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

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



## SEMIANNUAL REPORT

**17<sup>TH</sup> FISCAL PERIOD**  
ENDED APRIL 30, 2011

# M

## ESSAGE TO OUR UNITHOLDERS

### Dear Investor,

An unprecedented, gigantic earthquake and tsunami (tidal waves) struck the Tohoku region (northeastern part Japan) on March 11, 2011 causing massive damage. We at Premier Investment Corporation (PIC) would like to express our heartfelt condolences to all those affected, and offer our best wishes for the quick recovery of the affected areas.

Fortunately, PIC's properties had no major physical damage, avoiding any serious impact on our business results. There were also no human casualties among our tenants or related parties. (For the impact of the earthquake and the post-quake Japanese economy, etc., please refer to pages 3 and 4 of this semiannual report.)

As of April 1, 2011, Yuichi Kawamori newly took office as Executive Director of PIC, following approval given at the sixth general meeting of unitholders held on March 25, 2011. Kawamori is resolved to utilize his new position, endeavoring to operate PIC and secure its corporate governance.

In the 17th fiscal period (November 1, 2010 – April 30, 2011), PIC achieved external growth as it acquired preferred securities (totaling 14.3 billion yen, or the equivalent of 14% of preferred securities issued by the relevant special purpose company) backed by Akihabara UDX, one of the most superior office buildings in Tokyo, by harnessing the advantage of the credibility and the strong information support provided by NTT Urban Development Corporation (NTTUD),

the main sponsor. PIC also acquired Shibaura Island Bloom Tower (totaling 5.5 billion yen for 16% co-ownership equity), an ultra-skyscraper, high-grade residence operating at a high occupancy rate, through the pipeline of Ken Corporation, a sponsor. These new investments in the amount of approximately 20 billion yen were all financed by borrowed funds.

With regard to internal growth, the rental residence market started to show some stability. In contrast, however, vacancy rates remained high in the rental office market, especially for class B office buildings, and rent levels continued to decline. Although PIC achieved better leasing results than the previous fiscal period for its office buildings, they were not enough to offset the impact of the move-outs of large tenants, and, therefore, the occupancy rate of PIC's office buildings fell below 80%.

As a result, PIC saw revenues and profits from existing properties decline and posted



*Yuichi Kawamori*

**Yuichi Kawamori**  
Executive Director  
Premier Investment Corporation

operating revenues of 5,171 million yen (a decrease of 66 million yen), ordinary income of 1,531 million yen (a decrease of 244 million yen), and net income of 1,519 million yen (a decrease of 255 million yen), all on a period-on-period basis. Meanwhile, PIC secured a distribution per unit of 10,846 yen, which was a decrease of 1,822 yen period-on-period but surpassed the beginning-of-period forecast by 516 yen.

The outlook of the Japanese economy, which had been on track to recovery, is now rather opaque due to the impact of the Great East Japan Earthquake. Nevertheless, based on the belief that early revival from the disaster is achieved, we will continue our efforts to reinforce the competitive edge of PIC's properties and enhance leasing activities, while proactively working to realize further external growth. We sincerely appreciate receiving continued and heightened support from our unitholders.



*Kimito Muragishi*

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

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# 17TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

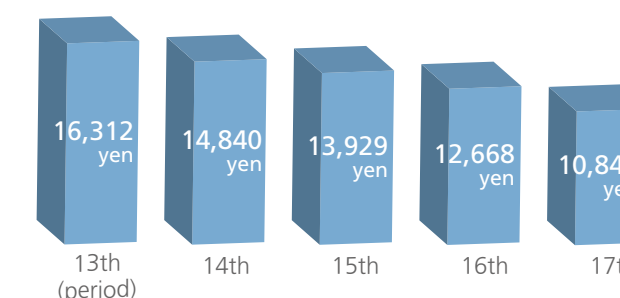
Management and Distribution Results	16th Fiscal Period (ended October 2010)	17th Fiscal Period (ended April 2011)
Operating Revenues (mm yen)	5,237	5,171
Operating Income (mm yen)	2,426	2,271
Ordinary Income (mm yen)	1,776	1,531
Net Income (mm yen)	1,774	1,519
Distribution per Unit (yen) (distribution in excess of profits not included)	12,668	10,846
Total Distributions (mm yen)	1,774	1,519
Distribution Payout Ratio <sup>(Note)</sup>	99.9%	100.0%
Distribution versus Net Assets <sup>(Note)</sup>	2.4%	2.0%

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

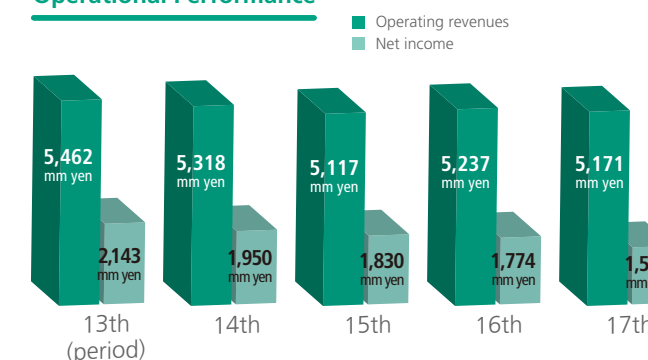
Financial Status	16th Fiscal Period (ended October 2010)	17th Fiscal Period (ended April 2011)
Total Assets (mm yen)	152,370	171,586
Net Assets (mm yen)	73,732	73,477
Net Assets Ratio	48.4%	42.8%
Net Assets per Unit (yen) <sup>(Note)</sup>	526,286	524,464

(Note) The number of outstanding investment units at the end of both the 16th and 17th fiscal periods was 140,100 units.

### Cash Distribution per Unit



### Operational Performance



A gigantic, magnitude 9.0 earthquake occurred off the coast of Miyagi Prefecture at 2:46 pm on March 11, 2011. In particular, the earthquake brought about tsunami (tidal waves), which struck the coastal areas of the Tohoku region (northeastern Japan) and caused massive damage. Several towns were totally destroyed, leading to a large number of casualties and missing people. The earthquake was also felt in the Tokyo metropolitan area, temporarily

paralyzing the transportation system of the megalopolis and causing minor damage to buildings. Moreover, the earthquake and the tsunami victimized the Fukushima Daiichi nuclear power plant of Tokyo Electric Power Company, effectively disabling its ability to generate power. The accident eventually led to a situation in which other nuclear power plants in Japan were forced to either stop operations or postpone re-starting

of operations after overhauls. As a result, many areas in Japan are currently facing power shortage issues. Currently, living conditions have mostly returned to pre-earthquake conditions in the Tokyo metropolitan area. However, Japan has many issues to tackle, including revival of the affected areas, centering around the Tohoku region, settlement of the nuclear power plant incident, and resolution of the power shortage issues.

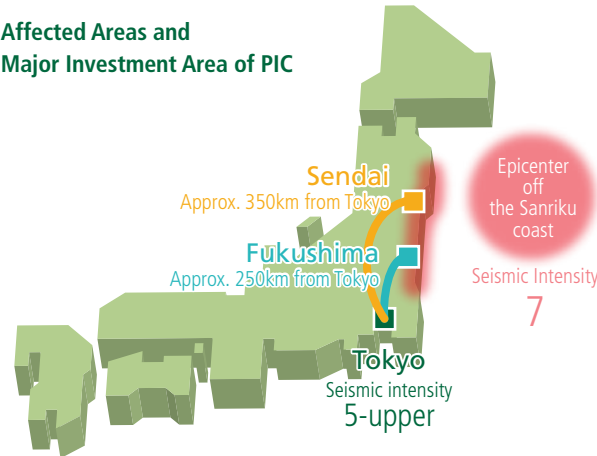
Impact on PIC

Properties owned by PIC are located in the Tokyo Economic Bloc, and none of them are located in the areas affected by the Great East Japan Earthquake. As such, the damage directly caused by the earthquake was minor, and there was no major impact on rental revenues.

- There were no casualties or physical damage that would have a serious impact on PIC's business results
- PIC recorded approximately 11 million yen in costs for repair work to be conducted immediately as extraordinary loss for the 17th fiscal period. The amount represents 0.007% of the total acquisition costs of the 47 properties (real estate and other assets) PIC owns as of the end of the 17th fiscal period.
- Repairs of other damage (such as slight cracks in common areas) will be conducted in line with the medium-term maintenance and repair plans

Damage Status		
Office building A	4 million yen	Repair of fireproof coating exfoliated in an emergency elevator
Office building B	2 million yen	Early repair of distinct cracks that have no structural problem
Office building C	1 million yen	Replacement of wire ropes for an elevator
Residential property A	4 million yen	Replacement of wire ropes for three elevators
Total	11 million yen	

\*Amounts have been rounded to the nearest million yen.



Japan as an Investment Destination: Present Situation and Issues

Q Is the revival from the earthquake disaster going smoothly?

The earthquake caused great damage to social infrastructure facilities as well and it was originally believed that it would take a long time for them to be restored. However, the Tohoku Expressway was totally recovered for use and major ports in the suffered areas returned to usable states within two weeks of the earthquake. Sendai Airport, which was materially damaged by the tsunami, had its runway restored and became partly operational about one month from the disaster. Such an early recovery in the infrastructure facilities is expected to serve as a springboard for the restoration and recovery of the Japanese economy. On the other hand, the revival of the affected areas will require some more time, as there are many issues including disposal of debris and the provision of housing and employment.

Q How do you view the recovery status of the Japanese economy?

The earthquake damaged production facilities of many manufacturing companies, but, in addition, due to the power shortages, production and sales activities were restricted in extensive areas thereby causing the Japanese economy to temporarily stagnate. However, the economy as a whole is on a track to recovery despite regional differences. According to the Regional Economic Report (July 2011) by the Bank of Japan, “moves toward the normalization of economic activity are proceeding steadily” in the Tohoku region (affected areas), and many other areas show “signs of a pick-up” in their economies. Presumably, production in Japan

as a whole has started to take a V-shaped recovery. Daiwa Institute of Research also forecasts in its Economic Report (June 2011) that “the support provided by reconstruction demand will place the economy on a recovery path from 2H FY11.”

Q What concerns do you foresee for future recovery?

There is a concern that if restrictions on the power supply are further prolonged, this may impact production activities and business in general, causing the economy to become stagnant again. As a countermeasure, during the summer season when power consumption is large, institutional customers in the jurisdictions of Tokyo Electric Power and Tohoku Electric Power are obliged to reduce power consumption by 15%, starting July 1. How to cope with this at production plants is of particular importance. Moreover, for the purpose of securing a stable power supply in the future, the incident at the Fukushima Daiichi nuclear power plant should be settled as soon as possible.

Q What impact has the REIT sector received, and what concerns are anticipated in the future?

Some REITs own properties in the Tohoku area, and are reported to have been somewhat damaged. In general, however, REIT-owned properties feature high earthquake resistance and presumably there has been no major damage with the exception of some logistics and retail REITs. No large impact has been seen in leasing either. Rather, some positive reactions

have been observed, such as relocations to buildings having higher earthquake resistance or higher energy saving capabilities.

However, there is a concern over, for example, a retarded recovery of office rents if stagnation of economic activities is prolonged. Furthermore, a concern is that the financial environment, which was loosening, may tighten as post-disaster rebuilding gets up to speed, leading to restrictions on the flexible and dynamic fund procurement by REITs.

Q The Fukushima Daiichi nuclear power plant incident has made a negative impression on foreign investors. What is your view on this issue?

Radiation caused by the incident is being monitored throughout the nation, and no report has been made as to the actual impact on human bodies. In addition, while inhabitants had to evacuate from the areas near the nuclear power plant, there has been no direct impact on business activities and living conditions in other areas.

