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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

22ND FISCAL PERIOD
ENDED OCTOBER 31, 2013

MESSAGE TO OUR UNITHOLDERS

Dear Investor,

In the 22nd fiscal period (May 1, 2013 – October 31, 2013), Premier Investment Corporation (PIC) posted operating revenues of 6,213 million yen, ordinary income of 1,924 million yen, and net income of 1,922 million yen, achieving an increase in revenues but a decrease in income over the 21st fiscal period. While the office building acquired in May 2013 (Urbannet Irifune Building) contributed to earnings, existing properties generated lower income due to decreased rents and other factors, causing the drop in overall income.

As for the distribution per unit, PIC secured the initially forecast figure of 10,000 yen. In the settlement of the 22nd fiscal period, PIC reversed the reserve for reduction entry (100 million yen originally) reserved in the 19th fiscal period by 44 million yen, and added this amount to net income for distribution. The reversed amount was smaller than the initial forecast of 85 million yen, however, as we successfully reduced financing costs through decreased interest expenses and other measures. The remaining 56 million yen in the reserve for reduction entry will be carried over to the next fiscal period and thereafter.

The Japanese economy has been on track to recovery due to the large-scale fiscal stimulus and monetary easing measures by the government and the Bank of Japan. Against

this background, the domestic real estate market has also become invigorated, and REITs are conducting property acquisitions one after another. However, most of such acquisitions have been provided by their sponsors. As such, it has become essential for the growth and development of REITs to have solid and established sponsors.

In this regard, PIC has enjoyed strong support from NTT Urban Development Corporation (NTTUD), in such aspects as pipelines for property sourcing, property management and human resources for Premier Reit Advisors Co., Ltd. (PRA), the asset management company, since NTTUD became the main sponsor in May 2010. The above-mentioned Urbannet Irifune Building, the property purchased in the 22nd fiscal period, was also acquired directly from NTTUD.

Moreover, after entering the 23rd fiscal period, PIC newly acquired three properties (one of which is an additional acquisition of preferred securities), with NTTUD serving as the seller for each. PIC purchased these properties by using funds from the issuing investment units through a public offering



H. Takano
Hiroaki Takano
Executive Director
Premier Investment Corporation

and third-party allotment conducted in October 2013, totaling 8.36 billion yen, as well as from borrowings. Of these properties, Granpark is a major complex facility located in central Tokyo, comprised of a class A office building, an apartment building and a building for stores and other purposes, and should contribute to enhancing the quality of PIC's portfolio.

As these achievements show, PIC is steadily implementing external growth through sponsor collaboration. Going forward, while continuing its efforts to enhance external growth, PIC will also focus on internal growth, including improvement of the occupancy rate so that these endeavors will help maintain and increase cash distributions.

Although the Japanese economy has started to show positive signs, the real estate rental market (especially for office buildings) still remains on a weak note. We at PIC and PRA will continue working on leasing activities to raise the occupancy rate of owned assets, and strive to improve earnings. Your continued encouragement and support is greatly appreciated.



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

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22ND FISCAL PERIOD PERFORMANCE HIGHLIGHTS

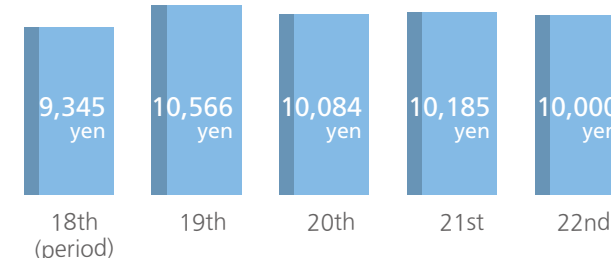
Management and Distribution Results	21st Fiscal Period (ended April 2013)	22nd Fiscal Period (ended October 2013)
Operating Revenues (mm yen)	6,197	6,213
Operating Income (mm yen)	2,755	2,633
Ordinary Income (mm yen)	2,004	1,924
Net Income (mm yen)	2,003	1,922
Distribution per Unit (yen) (distribution in excess of profits not included)	10,185	10,000
Total Distributions (mm yen)	2,003	1,966
Distribution Payout Ratio ^(Note)	100.0%	102.3%
Distribution to Net Assets ^(Note)	2.3%	2.2%

