are as follows:

| | Thousands of yen | | | | | |
|---|------------------|--|---|--|---|----------------------|
| | October 31, 2015 | | | | | |
| | 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 payable | ¥ 7,900,000 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| (4) Long-term loans payable due within one year | 18,650,000 | - | - | - | - | - |
| (5) Long-term loans payable | - | 14,000,000 | 18,900,000 | 10,050,000 | 650,000 | 21,850,000 |
| (6) Corporate bonds | - | - | 7,500,000 | 2,500,000 | - | 2,500,000 |
| TOTAL | ¥ 26,550,000 | ¥ 14,000,000 | ¥ 26,400,000 | ¥ 12,550,000 | ¥ 650,000 | ¥ 24,350,000 |

| | Thousands of yen | | | | | |
|---|------------------|--|---|--|---|----------------------|
| | April 30, 2016 | | | | | |
| | 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 payable | ¥ 7,900,000 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| (4) Long-term loans payable due within one year | 16,650,000 | - | - | - | - | - |
| (5) Long-term loans payable | - | 15,900,000 | 10,850,000 | 7,850,000 | 2,000,000 | 32,850,000 |
| (6) Corporate bonds | - | - | 10,000,000 | - | 2,500,000 | - |
| TOTAL | ¥ 24,550,000 | ¥ 15,900,000 | ¥ 20,850,000 | ¥ 7,850,000 | ¥ 4,500,000 | ¥ 32,850,000 |

Note-15. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flows from Real Estate Property managed by UDX Special Purpose Company. PIC owns 53,580 units (19.0% equity) of the preferred securities (282,000 units in total) as of October 31, 2015 and April 30, 2016, respectively.

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

Note-16. Derivative transactions

(a) **Derivatives to which hedge accounting is not applied** - Not applicable for the six months ended October 31, 2015 and April 30, 2016.

(b) **Derivatives to which hedge accounting is applied** - For the six months ended October 31, 2015 and April 30, 2016, the following table shows the contract amount or amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

| Type of hedge accounting | Type of derivative transactions, etc. | Major hedged item | Thousands of yen | | | |
|--|--|-------------------------|-----------------------|------------------------------|------------|---------------------------------------|
| | | | October 31, 2015 | | | |
| | | | Contract amount, etc. | Of which, exceeding one year | Fair value | Calculation method for the fair value |
| Special accounting for interest rate swaps | Interest rate swap transaction Receivable floating; payable fixed | Long-term loans payable | ¥ 24,250,000 | ¥ 24,250,000 | * | - |

| Type of hedge accounting | Type of derivative transactions, etc. | Major hedged item | Thousands of yen | | | |
|--|--|-------------------------|-----------------------|--------------------|------------|---------------------------------------|
| | | | April 30, 2016 | | | |
| | | | Contract amount, etc. | Of which, | Fair value | Calculation method for the fair value |
| | | | | exceeding one year | | |
| Special accounting for interest rate swaps | Interest rate swap transaction Receivable floating; payable fixed | Long-term loans payable | ¥ 32,250,000 | ¥ 32,250,000 | * | - |

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

Note-17. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of October 31, 2015 and April 30, 2016, the variations during the fiscal period and their fair values are as follows:

| | Thousands of yen | | | | | | | |
|------------------------|---|---|--|--|--|---|--|--|
| | October 31, 2015 | | | | April 30, 2016 | | | |
| | Book value at May 1, 2015 ^{*1} | Increase and Decrease during the period ^{*2} | Book value at October 31, 2015 ^{*1} | Fair value at October 31, 2015 ^{*3} | Book value at November 1, 2015 ^{*1} | Increase and Decrease during the period ^{*2} | Book value at April 30, 2016 ^{*1} | Fair value at April 30, 2016 ^{*3} |
| Office buildings | ¥ 128,398,445 | ¥ 3,233,732 | ¥ 131,632,178 | ¥ 136,390,000 | ¥ 131,632,178 | ¥ 2,448,736 | ¥ 134,080,914 | ¥ 142,742,000 |
| Residential properties | 76,310,994 | (6,274,923) | 70,036,071 | 71,183,000 | 70,036,071 | (571,073) | 69,464,998 | 72,280,000 |
| TOTAL | ¥ 204,709,440 | ¥ (3,041,190) | ¥ 201,668,249 | ¥ 207,573,000 | ¥ 201,668,249 | ¥ 1,877,662 | ¥ 203,545,912 | ¥ 215,022,000 |