However, the accident has deteriorated Japan's image, invoking excessive caution from overseas against both business activities and the living environment in Japan. If rectification of the incident faces difficulties, that might degrade Japan's position in the global arena, thereby leading to contraction of tenant demand both inside and outside of Japan. Because of this, efforts are required to communicate Japan's real situation to the overseas audience.

# PIC'S STRATEGIES AND ENDEAVORS

## Market Environment

Looking at the environment surrounding PIC in the 17th fiscal period, the Japanese economy showed signs of recovery, as exports resumed picking up thanks to the recovery in overseas economies and corporate performance improved. However, the Great East Japan Earthquake in March

2011 put a strain on production and sales activities in far-reaching areas, causing the overall economy to become temporarily stagnant. Steps to recovery are currently underway, but there still remain factors, such as power supply shortages, that make the outlook of the Japanese economy opaque.

Under these circumstances, PIC is committed to proactive strategies in the respective areas of external growth, internal growth and financial operations, taking advantage of the credibility and strong information support capability of NTTUD, the main sponsor. PIC will endeavor to turn around business performance as it flexibly responds to the market environment.

## Real Estate Investment Market

The real estate investment market is being activated with increased transactions centering on acquisitions by J-REITs and private placement funds, as domestic financial institutions have regained a proactive attitude to providing loans for new real estate property acquisitions. Nevertheless, the volume of information on for-sale properties worth considering for purchase is leveling off. Meanwhile, there is a prevalent stance, taken primarily by foreign investors, to try and discern the impact of the earthquake disaster.

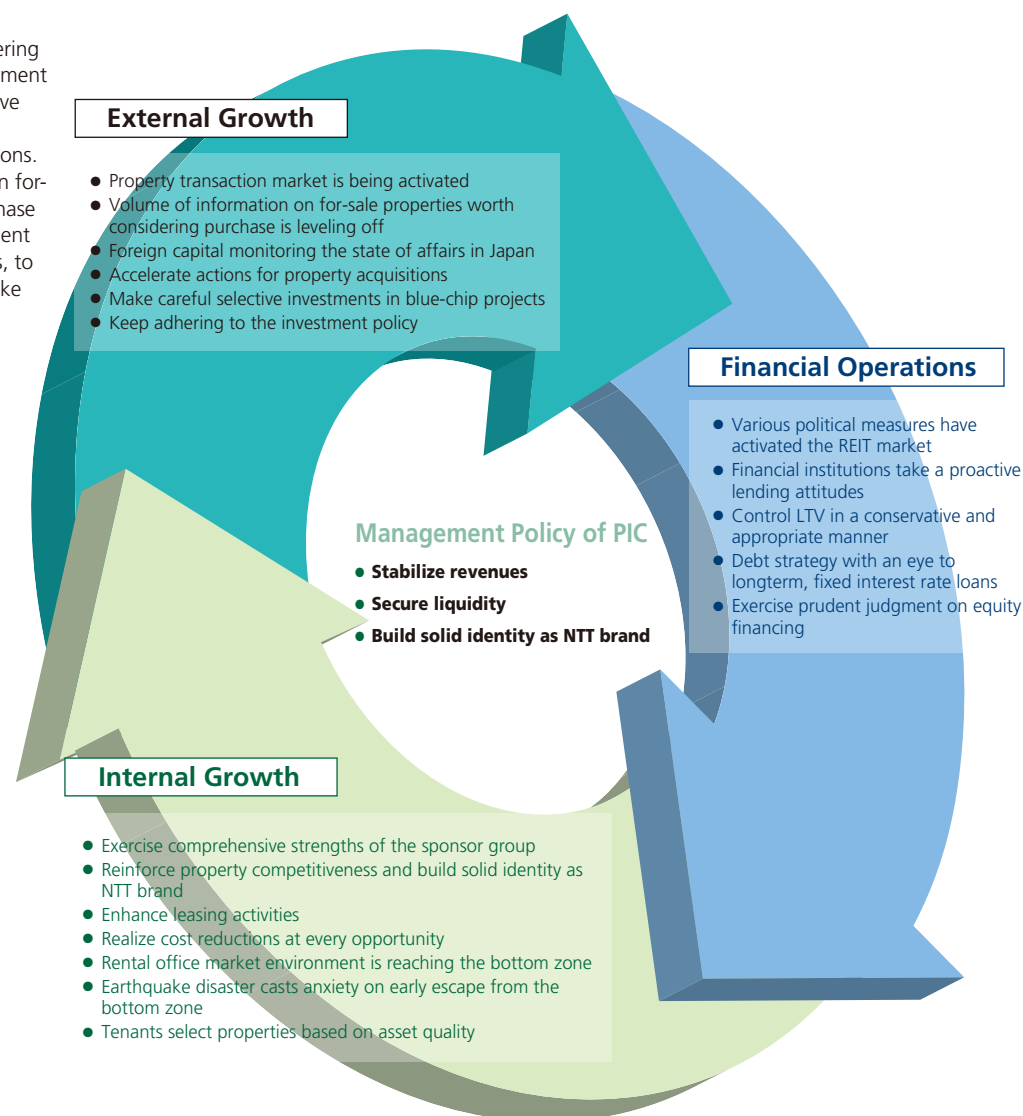
## Real Estate Rental Market

### Office Buildings

- The rent levels continued to drop in the rental office market, and the vacancy rate of class B buildings remained at a high level. However, the market environment is now in the bottom zone, allowing expectations of a recovery going forward. Still, the impact of the earthquake disaster and the nuclear power plant incidents cast concerns on early escape from the bottom zone.

### Residential Properties

- In the rental residence market, the rent levels have continued to decrease upon new move-ins and contract renewals, primarily for properties in high rent zones. The rate of decrease is decelerating, however, and a sense of bottoming is being felt in the market rents. With occupancy rates also improving, the residence market generally appears somewhat stable. In addition, the impact of the earthquake disaster and the nuclear power plant incident has remained to be slight.



## External Growth

### External Growth Strategy

Accelerate property acquisitions through careful selective investments in blue-chip projects

Both occupancy rates and rent levels have reached the bottom zone for office buildings and residential properties, and it is now easier to make forecasts of future rent trends for blue-chip properties. At this timing, PIC will implement investment by careful selection of blue-chip assets by utilizing the channels of its asset manager as well as the sponsors' pipelines.

Keep adhering to investment policy

PIC's Articles of Incorporation were amended at the general meeting of unitholders held in April 2011, enabling PIC to invest in properties located outside the Tokyo Economic Bloc. However, PIC intends to keep its established policy of targeting the Tokyo Economic Bloc, and there is no plan at present for proactively investing in regional cities.

### 17th Fiscal Period Results: New Asset Acquisitions

Acquisition date	Property Name	Acquisition Price
December 8, 2010	UDX Special Purpose Company Preferred Securities (preferred securities backed by Akihabara UDX as underlying asset)	14,300 million yen
December 9, 2010	Shibaura Island Bloom Tower	5,500 million yen

**Akihabara UDX**



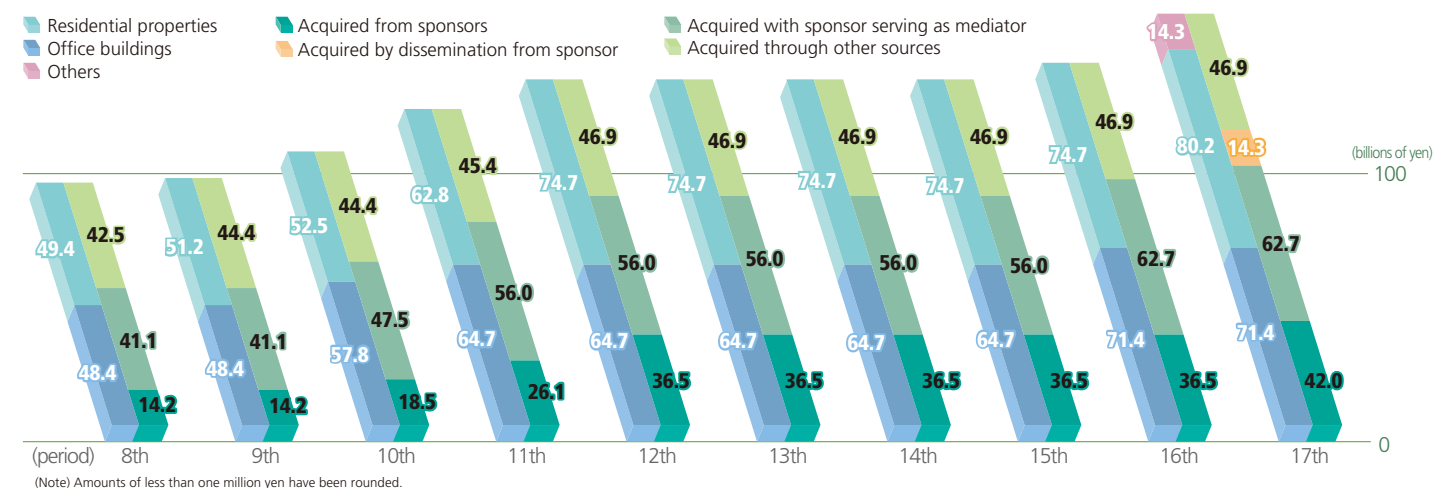
The property is located in Akihabara, a center of global attention as one of the world's largest electronics towns and a generator of pop culture. Standing at the gateway to this town, Akihabara UDX is a multi-use office building incorporating offices, restaurants, convention halls and other facilities. A large foyer on the lower floors gives a sense of openness with a height of approximately 20m, and is available as a public space to offer a town landscape integrated with surrounding districts.

**Shibaura Island Bloom Tower**



The property comprises "Bloom Tower," a high-grade residence (964 units in total) with ample common facilities such as a fitness club, and "Bloom Homes" that incorporates care-providing pay nursing homes for elderly people (84 units), rental residences for seniors (74 units) and a clinic mall.

### Results of External Growth



## Internal Growth

### Internal Growth Strategy

Exercise comprehensive strengths as a group by building solid identity with NTT brand

NTT is one of the leading brands in Japan. PIC will invest in renewal work to realize quality befitting the value of the brand, and increase tenant satisfaction. PIC will also focus on attracting NTT Group companies as tenants.

Enhance leasing activities

PIC will enhance leasing activities especially for properties that have prolonged vacancies by trying to relax lease terms in accordance with the occupying space, even without hesitating to give further discounts.

Take every opportunity to realize cost reductions

On top of income from rental operations, PIC will make cost reductions at every opportunity in an attempt to compensate the retarded recovery of the rental market.