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

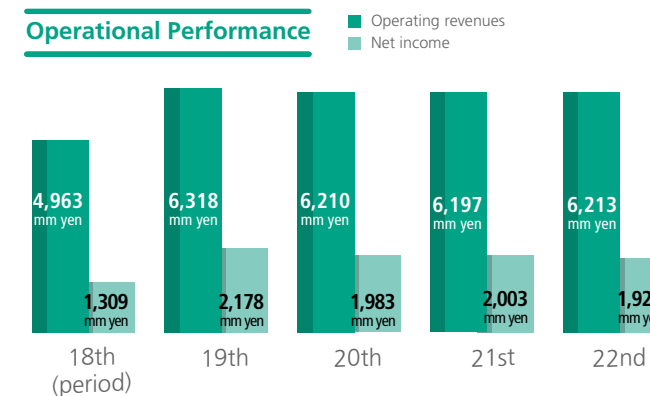
Financial Status	21st Fiscal Period (ended April 2013)	22nd Fiscal Period (ended October 2013)
Total Assets (mm yen)	200,672	203,445
Net Assets (mm yen)	87,748	87,667
Net Assets Ratio	43.7%	43.1%
Net Assets per Unit (yen) ^(Note)	446,105	445,694

(Note) The number of outstanding investment units at the end of both the 21st and 22nd fiscal periods was 196,699 units.

Cash Distribution per Unit



Operational Performance



REVIEW OF THE 22ND FISCAL PERIOD

Market Environment and PIC's Management Policy

[Market Environment]

In the 22nd fiscal period, the Japanese economy witnessed an increasingly weaker yen and higher stock prices against the backdrop of a large-scale monetary easing policy by the Bank of Japan and the economic rehabilitation measures implemented by the government,

resulting in an improvement in corporate performances centering on export-related companies and a pickup in consumer spending. Thus, the real economy started to show a recovery trend. The real estate market was also brisk, with J-REITs acquiring properties one after another.

However, the environment in the real estate rental market, especially the office building rental market, has continued to be competitive as regards to soliciting tenants because of the mass supply over the last few years, and the rent level as a whole is yet to improve.

Property Transaction Market Status

In the domestic real estate market, IPOs and public offerings by J-REITs continued to take place in succession, given the favorable financing environment. REITs have been actively acquiring properties, of which more than 70% are sourced from their sponsors or affiliates. Competition over acquisitions is overheated as there are few properties for sale in the market as a whole.

Rental Market Status

Office buildings have started to see demand for expanded space in association with the improvement in business confidence, with the occupancy rate increasing primarily for high-grade, large-scale buildings in central Tokyo. However, the intense competition over tenant invitation caused by the mass supply in recent years has kept rent levels low except for large-scale buildings in superior locations. Residential properties are operating in a stable manner both in terms of occupancy rate and rent, although it will take more time to see improvements in demand for properties with Wide and classy DINKs units.

Financial Market Status

The financing environment remains favorable, both for equity financing and debt financing, as interest rates are anticipated to remain low for some time and the investment unit prices of J-REITs also remain solid in line with the higher stock prices. However, it is necessary to closely monitor the business trends and the movement of long-term interest rates in association with the raising of the consumption tax rate.

[PIC's Management Policy (Specific Measures)]

■ Secure steady portfolio expansion ■ Maintain and enhance cash distributions ■ Improve the LTV level

External Growth

- Reinforce coordination with NTT Urban Development.
- Achieve external growth with a focus on cash flows (return after depreciation).

Financial Operations

- Maintain good relationship with existing lenders.
- Investigate feasibility of issuance of corporate bonds.

Internal Growth

Office Buildings

- Further reinforce tenant relationships and invest in renovating properties for enhanced product strength.
- Reinforce coordination with the sponsors and leasing agents.

Residential Properties

- Work to raise rent levels for highly competitive properties.
- Maintain and reinforce property competitiveness through systematic repairs and value enhancement construction works.

External Growth

On May 10, 2013, PIC acquired an office building (Urbannet Irifune Building) for 2,900 million yen using funds borrowed from a financial institution and cash on hand.

Consequently, PIC owns 55 properties comprised of 22 office buildings, 32 residential properties and preferred securities of an SPC as of the end of the 22nd fiscal period, with an acquisition

price totaling 199,444 million yen. The investment ratio by asset type stands at 58.8% for office buildings and 41.2% for residential properties.

OFFICE

URBANNET IRIFUNE BUILDING

- A medium-sized office building located in Chuo Ward, Tokyo
- Acquired directly from NTT Urban Development, PIC's main sponsor
- Located near Ginza, the property has excellent access to Otemachi and other business areas in central Tokyo
- The entire building is leased to a single tenant and thus is fully occupied

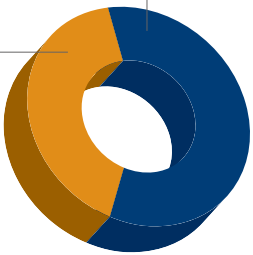
Location	3-2-10 Irifune, Chuo Ward, Tokyo
Land area	830.11m ²
Leasable space	4,037.67m ²
Construction completed	July 1990

[PIC's Management Policy (Specific Measures) ^(Note)]