*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 acquisitions).

*2 Of the increases and decreases in rental properties during the period, major increases in the fiscal period ended October 31, 2015 are due to the acquisition of NTT CRED Okayama Building (3,668,413 thousand yen) and the capital expenditures (345,133 thousand yen), and major decreases are due to the sale of Sun Palace Minami-Azabu and Homat Woodville (5,780,678 thousand yen) and the depreciation (1,274,339 thousand yen). Major increases in the fiscal period ended April 30, 2016 are due to the acquisition of Urbannet Shizuoka Ote-machi Building and Urbannet Shizuoka Building (2,786,025 thousand yen) and the capital expenditures (389,200 thousand yen), and major decreases are due to the depreciation (1,297,562 thousand yen).

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

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended October 31, 2015 and April 30, 2016 are as follows:

| | Thousands of yen | | | | | |
|------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | October 31, 2015 | | | April 30, 2016 | | |
| | Real estate rental revenues | Real estate rental expenses | Real estate rental income | Real estate rental revenues | Real estate rental expenses | Real estate rental income |
| Office buildings | ¥ 5,221,306 | ¥ 2,461,829 | ¥ 2,759,476 | ¥ 5,267,051 | ¥ 2,481,789 | ¥ 2,785,262 |
| Residential properties | 2,414,556 | 1,357,184 | 1,057,371 | 2,425,016 | 1,312,547 | 1,112,469 |
| TOTAL | ¥ 7,635,862 | ¥ 3,819,014 | ¥ 3,816,847 | ¥ 7,692,068 | ¥ 3,794,336 | ¥ 3,897,732 |

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

Note-18. Segment information

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

(b) Related information -

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

(ii) Information on geographical area -

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

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

(iii) Information by major customer - Description has been omitted because the operating revenues from a single external customer accounts for less than 10% of the operating revenues on the profit and loss statements.

OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND APRIL 30, 2016

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 27th Fiscal Period | Amount Paid before the 27th Fiscal Period |
| NU Kannai Building | Yokohama City, Kanagawa | Renovation of air conditioning systems | May 2015 – April 2018 | 462,753 | 13,025 | 153,417 |
| KN Shibuya No.3 | Shibuya Ward, Tokyo | Renovation of air conditioning systems | October 2015 – June 2016 | 217,500 | 147,172 | 147,172 |
| Urbannet Omori Building | Ota Ward, Tokyo | Renewal of air conditioning systems | June 2016 – April 2019 | 96,768 | – | – |

2. Capital Expenditures during the 27th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 27th fiscal period (November 1, 2015 – April 30, 2016) for the portfolio owned by PIC. Capital expenditures during the period totaled 389,200 thousand yen. This amount, combined with maintenance and repair expenditures of 347,977 thousand yen, was classified as operating expenses for the period, aggregating a total of 737,178 thousand yen representing renovation expenditures.