### 17th Fiscal Period Results: Occupancy Rates

	Forecast	17th period results	16th period results
Office buildings	80.4%	81.7%	90.7%
Residential properties	92.9%	93.4%	93.3%
Total	87.0%	88.1%	92.0%

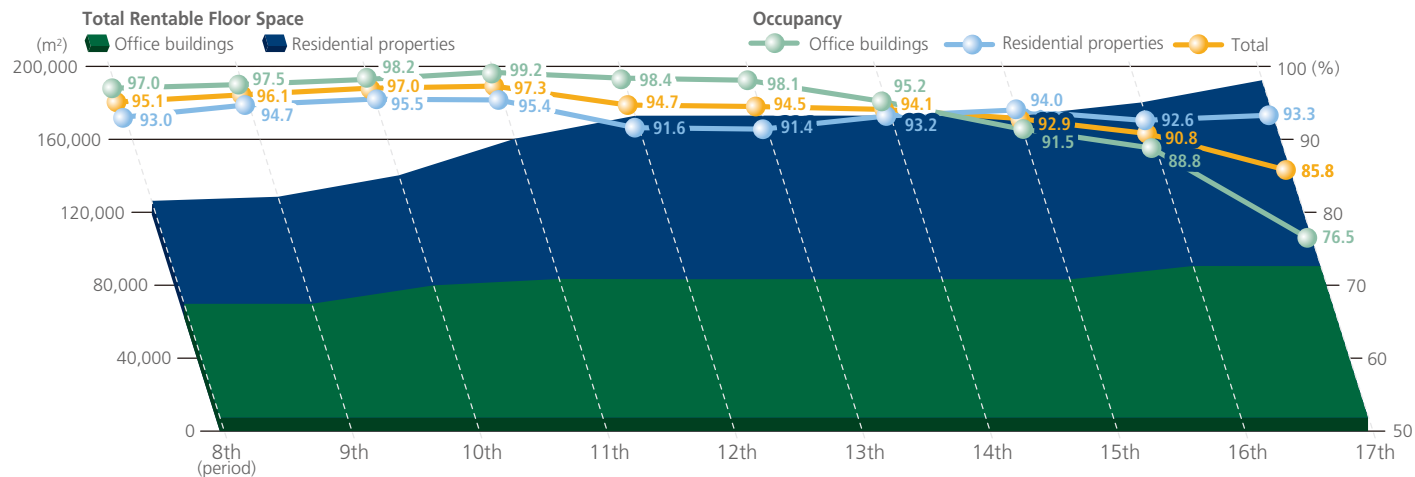
#### Office Buildings

- Due to the special factor that a large tenant (Fuji Xerox group) moved out in accordance with the integration of their operation bases, the occupancy rate of office buildings fell below 80% to a record low level.
- Nevertheless, PIC achieved leasing results of 4,706.46m<sup>2</sup> (5.6% of total leasable floor space) that was better than the 16th fiscal period. There are signs of improvement in the occupancy rate, as new applications have surpassed move-out notices (space basis) during the 17th fiscal period and after.

#### Residential Properties

- The occupancy rate has remained fairly stable since the bottoming out in the 16th fiscal period. Period average occupancy rate reached 93.4%, surpassing the forecast made at the beginning of the 17th fiscal period.
- The occupancy rate of Premier Stage Shibakoen II, for which leasing activities re-started in August 2010 by soliciting new general lease tenants, rose to as high as 92.7% at the end of the fiscal period

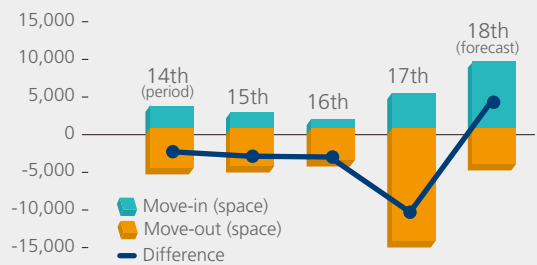
### Changes in Rentable Floor Space and Occupancy Rate of the Portfolio (at period ends)



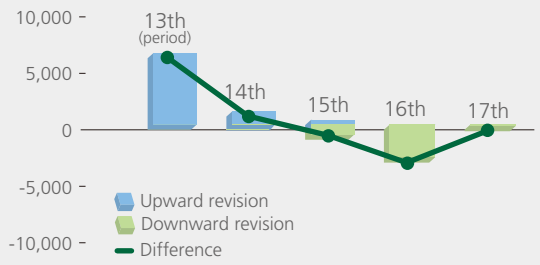
### Leasing of Office Buildings

Although the difficult situation continues, signs of improvement are already observed as move-ins are expected to surpass move-outs in terms of space in the 18th fiscal period and downward revisions of rents upon contract renewals have become less frequent.

#### Move-ins and Move-outs of Office Buildings by Space



#### Increase/Decrease of Rents upon Contract Renewal



#### Diminishing gap in rents:

The gap between existing rents and market rents has been reduced. Downward revisions have become less frequent.

### 17th Fiscal Period Results: NOI returns

#### NOI Returns

	NOI returns (end of 17th Period)
Office buildings	4.6%
Residential properties	4.4%
Total	4.5%

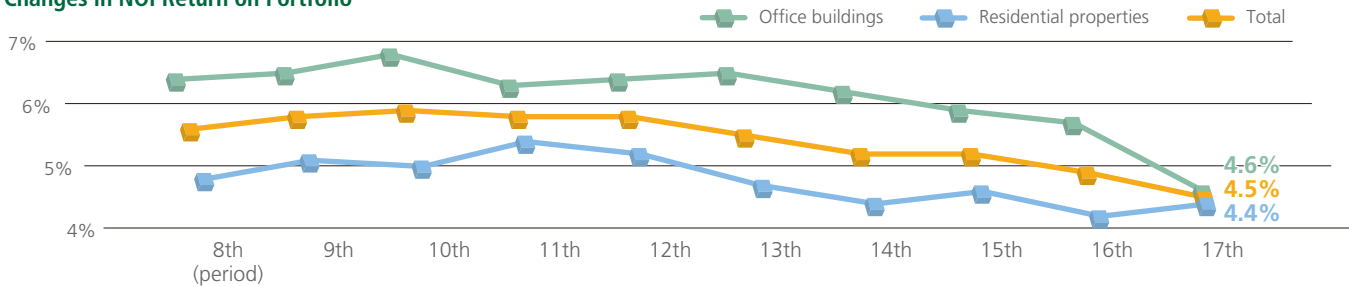
#### Office Buildings

- The rent levels of office buildings are kept in a difficult situation due to competition with properties of other owners, remaining in the bottom zone
- PIC worked to flatten its cash flows by absorbing the impact of long rent-free periods (6 – 12 months) through offering phased rents and other proposals to new tenants

#### Residential Properties

- Rents of residential properties appear to be bottoming out except for some high-rent residences
- Average rents of PIC's existing occupied residences decreased by around 3.5% in the past 12 months, but the drop has been offset by the increased opportunities to receive tenant deposits and renewal fees

#### Changes in NOI Return on Portfolio



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

■ Rental NOI = (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)

■ Investment amount = Average of (Book values + Accumulated depreciation) covering leased properties at the beginning and end of each fiscal period

Financial Operations

Financial Strategy

Control LTV in a conservative and appropriate manner

PIC will maintain the LTV level with consideration of adjustments with lenders, but will work to enjoy the effect of a high degree of leverage for some time in anticipation of the practically zero interest rate policy continuing.

Debt strategy with eye on long-term, fixed interest rate loans

PIC will promote diversification of repayment dates and extension of loan periods by employing a variety of procurement measures while working to maintain sound financial standing.

Exercise prudent judgment on equity financing

Concerning implementation of public offerings, PIC will exercise prudent judgment with the utmost consideration to dilution of investment units, such as only procuring funds necessary for external growth and minimizing the decrease of the LTV level.

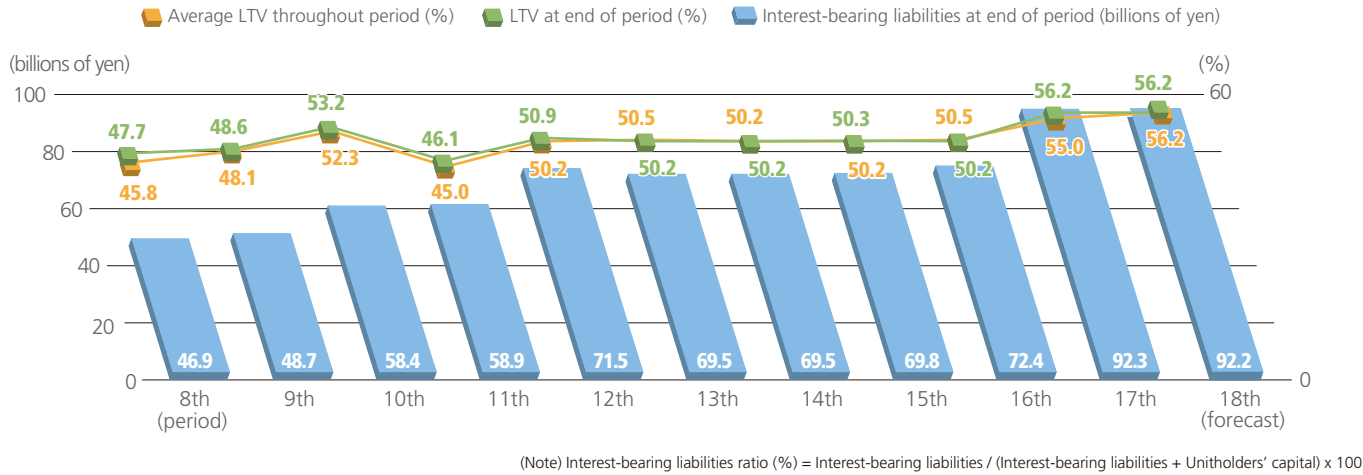
17th Fiscal Period Results

- Having NTTUD as the new main sponsor has enhanced PIC’s credibility. Based on this, PIC conducted new borrowings totaling 20 billion yen in the 17th fiscal period to fund new acquisitions of two assets. (For details of new borrowings, refer to Overview of Fund Procurement on page 42 of this semiannual report.)
- Although the LTV ratio rose to a record high as a result of the new borrowings, the average financing cost decreased as they were short-term loans.

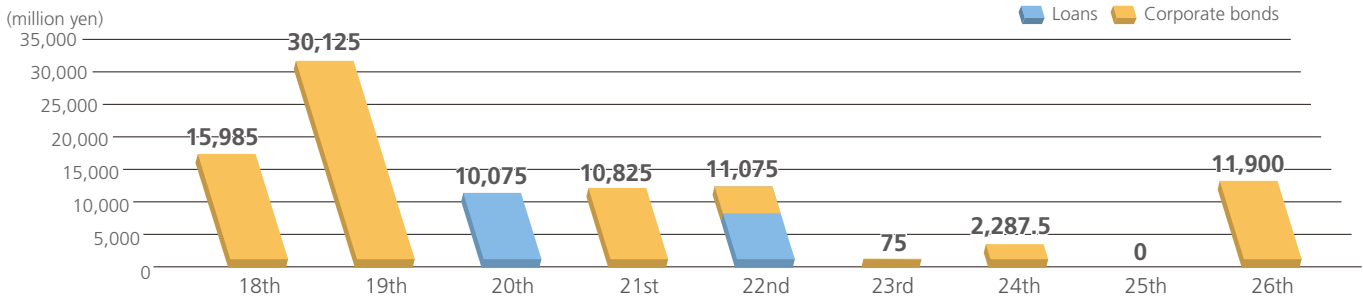
Leverage effect

Fund procurement went smoothly, though the LTV ratio rose, enabling PIC to make upward revision of the forecast distribution. The actual distribution per unit for the 17th fiscal period surpassed the initial forecast by 1,276 yen.

Changes in Interest-Bearing Liabilities Ratio



Diversification of Repayment Dates for Interest-Bearing Liabilities (as of April 30, 2011)



PERFORMANCE FORECASTS

The impact of the Great East Japan Earthquake and the subsequent power shortages has added opaqueness to the Japanese economy. While some observers predict that the economy will get on track to recovery in the second half of fiscal 2011, there is a possibility of a prolonged stagnation in economic activities and a business downturn if it requires more than a certain amount of time for the power supply to be restored.

For residential properties, the continued inflow of population into the Tokyo area is bolstering firm demand for rental properties, and the rent levels are in the process of bottoming out. However, there is no way to tell definitely that the earthquake disaster and the nuclear power plant incidents will not have any impact. As such, PIC estimates the period average occupancy rate of its residential properties to be 93.1% for the 18th fiscal period, slightly lower than the 17th fiscal period.

Given the improved balance of supply and demand of office spaces, PIC anticipates leasing activities to progress for its office buildings. However, because of rent-free periods granted in leasing and new notices of contract cancellations received, revenues are likely to reach the bottom in the 18th fiscal period. Nevertheless, as the rent-free periods for newly leased spaces come to an end and the occupancy rates improve, office buildings are expected to show an increase both in terms of revenues and profits in the 19th fiscal period.

Forecasts for the 18th and 19th Fiscal Periods (as of April 30, 2011)

	17th Fiscal Period	18th Fiscal Period (forecast)	19th Fiscal Period (forecast)
Operating revenues (mm yen)	5,171	4,962	5,062
Operating income (mm yen)	2,271	2,054	2,130
Ordinary income (mm yen)	1,531	1,290	1,375
Rental NOI (mm yen)	3,516	3,187	3,244
Net income (mm yen)	1,519	1,289	1,373
Distribution per unit (yen)	10,846	9,200	9,800
No. of investment assets	48	48	48

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

Assumptions for the Forecasts

	18th Fiscal Period	19th Fiscal Period
No. of assets in operation	47 properties owned as of the end of the 17th fiscal period (April 30, 2011) plus preferred securities issued by a special purpose company	It is assumed that the number of properties owned will remain unchanged from the end of the 18th fiscal period (October 31, 2011).
No. of investment units outstanding	140,100 units outstanding as of the end of the 17th fiscal period	140,100 units outstanding as of the end of the 18th fiscal period
Interest-bearing liabilities	<p>It is assumed that the following change is made to the balance of interest-bearing liabilities, which will be 92,347.5 million yen as of the end of the 17th fiscal period:</p> <p><b>(1) Borrowings that will mature during the fiscal period</b> • Of the 5,410 million yen that is the total of 3,120 million yen in long-term loans and 2,290 million yen in short-term loans, both matured on May 20, 2011, 5,400 million yen was refinanced on the repayment date with 3,400 million yen in long-term loans and 2,000 million yen in short-term loans. The remaining 10 million yen was repaid by using PIC’s cash on hand. • It is assumed that 10,500 million yen in long-term loans maturing on July 29, 2011 will be refinanced for the same amount.</p> <p><b>(2) Divided repayment of long-term loans as agreed upon 75 million yen will be repaid during the fiscal period.</b> Other than this, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 92,262.5 million yen)</p>	<p>It is assumed that the following change is made to the balance of interest-bearing liabilities, which will be 92,262.5 million yen as of the end of the 18th fiscal period:</p> <p><b>(1) Borrowings that will mature during the fiscal period</b> • It is assumed that 20,000 million yen in short-term loans maturing on December 8, 2011 will be refinanced for the same amount. • It is assumed that 3,650 million yen in long-term loans maturing on February 29, 2012 will be refinanced for the same amount. • It is assumed that 5,400 million yen in long-term loans maturing on March 9, 2012 will be refinanced for the same amount. • It is assumed that 1,000 million yen in long-term loans maturing on March 30, 2012 will be refinanced for the same amount.</p> <p><b>(2) Divided repayment of long-term loans as agreed upon 75 million yen will be repaid during the fiscal period.</b> Other than this, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 92,187.5 million yen)</p>
Occupancy rate	Office buildings: 80.4% (results in the 17th fiscal period: 81.7%) Residential properties: 93.1% (results in the 17th fiscal period: 93.4%) Total: 87.4% (results in the 17th fiscal period: 88.1%)	N/A
Others	<p><b>(Operating revenues)</b> Calculations for office buildings have been made on the premise that no space will be filled during the fiscal period to replace tenants that have notified PIC of contract termination (except for spaces for which new contracts have already been confirmed). For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration.</p> <p><b>(Operating expenses)</b> Major items include: • Outsourcing fees: 576 million yen • Tax and public dues: 342 million yen • Depreciation expenses: 987 million yen • Operating expenses (excluding rental expenses): 389 million yen</p> <p><b>(Non-operating expenses)</b> • Interest expenses (including interest for corporate bonds): 757 million yen</p> <p><b>(Capital expenditures):</b> 140 million yen</p>	<p><b>(Operating revenues)</b> Calculations for office buildings have been made on the premise that some properties will have new lease-up results, with notices of termination taken into consideration. For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration.</p> <p><b>(Operating expenses)</b> Major items include: • Outsourcing fees: 562 million yen • Tax and public dues: 342 million yen • Depreciation expenses: 985 million yen • Operating expenses (excluding rental expenses): 405 million yen</p> <p><b>(Non-operating expenses)</b> Interest expenses (including interest for corporate bonds): 750 million yen</p> <p><b>(Capital expenditures):</b> 170 million yen</p>

## Portfolio Status

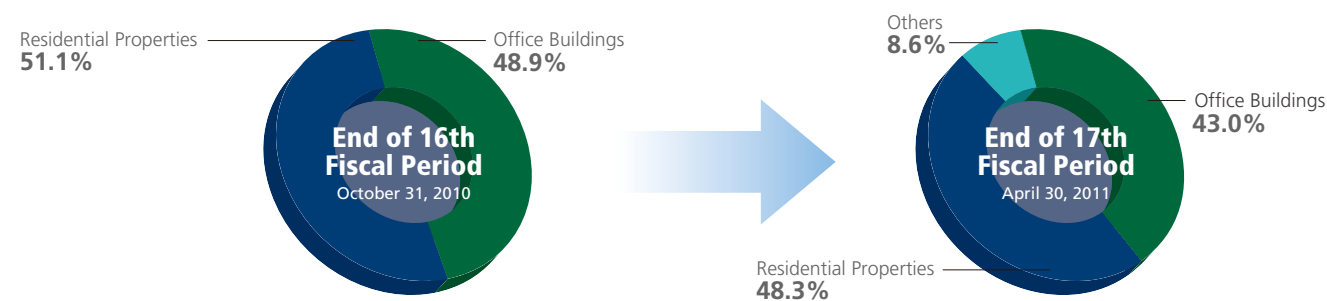
PIC invests in real estate primarily used as office buildings or residential properties and located mainly in the Tokyo Economic Bloc. Based on a medium- to long-term perspective, PIC will construct a well-balanced portfolio through incorporating assets of choice, and solidly manage its owned assets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

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

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

## [Investment Ratio by Asset Usage]

The assets PIC owned as of April 30, 2011 comprise 15 office buildings, 32 residential properties and 1 other asset (48 properties in total) located in the Tokyo metropolitan area. Characteristically, PIC invests exclusively in mid-sized office buildings (refer to the Class Categories of Office Buildings table below), while owning residential properties dispersed primarily into 4 types (refer to the Types of Residential Properties table below) as investment targets.



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

## [Characteristics of Office Buildings]

PIC owns office buildings primarily comprised of mid-sized buildings (Note) located in Tokyo and neighboring Kanagawa Prefecture, and which boast excellent access to mass transit.

(Note) Akihabara UDX falls under the category of Grade A Buildings in Tokyo.

### Class Categories of Office Buildings

	Grade A Buildings in Tokyo	Buildings Owned by PIC
Location	Central 5 Wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya), areas considered mature office districts; and other highly potential business districts	Located in highly mature districts as office areas or districts where strong office demand is expected, both in the 23 Wards of Tokyo
Total floor area	In principle, 6,500 tsubos and more for total rentable space	Approx. 1,000 tsubos and more
Floor plate	350 tsubos and more	Approx. 90 tsubos and more
Age of building	Less than 11 years	

Source: Prepared by Premier REIT Advisors Co., Ltd. based on the "Office Market Report" by CB Richard Ellis Research Institute K.K.

## [Characteristics of Residential Properties]

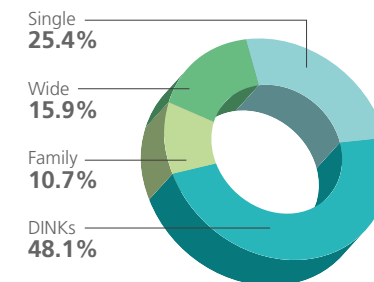
PIC owns four types of residential properties as indicated below.

### Types of Residential Properties

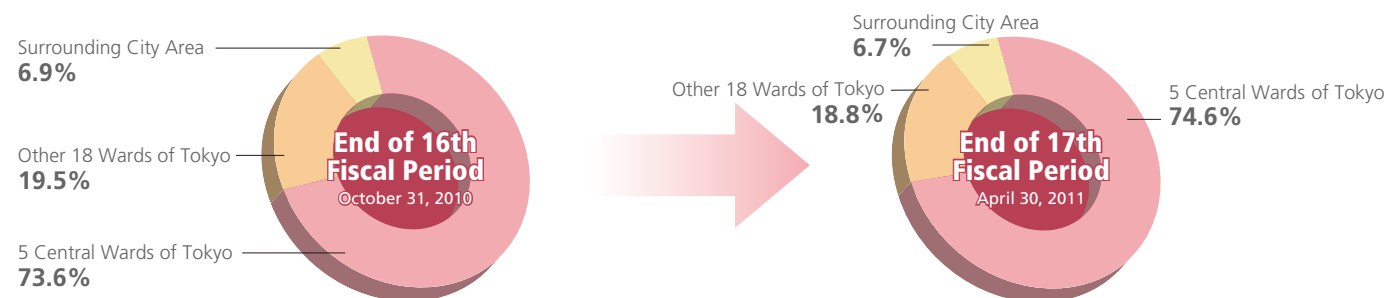
	Single	DINKS	Family	Wide
Geographical area for Investment	5 Central Wards of Tokyo and other surrounding wards	5 Central Wards of Tokyo and other surrounding wards	23 Wards of Tokyo and other suburban areas	5 Central Wards of Tokyo and other surrounding wards
Main rent level	Less than 150,000 yen per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

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

## Investment Ratio of Residential Properties by Unit Type (as of April 30, 2011, on a rentable floor space basis)



## [Investment Ratio by Area]



### Investment Areas

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

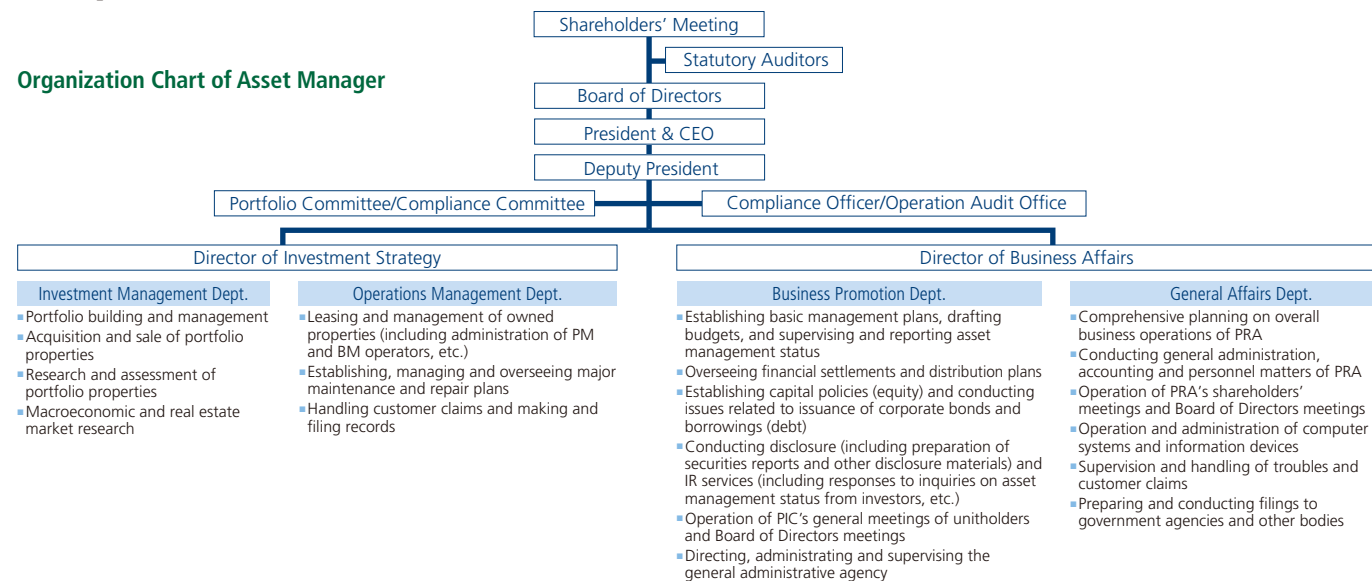
# ASSET MANAGER AND SPONSOR OVERVIEW

## Profile of Asset Manager

Premier REIT Advisors Co., Ltd. (PRA), the asset management company of PIC, had formerly been sponsored primarily by Ken Corporation Ltd., SOHGOH REAL ESTATE CO., LTD. and The Chuo Mitsui Trust Group (presently Sumitomo Mitsui Trust Group). On May 14, 2010, however, it became a consolidated subsidiary of NTTUD as it invited the latter to obtain its equity by 53.1%. This move was intended to reinforce the operating base of PRA through the pipeline support and human resources provided by NTTUD as well as by taking advantage of NTTUD's high credibility, in pursuit of continuous enhancement of PIC's investment value. The sponsor change has enhanced PIC's credibility, already resulting in achievements in fund procurement and asset acquisitions.