| Name | Address | Purpose | Period | Amount Paid (thousands of yen) |
|--|-------------------------|--|--------------------------------|--------------------------------|
| Landic Shimbashi Building | Minato Ward, Tokyo | Renovation of elevator | November 2015 – January 2016 | 56,800 |
| KN Shibuya No.3 | Shibuya Ward, Tokyo | Renovation of air conditioning systems | October 2015 – April 2016 | 147,172 |
| Takadanobaba Center Building | Shinjuku Ward, Tokyo | Renewal of central monitor device | November 2015 – January 2016 | 23,840 |
| The Kanagawa Science Park R&D Building | Kawasaki City, Kanagawa | Renewal of waste water treatment equipment | August 2015 – February 2016 | 50,605 |
| The Kanagawa Science Park R&D Building | Kawasaki City, Kanagawa | Renewal of air conditioning systems | September 2015 – February 2016 | 22,213 |
| NU Kannai Building | Yokohama City, Kanagawa | Renovation of air conditioning systems | December 2015 – March 2016 | 13,025 |
| Other construction | – | – | – | 75,544 |
| Total | | | | 389,200 |

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

| Item | Fiscal Period | Thousands of yen | |
|--|---------------|---|--|
| | | 26th Fiscal Period (May 1, 2015 – October 31, 2015) | 27th Fiscal Period (November 1, 2015 – April 30, 2016) |
| Deposits at end of the preceding period | | 460,355 | 461,706 |
| Deposits made during the period | | 25,151 | 14,323 |
| Amounts used from deposits during the period | | 23,800 | 1,218 |
| Deposits carried forward to the next period | | 461,706 | 474,811 |

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, Etc.

(i) PIC refinanced the 11,000 million yen in a long-term loan borrowed on December 8, 2011 into a long-term loan on December 8, 2015. The following table shows the breakdown, including the lenders, of the 11,000 million yen in the long-term loan.

| | | | | | |
|----------------------------|----------------------------------|-------------------------|----------------------|--|-------------------------------------|
| Lenders | Aozora Bank, Ltd. | NTT Finance Corporation | Resona Bank, Limited | Mitsui Sumitomo Insurance Company, Limited | Sumitomo Mitsui Trust Bank, Limited |
| Amount of Debt Finance | 3,000 million yen | 3,000 million yen | 3,000 million yen | 1,000 million yen | 1,000 million yen |
| Expected Drawdown Date | December 8, 2015 | | | | |
| Repayment Date | November 30, 2022 | | | | |
| Repayment Method | Lump-sum repayment upon maturity | | | | |
| Interest Rate (p.a.), etc. | Fixed rate: 0.73875% | Fixed rate: 0.72875%* | | | |
| Collateral/Guarantee | Unsecured and non-guaranteed | | | | |

*As PIC has conducted an interest rate swap transaction for the balance of the loan in order to reduce the interest rate fluctuation risk, the fixed rate interest obtained by taking into account the effect of the interest rate swaps is indicated.

(ii) PIC borrowed 2,000 million yen in a long-term loan on February 19, 2016 in order to partly fund the acquisition of trust beneficiary interest (real estate) Urbannet Shizuoka Ote-machi Building and Urbannet Shizuoka Building that were acquired as of the same date. The following table shows the breakdown of the 2,000 million yen in the long-term loan.

| | |
|----------------------------|----------------------------------|
| Lenders | NTT Finance Corporation |
| Amount of Debt Finance | 2,000 million yen |
| Expected Drawdown Date | February 19, 2016 |
| Repayment Date | January 29, 2021 |
| Repayment Method | Lump-sum repayment upon maturity |
| Interest Rate (p.a.), etc. | Fixed rate: 0.41375 % |
| Collateral/Guarantee | Unsecured and non-guaranteed |

As a result of the above, PIC’s interest-bearing liabilities totaled 106,500 million yen as of April 30, 2016. The breakdown is as follows: 7,900 million yen in short-term loans, 86,100 million yen in long-term loans (including long-term loans due within one year) and 12,500 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 92.6%.

2. Credit Ratings

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

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

*The bond credit rating has been granted to the Unsecured bonds No. 4, 5 and 6.