<b>Trade name</b>	Premier REIT Advisors Co., Ltd.
<b>Line of business</b>	Asset management business in accordance with the Financial Instruments and Exchange Act
<b>President &amp; CEO</b>	Kimito Muragishi
<b>Establishment</b>	July 17, 2001
<b>Address</b>	8-4-14 Akasaka, Minato Ward, Tokyo
<b>Paid-in capital</b>	300 million yen (as of March 31, 2011)
<b>Shareholders and their shareholdings</b>	NTT Urban Development Corporation (53.1%) Ken Corporation Ltd. (30.0%) SOHGOH REAL ESTATE CO., LTD.(10.0%) The Chuo Mitsui Trust and Banking Company Limited (4.9%) Nikko Properties, Inc.(2.0%)

## Organization Chart of Asset Manager



## Overview of NTTUD

NTTUD, the main sponsor, is the sole general real estate company within the NTT (Nippon Telegraph and Telephone Corporation) Group and a leading real estate company in Japan, achieving prominence in office building development and the real estate leasing business. It owns projects scheduled for completion and has development pipelines in the Tokyo metropolitan area and other major cities throughout Japan.

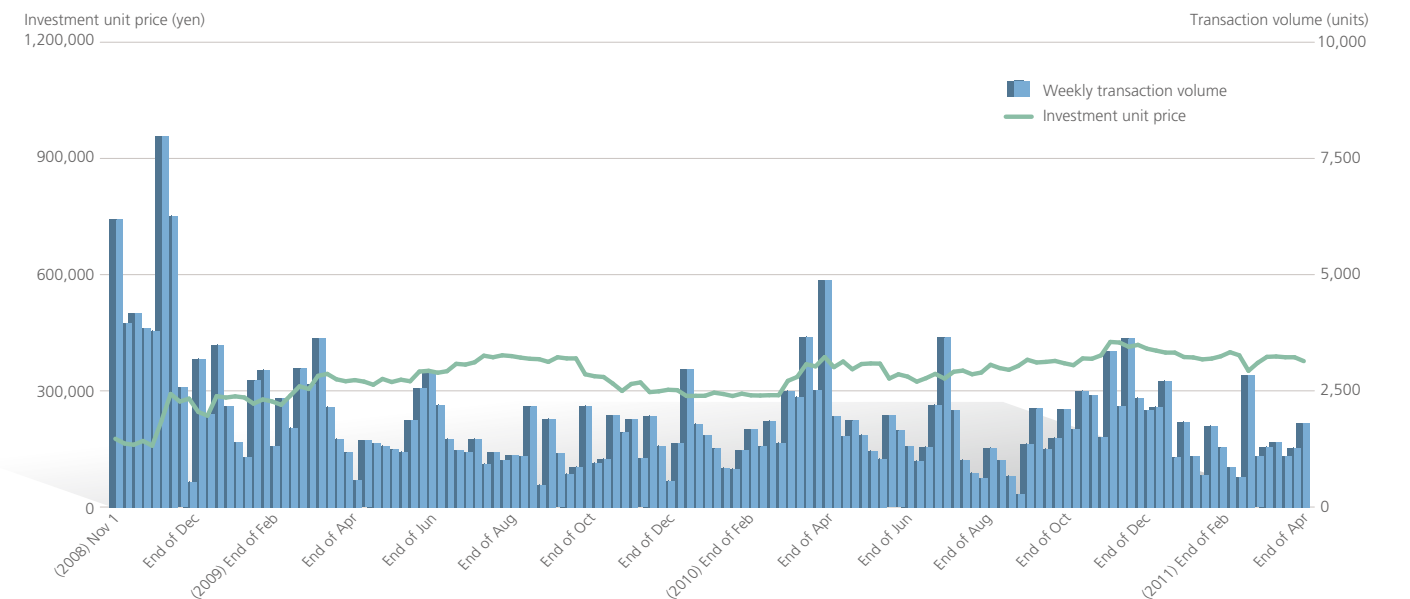
## Overview of NTTUD (as of March 31, 2011)

<b>Name</b>	NTT Urban Development Corporation		
<b>Address</b>	4-14-1 Sotokanda, Chiyoda Ward, Tokyo		
<b>Line of business</b>	●Acquisition, disposition, management, leasing, brokerage and appraisal of real estate ●Design, construction and construction supervision of architectural structures, and undertaking of such contracts, etc.		
<b>Establishment</b>	January 1986		
<b>Paid-in capital</b>	48,760 million yen (as of March 31, 2011)		
<b>Ratings</b>	<b>Rating agency</b>	<b>Long-Term Obligation Ratings</b>	<b>Short-Term Obligation Ratings</b>
	Rating and Investment Information, Inc. (R&I)	AA-	a-1+
	Moody's Investors Service, Inc.	A1	P-1
<b>Large stockholders and their stockholdings</b>	Nippon Telegraph and Telephone Corporation		67.3%

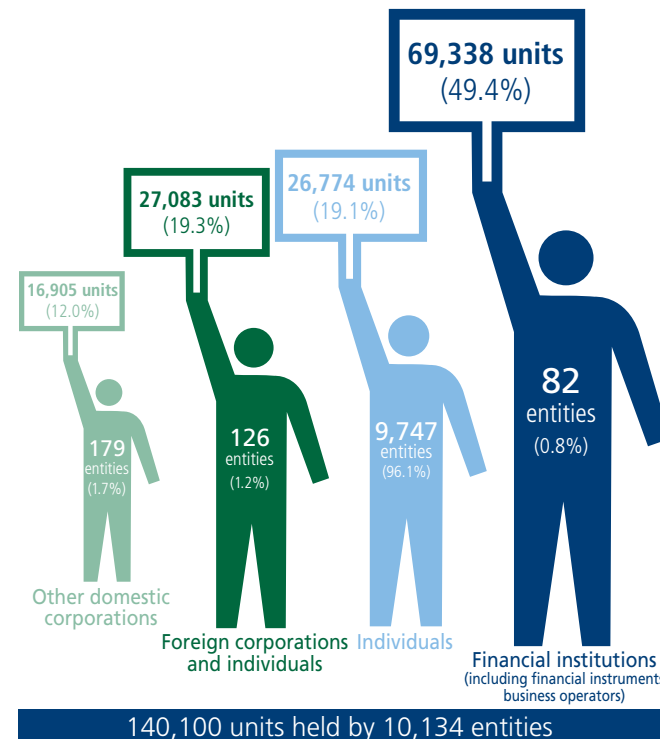
# INVESTMENT UNIT STATUS

## Historical Unit Price

The following is the history of investment unit prices and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 13th fiscal period (November 1, 2008) to the end of the 17th fiscal period (April 30, 2011).



## Breakdown of Unitholders as of April 30, 2011



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

## Top 10 Unitholders as of April 30, 2011

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	27,089	19.33
2	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	11,609	8.28
3	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	8,721	6.22
4	NTT Urban Development Corporation	8,700	6.20
5	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	4,975	3.55
6	NOMURA BANK (LUXEMBOURG) S.A.	3,791	2.70
7	The Chuo Mitsui Guarantee Co., Ltd.	2,050	1.46
8	ASAHI FIRE & MARINE INSURANCE	2,000	1.42
9	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,923	1.37
10	The Master Trust Bank of Japan, Ltd. (Trust Account)	1,872	1.33
<b>Total</b>		<b>72,730</b>	<b>51.91</b>

I. INVESTMENT POLICY

1. Basic Policy

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

2. Portfolio Management Standards Based on Basic Policy

Holding Period

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

Acquisition Standards

A) Acquisition Standards

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

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

B) Use

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

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

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

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

C) Areas

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

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

D) Asset Size per Property

a. Office buildings

In principle, office buildings with available space for lease of approximately 2,000m<sup>2</sup>

Use

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

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

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

(approximately 700 tsubos) or more, and standard floor sizes of approximately 300m<sup>2</sup> (approximately 90 tsubos) or more, are the investment targets.

b. Residential properties

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

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

**E) Due Diligence** [▶see table on page 18](#)  
PIC decides on the acquisition of investment assets after considering all the results of economic, physical and legal inspections of the assets. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each

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

**F) Standards for Tenant Selection**

[▶see table below](#)

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

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

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

**G) Amount of Investment**

a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each Investment Asset will generally be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.).  
b. The maximum ratio of the investment amount of a single investment asset will generally be 25% of the total amount invested in the investment assets after investing in that single asset, and an

**Areas**

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

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

**Standards for Tenant Selection**

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

**Asset Size per Property**

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

**Due Diligence**

	Item	Details
Economic Inspection	Tenant inspection	1. Financial credibility, status of rent collection, etc. of tenants 2. Tenants' business types, number of tenants, purposes of use, etc. (including household conditions for residential properties) 3. Past occupancy rates, rent trends and future expectations 4. Proportion occupied by each tenant, diversification of tenants, etc.
	Market research	1. Market rents, occupancy rates, trends in competitive properties and tenant demand, etc.
	Income-related	1. Inspection of competitive strength, including ability to attract tenants and resale potential 2. Lease agreement levels, lease agreement structures, and possibility of renewal of such agreements 3. Expense levels, arrangements for agreements related to expenses, and possibility of renewal of such agreements 4. Inspection of appropriate levels of rents and expenses, and possibility of projected future expense burdens 5. Comparison of renovation plans with actual funds accumulated
Physical Inspection	Location	1. Condition of roadways, access to primary means of transport (e.g., passenger trains), numbers of users of primary means of transport 2. Location of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties) 3. Sunlight, vistas, views, noise, etc. (all of which are specific to residential properties) 4. Area's name value, reputation, scale, etc.
	Construction, facilities and specifications	1. For both office buildings and residential properties: Design, primary structure, age of construction, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rented floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor excess weight, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
	Earthquake resistance	1. Achievement of abilities in line with new earthquake-resistant construction standards or equivalent or higher standards 2. In principle, the probable maximum loss (PML) caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more.
	Property management	1. Compliance with applicable laws and regulations (specifically, the Fire Service Law, City Planning Law and other laws and regulations in relation to structure), etc. 2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 3. Quality of property management, existence or non-existence of and terms of owner's agreement, and the quality and financial credibility of a property management company
	Environment, land quality, etc.	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs 2. Soil quality, land use history, status of soil contamination, etc.
	Legal Inspection	Title, etc.
Property line inspection		1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
Tenant attributes		1. Purpose of use by tenants, and terms of agreements with tenants 2. Existence or non-existence of any disputes with tenants

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

3. Sales Standards

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

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

a. Strategic classifications

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

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

b. Specific cases where sale will be considered

- When a strategic sale would contribute to earnings of PIC:  
**[Example]** When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.

- When an investor offers an attractive purchase price:  
**[Example]** When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraised value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- When the property has lost strategic importance:

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

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

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

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

4. Policy for Investment in Development Projects

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

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

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

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

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

6. Insurance Policy

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

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

7. Financial Policy

A) Borrowings and Corporate Bonds

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

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

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

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

B) Issuance of Additional Investment Units

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

II. MANAGEMENT POLICY

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

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

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

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

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

III. DISCLOSURE POLICY

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

IV. DISTRIBUTION POLICY

■ Distribution of Profits

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

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

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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

Standards for Selection of Property Manager

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

# OVERVIEW OF ASSET MANAGEMENT

		Unit	13th Fiscal Period (November 1, 2008 – April 30, 2009)	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2011 – April 30, 2011)
Business Results							
Operating Revenues		Thousands of yen	5,462,513	5,318,986	5,117,572	5,237,765	5,171,445
(Real estate rental revenues)		Thousands of yen	(5,462,513)	(5,318,986)	(5,117,572)	(5,237,765)	(5,022,768)
Operating Expenses		Thousands of yen	2,756,267	2,757,242	2,684,965	2,811,567	2,899,766
(Real estate rental expenses)		Thousands of yen	(2,337,182)	(2,350,247)	(2,265,101)	(2,396,183)	(2,479,011)
Operating Income		Thousands of yen	2,706,245	2,561,743	2,432,606	2,426,197	2,271,678
Ordinary Income		Thousands of yen	2,144,429	1,951,725	1,831,214	1,776,539	1,531,930
Net Income	(a)	Thousands of yen	2,143,393	1,950,036	1,830,214	1,774,814	1,519,501
Assets, etc. (as of end of period)							
Total Assets	(b)	Thousands of yen	147,430,632	146,906,094	146,755,777	152,370,359	171,586,194
(Period-on-period variation)		%	(-1.4)	(-0.4)	(-0.1)	(+3.8)	(+12.6)
Interest-bearing Liabilities		Thousands of yen	69,500,000	69,462,500	69,787,500	72,422,500	92,347,500
Net Assets	(c)	Thousands of yen	71,088,753	70,895,392	70,775,631	73,732,767	73,477,481
(Period-on-period variation)		%	(-0.1)	(-0.3)	(-0.2)	(+4.2)	(-0.3)
Unitholders' Capital		Thousands of yen	68,945,312	68,945,312	68,945,312	71,957,904	71,957,904
Distribution							
Total Distributions	(d)	Thousands of yen	2,143,396	1,949,976	1,830,270	1,774,786	1,519,524
Distribution Payout Ratio (Note 1)	(d)/(a)	%	100.0	99.9	100.0	99.9	100.0
Per Unit Information							
Number of Units Outstanding	(e)	Units	131,400	131,400	131,400	140,100	140,100
Net Assets per Unit	(c)/(e)	Yen	541,010	539,538	538,627	526,286	524,464
Distribution per Unit	(d)/(e)	Yen	16,312	14,840	13,929	12,668	10,846
(Earnings distribution per unit)		Yen	(16,312)	(14,840)	(13,929)	(12,668)	(10,846)
(Distribution in excess of earnings per unit)		Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices							
Ordinary Income on Total Assets (Note 2)		%	1.4 (2.9)	1.3 (2.6)	1.2 (2.5)	1.2 (2.4)	0.9 (1.9)
Return on Unitholders' Equity (Note 3)		%	3.0 (6.1)	2.7 (5.4)	2.6 (5.2)	2.5 (4.9)	2.1 (4.2)
Net Assets Ratio	(c)/(b)	%	48.2	48.3	48.2	48.4	42.8
(Period-on-period variation)			(+0.6)	(+0.1)	(-0.1)	(+0.2)	(-5.6)
Rental NOI (Net operating income) (Note 4)		Thousands of yen	4,034,434	3,872,198	3,752,979	3,760,367	3,516,442

(Note 1) Distribution payout ratios have been rounded down to the tenth place  
(Note 2) Ordinary income on total assets: Ordinary income/Average total assets  
Average total assets = (Total assets at beginning of period + Total assets at end of period)/2  
(Note 3) Return on unitholders' equity: Net income/Average net assets  
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2  
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 181 days for the 13th fiscal period, 184 days for the 14th fiscal period, 181 days for the 15th fiscal period, 184 days for the 16th fiscal period and 181 days for the 17th fiscal period. This is true concerning both Note 2 and Note 3.  
(Note 4) Rental NOI: (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)



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## Report of Independent Auditors

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying balance sheets of Premier Investment Corporation (“the Company”) as of April 30, 2011 and October 31, 2010 and the related profit and loss statements, statements of changes in unitholders’ equity and cash flow statements for each of the six months period then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2011 and October 31, 2010, and the results of its operations and its cash flows for each of the six months period then ended in conformity with accounting principles generally accepted in Japan.

*PricewaterhouseCoopers Aarata*

August 3, 2011

# BALANCE SHEETS

AS OF APRIL 30, 2011 AND OCTOBER 31, 2010

	Thousands of yen	
	April 30, 2011	October 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and deposits (Note-4) (Note-15)	¥ 2,091,402	¥ 1,668,105
Cash and deposits held in trust (Note-4) (Note-15)	7,275,006	7,947,576
Tenant receivables	49,999	62,604
Prepaid expenses	140,845	145,559
Income taxes refund receivables (Note-3)	14,256	-
Consumption taxes refund receivables (Note-3)	92,587	29,937
Deferred tax assets (Note-11)	2,960	1,228
Other current assets	182	692
<b>TOTAL CURRENT ASSETS</b>	<b>9,667,240</b>	<b>9,855,704</b>
<b>LONG-TERM ASSETS</b>		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-5)	66,443,282	60,982,169
Structures held in trust (Note-5)	1,488,674	1,190,408
Tools, furniture and fixtures held in trust (Note-5)	174,013	167,647
Less accumulated depreciation	(11,915,219)	(10,942,836)
Land held in trust (Note-5)	88,737,629	88,737,629
Property and equipment, net	144,928,524	140,135,163
Intangible fixed assets		
Leasehold held in trust (Note-5)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-5)	3,629	3,930
Intangible fixed assets	6,252	7,293
Total intangible fixed assets	1,787,484	1,788,826
Investment and other assets		
Investment securities (Note-15) (Note-16)	14,378,482	-
Other deposits	10,000	10,000
Long-term prepaid expenses	161,287	206,875
Other deposits held in trust	619,226	332,060
New investment unit issuance costs	8,491	10,614
Corporate bond issuance costs	25,457	31,115
Total investment and other assets	15,202,944	590,665
<b>TOTAL LONG-TERM ASSETS</b>	<b>161,918,954</b>	<b>142,514,655</b>
<b>47210000</b>	<b>¥ 171,586,194</b>	<b>¥ 152,370,359</b>

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

	Thousands of yen	
	April 30, 2011	October 31, 2010
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	¥ 513,623	¥ 536,427
Short-term loan payable (Note-8) (Note-15)	22,290,000	2,290,000
Long-term loan payable due within one year (Note-8) (Note-15)	23,820,000	13,770,000
Accrued expenses	224,433	189,931
Distributions payable	14,233	15,814
Income taxes payable	2,324	513
Business office taxes payable	5,912	3,123
Rents received in advance	756,675	688,537
Deposits received	25,793	23,675
Allowance for disaster loss (Note-10)	10,078	-
Total current liabilities	47,663,074	17,518,024
<b>LONG-TERM LIABILITIES</b>		
Corporate bonds (Note-7) (Note-15)	17,000,000	17,000,000
Long-term loan payable (Note-8) (Note-15)	29,237,500	39,362,500
Tenant security deposits held in trust	4,208,138	4,757,067
Total long-term liabilities	50,445,638	61,119,567
<b>TOTAL LIABILITIES</b>	<b>98,108,712</b>	<b>78,637,592</b>
<b>NET ASSETS</b>		
<b>UNITHOLDERS' EQUITY (Note-6)</b>		
Unitholders' capital	71,957,904	71,957,904
Units authorized - 2,000,000 units		
Units issued and outstanding - 140,100 units as of April 30, 2011 and October 31, 2010		
Retained earnings		
Unappropriated income	1,519,577	1,774,863
Total unitholders' equity	73,477,481	73,732,767
<b>TOTAL NET ASSETS</b>	<b>73,477,481</b>	<b>73,732,767</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 171,586,194</b>	<b>¥ 152,370,359</b>

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

# P

## ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2011 AND OCTOBER 31, 2010

	Thousands of yen	
	April 30, 2011	October 31, 2010
<b>OPERATING INCOME AND EXPENSES</b>		
Operating revenues		
Rental revenue (Note-9)	¥ 4,551,152	¥ 4,699,053
Other revenue (Note-9)	471,615	538,711
Dividends income	148,677	-
Operating expenses		
Property-operating expenses (Note-9)	2,479,011	2,396,183
Asset management fees	198,295	205,752
Directors' compensation	9,000	9,000
Custodian fees	15,808	14,220
Administration fees	82,451	69,742
Audit fees	8,500	8,500
Other expenses	106,699	108,168
Operating income	2,271,678	2,426,197
<b>NON-OPERATING INCOME AND EXPENSES</b>		
Non-operating income		
Interest income	1,231	1,831
Refund of unpaid distributions	1,586	998
Other non-operating income	475	-
Non-operating expenses		
Interest expense	616,249	504,465
Interest expenses on corporate bonds	103,667	134,793
Taxes and dues	14,867	-
Amortization of corporate bond issuance costs	5,657	2,828
Amortization of new investment unit issuance costs	2,122	6,982
Public listing related costs of new investment units	-	2,711
Other non-operating expenses	477	708
Ordinary income	1,531,930	1,776,539
<b>EXTRAORDINARY LOSS</b>		
Disaster loss (Note-10)	10,978	-
Extraordinary loss	10,978	-
Income before income taxes	1,520,951	1,776,539
Income taxes (Note-11)		
Current	3,182	605
Deferred	(1,731)	1,119
Net income	1,519,501	1,774,814
Income carried forward	76	48
<b>UNAPPROPRIATED INCOME</b>	¥ 1,519,577	¥ 1,774,863

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

# S

## TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED APRIL 30, 2011 AND OCTOBER 31, 2010

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
<b>BALANCE AT APRIL 30, 2010</b>	¥ 68,945,312	¥ 1,830,319	¥ 70,775,631	¥ 70,775,631
Changes during the period				
Issuance of new investment units	3,012,592	-	3,012,592	3,012,592
Cash distributions paid	-	(1,830,270)	(1,830,270)	(1,830,270)
Net income	-	1,774,814	1,774,814	1,774,814
Total changes during the period	3,012,592	(55,456)	2,957,136	2,957,136
<b>BALANCE AT OCTOBER 31, 2010</b>	¥ 71,957,904	¥ 1,774,863	¥ 73,732,767	¥ 73,732,767
Changes during the period				
Cash distributions paid	-	(1,774,786)	(1,774,786)	(1,774,786)
Net income	-	1,519,501	1,519,501	1,519,501
Total changes during the period	-	(255,285)	(255,285)	(255,285)
<b>BALANCE AT APRIL 30, 2011</b>	¥ 71,957,904	¥ 1,519,577	¥ 73,477,481	¥ 73,477,481