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

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

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

2. Portfolio Management Standards Based on Basic Policy

1. Holding Period

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

2. Acquisition Standards

A) Acquisition Standards

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

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

B) Use

- a. PIC shall invest in real estate, its leasehold interest or surface rights (chijo-ken), real estate in trust underlying its beneficial interests, its leasehold interest or surface rights, and real estate underlying equity investments in real estate backed securities or anonymous partnerships (hereinafter, “Real Estate Backed Securities, etc.”), its leasehold interests or surface rights (collectively referred to as “Investment Real Estate”), all of which shall be primarily for office and residential uses. However, such properties may in some cases be used partially for retail or other purposes. Consequently, the office buildings and residential properties acquired by PIC may include properties that are partially used for retail or other purposes.
- b. In consideration of the characteristics of each real estate use indicated in the table on page 39, PIC works to ensure diversification of property uses by investing primarily in

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

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

C) Areas

- a. As noted above, PIC’s investments are focused primarily in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation, and in Major Regional Cities.
- b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, PIC diversifies its investment targeting to achieve a geographical split as indicated in the table on page 40 for both office buildings and residential properties (each of which is set at 100% in the table).

Use

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

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

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

D) Asset Size by Property

▶see table below

a. Office buildings

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

b. Residential properties

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

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

E) Due Diligence ▶see table on page 41

PIC decides on whether or not it will acquire investment assets in a comprehensive manner after conducting economic, physical and legal inspections of the assets. The table on page 41

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

F) Standards for Tenant Selection

▶see table below

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

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

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

Areas

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

(Note 1) Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although PIC makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring the investment assets.

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

Asset Size per Property

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

Standards for Tenant Selection

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

Due Diligence

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

G) Amount of Investment

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

3. Sales Standards

- A) The basic policy is to hold the investment assets acquired by PIC over the medium to long term. In principle, PIC does not plan to sell the acquired investment assets over the short term.
- B) Considered in the medium to long term, however, PIC may investigate sales of its investment assets after the portfolio structure is strategically classified, comprehensively taking into consideration such factors as real estate market conditions, projected future earnings, current fluctuations and forecasted fluctuations in asset values, future prospects and stability of areas where the properties are located, and projected capital expenditures, etc. arising from the deterioration or obsolescence of the real estate. Moreover, while the sales policy for each investment asset will basically be determined in the annual asset management plan, this plan may be revised as necessary.

a. Strategic classifications

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

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

- be achieved even with additional allocation of capital.
- [Example 2] When another investment asset with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the asset to lose importance in the portfolio structure.
- 4) When the property is sold from a financial viewpoint:
[Example] When a reduction in the interest-bearing liabilities ratio is intended.

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

4. Policy for Investment in Development Projects

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

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

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

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

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

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

6. Insurance Policy

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

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

7. Financial Policy

A) Loans and Corporate Bonds

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

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

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

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

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

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

B) Issuance of Investment Units for Subscription

a. To raise funds, PIC may, upon approval of the Board of Directors, issue investment units for subscription.

b. Issuance of investment units for subscription shall be determined by considering PIC’s financial situation, including the loan-to-value ratio, and the dilution of the investment units.

3. Property Management Policy

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

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

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

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

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

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

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

4. Disclosure Policy

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

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

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

II. DISTRIBUTION POLICY

1. Distribution of Profits

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

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

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

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

2. Cash Distributions in Excess of Profits

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

3. Method for Paying Distributions

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

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

4. Statute of Limitations on Distributions

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

5. Other Matters

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

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

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

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

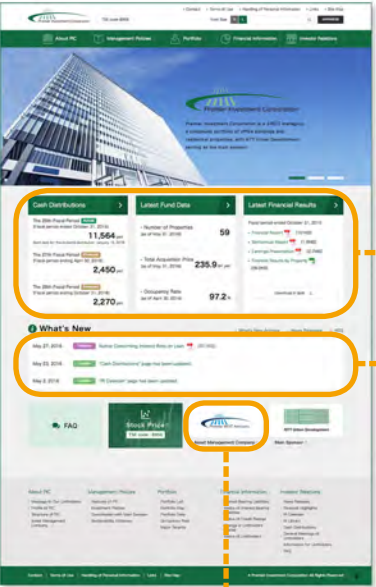
c. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is necessary. (e.g., when it has become necessary for PIC to meet the requirements to apply for the special tax measures for an investment corporation as stipulated under Article 67-15 of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

PIC'S WEBSITE

On its website, PIC provides investors with a variety of information including What's New, disclosure materials, financial information, stock price, links and FAQs. PIC always endeavors to disclose information in a timely manner so that investors can gain a better understanding of PIC.