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

# CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2011 AND OCTOBER 31, 2010

	Thousands of yen	
	April 30, 2011	October 31, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before income taxes	¥ 1,520,951	¥ 1,776,539
Depreciation	973,725	919,826
Amortization of corporate bond issuance costs	5,657	2,828
Amortization of new investment unit issuance costs	2,122	6,982
Interest income	(1,231)	(1,831)
Refund of unpaid distributions	(1,586)	(998)
Interest expenses	719,916	639,258
Increase in allowance for disaster loss	10,078	-
Decrease (Increase) in tenant receivables	12,330	(10,034)
(Decrease) Increase in accounts payable	(8,052)	26,605
Increase in consumption taxes refund receivables	(62,650)	(29,937)
Decrease in consumption taxes payable	-	(32,014)
Increase (Decrease) in rent received in advance	68,138	(33,731)
Other	(4,907)	15,365
<b>SUBTOTAL</b>	<b>3,234,491</b>	<b>3,278,857</b>
Interest received	1,231	1,831
Interest paid	(624,788)	(744,915)
Income taxes paid	(15,352)	(2,114)
Net cash provided by operating activities	2,595,581	2,533,659
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for purchases of property and equipment held in trust	(5,780,496)	(7,018,065)
Payments for purchases of investment securities	(14,378,482)	-
Payments of other deposits held in trust	(287,166)	-
Proceeds from tenant security deposits held in trust	332,096	469,174
Payments of tenant security deposits held in trust	(881,026)	(452,311)
Net cash used in investing activities	(20,995,073)	(7,001,203)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loan payable	20,000,000	2,290,000
Proceeds from long-term loan payable	-	11,900,000
Repayments of short-term loan payable	-	(3,480,000)
Repayments of long-term loan payable	(75,000)	(75,000)
Proceeds from issuance of corporate bonds	-	7,000,000
Redemption of corporate bonds	-	(15,000,000)
Payments of corporate bond issuance costs	-	(33,943)
Proceeds from issuance of new investment units	-	3,012,592
Payments of new investment unit issuance costs	-	(12,737)
Payments of distributions	(1,774,781)	(1,830,427)
Net cash provided by financing activities	18,150,218	3,770,484
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(249,273)</b>	<b>(697,059)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>9,615,682</b>	<b>10,312,741</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>¥ 9,366,408</b>	<b>¥ 9,615,682</b>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2011 AND OCTOBER 31 2010

## Note-1. Organization and basis of presentation

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

On September 10, 2002, PIC issued 59,000 units for proceeds totaling 27,187,200 thousand yen through initial public offering. On November 15, 2003, December 10, 2003, May 31, 2005, November 26, 2007 and May 14, 2010, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, 22,000 units through public offering, 30,000 units through public offering and 8,700 units through third-party allotment, respectively. As of April 30, 2011, PIC had total unitholders’ capital of 71,957,904 thousand yen with 140,100 units outstanding.

As of April 30, 2011, PIC owned a portfolio of 15 office buildings, 32 residential properties and preferred securities of an SPC (48 properties in total). Total acquisition costs of those properties were 165,874,826 thousand yen.

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

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

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

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

## Note-2. Summary of significant accounting policies

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

### **(b) Valuation standard and method for securities –**

*Available-for-sale securities* - Securities without fair market value are stated at cost being determined by the moving average method.

### **(c) Depreciation and amortization –**

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

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

Tools, furniture and fixtures	3 years
Buildings held in trust	3-68 years
Structures held in trust	3-37 years
Tools, furniture and fixtures held in trust	3-15 years

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

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

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

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

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

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

**(d) Accounting standard for allowances** – Allowance for disaster loss relating to the cost of restoration for assets damaged by the March 11, 2011 Great East Japan Earthquake, which can be reasonably estimated at April 30, 2011 is recognized as an allowance.

**(e) 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.

**(f) 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 368 thousand yen and 18,288 thousand yen for the six months ended April 30, 2011 and October 31, 2010, respectively.

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

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

**(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. Change in presentation

Income taxes refund receivables, which until the previous fiscal period had been included in Tenant receivables on the Balance Sheets, is presented separately from the fiscal period ended April 30, 2011. Furthermore, the amount of Income taxes refund receivables that was included in Tenant receivables in the previous fiscal period was 274 thousand yen.

Note-4. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2011 and October 31, 2010 consisted of the following:

	Thousands of yen	
	April 30, 2011	October 31, 2010
Cash and deposits	¥ 2,091,402	¥ 1,668,105
Cash and deposits held in trust	7,275,006	7,947,576
Cash and cash equivalents	9,366,408	9,615,682

Note-5. Schedule of property and equipment and intangible fixed assets held in trust

Property and equipment and intangible fixed assets held in trust as of April 30, 2011 and October 31, 2010 consisted of the following:

	Thousands of yen					
	April 30, 2011			October 31, 2010		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 66,443,282	¥ 11,349,963	¥ 55,093,318	¥ 60,982,169	¥ 10,429,667	¥ 50,552,502
Structures	1,488,674	450,478	1,038,195	1,190,408	410,858	779,549
Tools, furniture and fixtures	174,013	114,632	59,380	167,647	102,165	65,481
Land	88,737,629	-	88,737,629	88,737,629	-	88,737,629
SUBTOTAL	156,843,599	11,915,074	144,928,524	151,077,854	10,942,691	140,135,163
Intangible fixed assets held in trust						
Leasehold held in trust	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets held in trust	4,497	868	3,629	4,497	566	3,930
SUBTOTAL	1,782,100	868	1,781,232	1,782,100	566	1,781,533
TOTAL	¥ 158,625,699	¥ 11,915,942	¥ 146,709,756	¥ 152,859,954	¥ 10,943,258	¥ 141,916,696

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

Note-6. Unitholders’ equity

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

Note-7. Corporate bonds

Corporate bonds for the six months ended April 30, 2011 and October 31, 2010 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2011 (Amount)	October 31, 2010 (Amount)	
Unsecured bond No.2 (issued on September 8, 2005 and due on September 7, 2012)	¥ 10,000,000	¥ 10,000,000	1.41
Unsecured bond No.3 (issued on August 18, 2010 and due on August 16, 2013)	7,000,000	7,000,000	0.97
TOTAL	¥ 17,000,000	¥ 17,000,000	-

The anticipated maturities of corporate bonds for the following two years ending April 30 starting in 2013 are as follows:

(thousands of yen)		
2013	¥	10,000,000
2014		7,000,000

Note-8. Short-term and long-term loans

Short-term and long-term loans as of April 30, 2011 and October 31, 2010 consisted of the following:

	April 30, 2011		October 31, 2010	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
<b>SHORT-TERM LOANS</b>				
Unsecured loan due on May 20, 2011 with floating rate	¥ 2,290,000	1.05	¥ 2,290,000	1.11
Unsecured loan due on December 8, 2011 with floating rate	20,000,000	1.04	-	-
<b>SUBTOTAL</b>	<b>22,290,000</b>	<b>-</b>	<b>2,290,000</b>	<b>-</b>
<b>LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR</b>				
Unsecured loan due on February 29, 2012 with fixed rate	3,650,000	1.83	-	-
Unsecured loan due on July 29, 2011 with fixed rate	10,500,000	1.89	10,500,000	1.89
Unsecured loan due on March 9, 2012 with fixed rate	5,400,000	1.91	-	-
Unsecured loan due on May 22, 2014 with floating rate *1	150,000	1.95	150,000	1.99
Unsecured loan due on May 20, 2011 with floating rate	3,120,000	1.45	3,120,000	1.49
Unsecured loan due on March 30, 2012 with floating rate	1,000,000	1.35	-	-
<b>SUBTOTAL</b>	<b>23,820,000</b>	<b>-</b>	<b>13,770,000</b>	<b>-</b>
<b>LONG-TERM LOANS</b>				
Unsecured loan due on February 28, 2013 with fixed rate	2,850,000	2.08	2,850,000	2.08
Unsecured loan due on February 29, 2012 with fixed rate	-	-	3,650,000	1.83
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	1,000,000	2.24
Unsecured loan due on March 27, 2013 with fixed rate	7,900,000	1.61	7,900,000	1.61
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08	3,000,000	2.08
Unsecured loan due on March 9, 2012 with fixed rate	-	-	5,400,000	1.91
Unsecured loan due on May 22, 2014 with floating rate *1 *2	2,587,500	1.95	2,662,500	1.99
Unsecured loan due on March 30, 2012 with floating rate	-	-	1,000,000	1.37
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.73	3,900,000	1.73
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14	8,000,000	1.14
<b>SUBTOTAL</b>	<b>29,237,500</b>	<b>-</b>	<b>39,362,500</b>	<b>-</b>
<b>TOTAL</b>	<b>¥ 75,347,500</b>	<b>-</b>	<b>¥ 55,422,500</b>	<b>-</b>

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

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

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

The anticipated maturities of long-term loans for the following four years ending April 30 starting in 2013 are as follows:

(thousands of yen)		
2013	¥	10,900,000
2014		4,150,000
2015		2,287,500
2016		11,900,000

Note-9. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2011 and October 31, 2010 were as follows:

	Thousands of yen	
	April 30, 2011	October 31, 2010
<b>REAL ESTATE RENTAL REVENUE</b>		
Rental revenue		
Rents	¥ 4,004,289	¥ 4,103,084
Common area charge	546,863	595,969
Subtotal	4,551,152	4,699,053
Other revenue		
Parking fees	131,384	123,685
Facility fees	29,742	30,557
Incidental revenue	189,255	270,306
Miscellaneous income	121,233	114,162
Subtotal	471,615	538,711
<b>TOTAL REAL ESTATE RENTAL REVENUE</b>	<b>5,022,768</b>	<b>5,237,765</b>
<b>REAL ESTATE RENTAL EXPENSES</b>		
Property operating expenses		
Property management fees	604,712	561,164
Utilities	232,164	280,208
Real estate taxes	307,561	307,551
Insurance	13,184	14,088
Maintenance and repairs	170,380	162,701
Trust fees	53,504	53,135
Depreciation	972,684	918,785
Miscellaneous expenses	124,819	98,547
<b>TOTAL REAL ESTATE RENTAL EXPENSES</b>	<b>2,479,011</b>	<b>2,396,183</b>
<b>REAL ESTATE RENTAL INCOME</b>	<b>¥ 2,543,757</b>	<b>¥ 2,841,581</b>

Note-10. Disaster loss

The loss from the March 11, 2011 Great East Japan Earthquake (costs for restoring assets) has been recognized as extraordinary loss (disaster loss). The recorded amount includes 10,078 thousand yen as the allowance for disaster loss.

Note-11. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2011 and October 31, 2010:

	April 30, 2011	October 31, 2010
Statutory tax rate	39.32%	39.32%
Adjustments		
Deductible cash distributions	(39.28)	(39.26)
Other	0.06	0.03
EFFECTIVE TAX RATE	0.10%	0.10%

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of April 30, 2011 and October 31, 2010 were as follows:

	Thousands of yen	
	April 30, 2011	October 31, 2010
Deferred tax assets		
Enterprise taxes	¥ 2,960	¥ 1,228
Total of deferred tax assets	2,960	1,228
NET DEFERRED TAX ASSETS	¥ 2,960	¥ 1,228

Note-12. Per unit information

The following table summarizes the net assets per unit as of April 30, 2011 and October 31, 2010 and the net income per unit for the six months ended April 30, 2011 and October 31, 2010:

	April 30, 2011	October 31, 2010
Net assets per unit	¥ 524,464	¥ 526,286
Net income per unit	10,845	12,724

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

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

	Thousands of yen	
	April 30, 2011	October 31, 2010
Net income	¥ 1,519,501	¥ 1,774,814
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,519,501	1,774,814
Average number of units during the period	140,100 units	139,485 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2011 and October 31, 2010.

Note-13. Leases

PIC leases some of properties to tenants under non-cancellable operating leases. As of April 30, 2011 and October 31, 2010, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2011	October 31, 2010
Due within one year	¥ 352,375	¥ 250,882
Due after one year	2,398,862	757,674
TOTAL	¥ 2,751,238	¥ 1,008,557

Note-14. Distribution information

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

Based on this policy, the board of directors of PIC resolved on July 8, 2011 and January 14, 2011 to make cash distributions of 1,519,524,600 yen and 1,774,786,800 yen for 140,100 unitholders of record on April 30, 2011 and October 31, 2010, respectively.

Income carried forward after the distributions for the six months ended April 30, 2011 and October 31, 2010 were as follows:

	April 30, 2011	October 31, 2010
Unappropriated income	¥ 1,519,577,406	¥ 1,774,863,093
Cash distributions declared	1,519,524,600	1,774,786,800
(Cash distribution declared per unit)	(10,846)	(12,668)
INCOME CARRIED FORWARD	¥ 52,806	¥ 76,293

Note-15. Financial instruments

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

(a) Items concerning the current status of financial instruments

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

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

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

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

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

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

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

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

(b) Items concerning fair value of financial instruments

The book values recorded on the balance sheet, fair values and their difference as of April 30, 2011 and October 31, 2010 were as follows:

	Thousands of yen					
	April 30, 2011			October 31, 2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 2,091,402	¥ 2,091,402	¥ -	¥ 1,668,105	¥ 1,668,105	¥ -
(2) Cash and deposits held in trust	7,275,006	7,275,006	-	7,947,576	7,947,576	-
TOTAL ASSETS	¥ 9,366,408	¥ 9,366,408	¥ -	¥ 9,615,682	¥ 9,615,682	¥ -
Liabilities						
(1) Short-term loans	¥ 22,290,000	¥ 22,290,000	¥ -	¥ 2,290,000	¥ 2,290,000	¥ -
(2) Long-term loans payable due within one year	23,820,000	23,953,942	133,942	13,770,000	13,878,015	108,015
(3) Long-term loans	29,237,500	29,231,372	(6,127)	39,362,500	39,852,285	489,785
(4) Corporate bonds	17,000,000	17,093,660	93,660	17,000,000	17,099,770	99,770
TOTAL LIABILITIES	¥ 92,347,500	¥ 92,568,975	¥ 221,475	¥ 72,422,500	¥ 73,120,071	¥ 697,571

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

- Assets**  
(1) Cash and deposits, and (2) cash and deposits held in trust  
Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
- Liabilities**  
(1) Short-term loans  
Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.  
(2) Long-term loans payable due within one year and (3) long-term loans  
Fair values of these instruments are calculated based on the total amount of principals and interests discounted by rates estimated in the event that PIC conducts new borrowings corresponding to the remaining periods.  
(4) Corporate bonds  
Fair values of these instruments are calculated based on their market prices.
- \*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:
- Investment securities**  
The preferred securities (recorded on the Balance Sheets at 14,378,482 thousand yen) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.
- \*3 Planned redemption amount of monetary claims for the following one year ending April 30, 2011 and October 31, 2010 are as follows:

	Thousands of yen	
	April 30, 2011	October 31, 2010
(1) Cash and deposits	¥ 2,091,402	¥ 1,668,105
(2) Cash and deposits held in trust	7,275,006	7,947,576
TOTAL	¥ 9,366,408	¥ 9,615,682

\*4 Planned repayment and redemption amounts of loans and corporate bonds for the following five years as of April 30, 2011 and October 31, 2010, are as follows:

	Thousands of yen				
	April 30, 2011				
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
Short-term loans	¥ 22,290,000	¥ -	¥ -	¥ -	¥ -
Long-term loans	23,820,000	10,900,000	4,150,000	2,287,500	11,900,000
Corporate bonds	-	10,000,000	7,000,000	-	-
TOTAL	¥ 46,110,000	¥ 20,900,000	¥ 11,150,000	¥ 2,287,500	¥ 11,900,000

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

Note-16. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flow from Real Estate Property managed by UDX Special Purpose Company.

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, accordingly they are excluded from the disclosure of fair value.

Note-17. Asset retirement obligations

Effective from the fiscal period ended October 31, 2010, PIC adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Statement No. 18 issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (Accounting Standard Board of Japan Guidance No. 21 issued on March 31, 2008). There is no relevant item on PIC’s balance sheets or profit and loss statements.

Note-18. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheet as of April 30, 2011 and October 31, 2010, the variations during the fiscal period and their fair values are as follows:

	Thousands of yen							
	April 30, 2011				October 31, 2010			
	Book value at <sup>*1</sup>	Increase and decrease <sup>*2</sup>	Book value at <sup>*1</sup>	Fair value at <sup>*3</sup>	Book value at <sup>*1</sup>	Increase and decrease <sup>*2</sup>	Book value at <sup>*1</sup>	Fair value at <sup>*3</sup>
	October 31, 2010	during the period	April 30, 2011	April 30, 2011	April 30, 2010	during the period	October 31, 2010	October 31, 2010
Office buildings	¥ 69,641,440	¥ (272,004)	¥ 69,369,436	¥ 67,170,000	¥ 63,026,960	¥ 6,614,480	¥ 69,641,440	¥ 72,350,000
Residential properties	72,271,325	5,065,365	77,336,690	64,817,000	72,753,202	(481,877)	72,271,325	60,028,000
TOTAL	¥ 141,912,765	¥ 4,793,361	¥ 146,706,126	¥ 131,987,000	¥ 135,780,163	¥ 6,132,602	¥ 141,912,765	¥ 132,378,000

\*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisition). Other intangible fixed assets held in trust (totaling 3,629 thousand yen and 3,930 thousand yen as of April 30, 2011 and October 31, 2010) are not included.

\*2 Of the increase and decrease during the fiscal period, major increases in the fiscal period ended April 30, 2011 are due to the acquisition of Shibaura Island Bloom Tower (5,646,641 thousand yen) and the capital expenditures (119,102 thousand yen), and major decreases are due to depreciation (927,684 thousand yen). Major increases in the fiscal period ended October 31, 2010 are due to the acquisition of Iwamotocho Building (6,897,553 thousand yen) and the capital expenditures (153,533 thousand yen), and major decreases are due to depreciation (918,785 thousand yen).

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

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended April 30, 2011 and October 31, 2010 are as follows:

	Thousands of yen					
	November 1, 2010 to April 30, 2011			May 1, 2010 to October 31, 2010		
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income
Office buildings	¥ 2,552,599	¥ 1,203,637	¥ 1,348,962	¥ 2,940,702	¥ 1,221,088	¥ 1,719,614
Residential properties	2,470,168	1,275,373	1,194,795	2,297,062	1,175,095	1,121,967
TOTAL	¥ 5,022,768	¥ 2,479,011	¥ 2,543,757	¥ 5,237,765	¥ 2,396,183	¥ 2,841,581

\* 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-19. Segment Information

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

(a) Segment information

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

(b) Related information

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

(ii) *Information on geographical area* -

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

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

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

Note-20. Subsequent events

Loans

PIC borrowed 5,400 million yen in total on May 20, 2011 in order to partly fund the repayment of 3,120 million yen in long-term loan borrowed on May 22, 2009 and 2,290 million yen in short-term loan borrowed on May 21 2010.

The lenders and other information on this 5,400 million yen in loans are as indicated below:

- Under an unsecured and unguaranteed loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation effective May 18, 2011. PIC received 2,000 million yen on May 20, 2011. The interest rate of the loan is TIBOR (for each interest calculation period) plus 0.7%, and the loan will mature on May 18, 2012.
- Under an unsecured and unguaranteed loan agreement with The Chuo Mitsui Trust and Banking Company, Limited and Resona Bank, Limited effective May 18, 2011. PIC received 3,400 million yen on May 20, 2011. The interest rate of the loan is 1.36125%, and the loan will mature on May 20, 2014.

# OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED APRIL 30, 2011 AND OCTOBER 31, 2010

## 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 17th Fiscal Period	Amount Paid before the 17th Fiscal Period
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2007 – October 2013	129,041	5,987	66,085
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 - April 2015	33,750	4,937	3,739

### 2. Capital Expenditures during the 17th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 17th fiscal period for the portfolio owned by PIC. Capital expenditures during the period totaled 119,102 thousand yen. This, combined with maintenance and repair expenditures of 170,380 thousand yen that were classified as operating expenses for the period, means a total of 289,483 thousand yen was spent on construction. In addition, of the cost of restoration for assets damaged by the Great East Japan Earthquake, PIC recorded 10,078 thousand yen, which can be reasonably estimated at the end of the period, as allowance for disaster loss. This, combined with 900 thousand yen for the cost of restoration accrued in the period due to the Earthquake, 10,978 thousand yen was appropriated as extraordinary loss (disaster loss) for the period.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Nisso No.3 Building	Yokohama, Kanagawa	Renovation of automatic fire alarm systems	April 2011 - April 2011	10,034
KN Shibuya 3	Shibuya Ward, Tokyo	Renovation of sanitary facilities	March 2011 - April 2011	13,025
KN Shibuya 3	Shibuya Ward, Tokyo	Renovation of lighting facilities	March 2011 - April 2011	10,140
Other construction	–	–	–	85,903
Total				119,102

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

(thousands of yen)					
Item \ Fiscal Period	13th Fiscal Period (November 1, 2008 – April 30, 2009)	14th Fiscal Period (May 1, 2009 – October 31, 2009)	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2010 – April 30, 2011)
Deposits at end of the preceding period	274,445	280,195	285,945	291,695	297,445
Deposits made during the period	5,750	5,750	5,750	5,750	48,496
Amounts used from deposits during the period	-	-	-	-	-
Deposits carry forward to the next period	280,195	285,945	291,695	297,445	345,941

## OVERVIEW OF FUND PROCURMENT

### 1. New Borrowings

During the fiscal period, PIC borrowed 20,000 million yen in total on December 8, 2010, to partially fund the acquisition of the UDX Special Purpose Company Preferred Securities, which were acquired as of December 8, 2010, and the real estate trust beneficiary interests in Shibaura Island Bloom Tower, which was acquired as of December 9, 2010. The lenders and other information concerning the 20,000 million yen in loans are as follows:

Lenders	Sumitomo Mitsui Banking Corporation (12,000 million yen), The Chuo Mitsui Trust and Banking Company Limited (5,000 million yen) and NTT Finance Corporation (3,000 million yen)
Drawdown date	December 8, 2010
Principal repayment date	December 8, 2011
Repayment method	Lump-sum repayment upon maturity
Interest rate (per annum)	Floating rate: TIBOR + 0.70000% corresponding to the respective interest period
Collateral/guarantee	Unsecured and unguaranteed

### 2. Other Repayments

On November 30, 2010 and February 28, 2011, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of a long-term loan borrowed from Development Bank of Japan Inc. on May 22, 2009) using cash on hand.

As a result of the above, PIC's interest-bearing liabilities totaled 92,347.5 million as of April 30, 2011. The breakdown is as follows: 22,290 million yen in short- term loans, 53,057.5 million yen in long-term loans (including long-term loans due within one year), and 17,000 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 75.9%.

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