*Please note that the following photos of the website may differ from the latest images, as the website is updated as needed at any time.

The website of Premier Investment Corporation



Easily accessible to the latest information

Visitors to the website can check the latest news releases as well as the latest fund data including occupancy rates and cash distributions, on the top page. More detailed information and past results, etc. can also be easily accessed from the main menu provided on the top page.

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

<Enriched Contents>

Abundant graphs and tables allows viewers to get a variety of data visually.

Occupancy Rate

A line graph showing the occupancy rate of PIC's properties over time. The x-axis represents time, and the y-axis represents the occupancy rate percentage. The graph shows a steady increase in occupancy rate over the period.

FAQs

A page titled 'FAQ' (Frequently Asked Questions) providing answers to common investor questions. It includes sections for 'General Information', 'Financial Information', and 'Investor Relations'.

Status of Interest-Bearing Liabilities

A line graph showing the status of interest-bearing liabilities over time. The x-axis represents time, and the y-axis represents the amount of liabilities. The graph shows a steady increase in liabilities over the period.

Status of Credit Ratings

A table showing the status of credit ratings for PIC. It includes columns for 'Rating Agency', 'Current Rating', and 'Rating Outlook'. The table shows that PIC has a strong credit rating and a positive outlook.

Status of Unitholders

A table showing the status of unitholders for PIC. It includes columns for 'Unit Type', 'Unit Count', and 'Unit Price'. The table shows that PIC has a large number of unitholders and a stable unit price.

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



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

Disclaimer

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

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

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

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

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

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December 12, 2017

For Immediate Release

REIT Issuer

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(Correction) Partial Correction of Semiannual Reports

Premier Investment Corporation ("PIC") announces that it has found that there are some incorrect figures in its semiannual reports for the 26th, 27th, 28th and 29th fiscal periods, and hereby corrects them as described below.

1. Correction Parts

Underlined parts are corrected.

(1) Semiannual Report for the 26th fiscal period

PML Value (%) for Total in Property Portfolio [26th Fiscal Period (as of October 31, 2015)] on page 14

| Before correction | After correction |
|-------------------|------------------|
| <u>8.3</u> | <u>8.7</u> |

(2) Semiannual Report for the 27th fiscal period

PML Value (%) for Total in Property Portfolio [27th Fiscal Period (as of April 30, 2016)] on page 14

| Before correction | After correction |
|-------------------|------------------|
| <u>7.8</u> | <u>8.4</u> |

(3) Semiannual Report for the 28th fiscal period

PML Value (%) for Total in Property Portfolio [28th Fiscal Period (as of October 31, 2016)] on page 16

| Before correction | After correction |
|-------------------|------------------|
| <u>7.7</u> | <u>8.3</u> |

(4) Semiannual Report for the 29th fiscal period

PML Value (%) for Total in Property Portfolio [29th Fiscal Period (as of April 30, 2017)] on page 15

| Before correction | After correction |
|-------------------|------------------|
| <u>7.9</u> | <u>8.1</u> |

2. Reason for the Correction

PIC corrects the relevant figures of the PML for its portfolio of properties owned as of the end of each fiscal period, as described in the semiannual reports for the 26th through 29th fiscal periods, because of a partial error found in the calculation method of the figures for the properties in which PIC owns (quasi) co-ownership interests.

* PIC's website is <http://www.pic-reit.co.jp>