By Asset Type

Office Buildings
58.8%

Residential Properties
41.2%

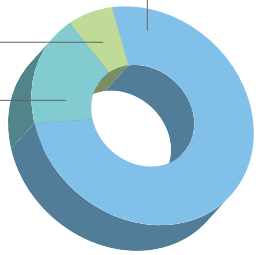


By Area

5 Central Wards of Tokyo
76.0%

Surrounding City Area
6.7%

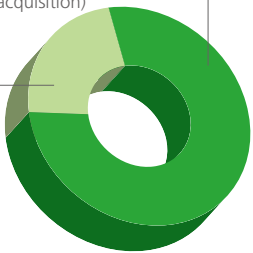
Other 18 Wards of Tokyo
17.2%



By Acquisition Pipeline

Sponsor support (sourcing and mediation for acquisition)
77.7%

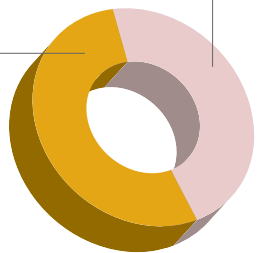
Others
22.3%



By Building Age

Less than 15 years
46.6%

More than 15 years
53.4%



(Note) The portfolio diversification is indicated on an acquisition price basis. Furthermore, the UDX Special Purpose Company Preferred Securities are backed by Akihabara UDX, which is an office building located in Chiyoda Ward, Tokyo. Accordingly, the Preferred Securities are classified as office buildings by asset type and as 5 Central Wards of Tokyo by area. In addition, the acquisition price related to the Preferred Securities is not included in the calculation of diversification by building age.

Internal Growth

[General Overview]

■ Period-average occupancy rate

	21st fiscal period	22nd fiscal period	
		Results	Forecast
Office buildings	90.2%	88.9%	88.2%
Residential properties	93.8%	93.2%	93.6%
Total	91.9%	90.9%	90.7%

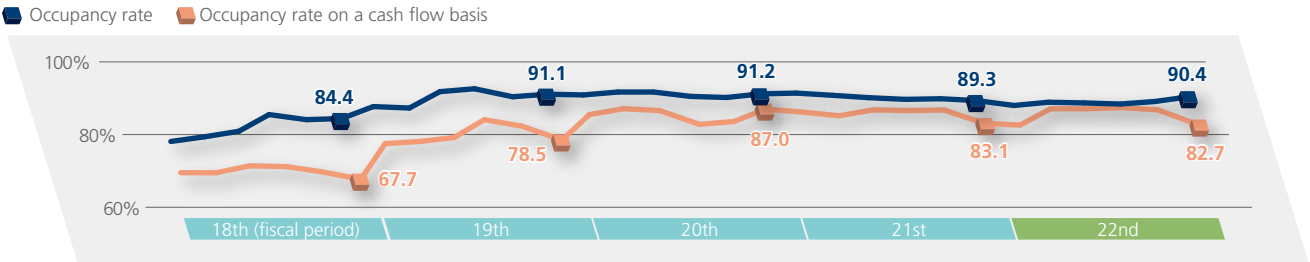
■ NOI return

	21st fiscal period	22nd fiscal period	
		Results	Forecast
Office buildings	4.3%	4.1%	-0.2%
Residential properties	4.1%	3.9%	-0.2%
Total	4.2%	4.0%	-0.2%

[Management Status of Office Buildings]

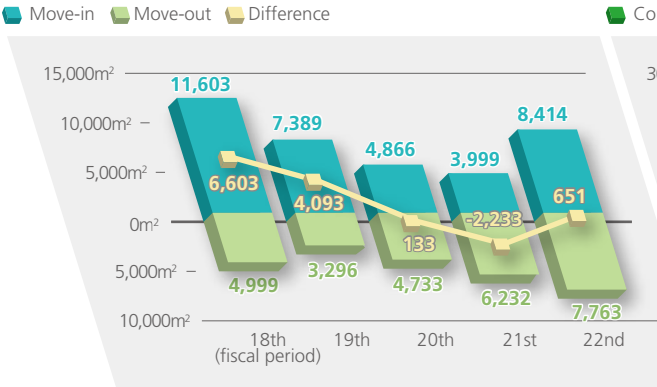
- The occupancy rate at the end of the 22nd fiscal period was 90.4%, a period-on-period increase of 1.1 percentage points. Generally, the occupancy rate has shown an improving trend, and the difference between the occupancy rate on a cash flow basis, which takes into account rent-free and “rent holiday” periods granted upon new leasing is gradually narrowing.
- For office buildings, move-ins exceeded move-outs by 651m² during the 22nd fiscal period (in contrast to move-outs exceeding move-ins by 2,233m²). Inquiries on new leases (possible move-ins) have also been increasing.
- Rent (average rent per tsubo) continued to show a downward trend. Upon contract renewal, however, rents remained unchanged for 70% of such contracts.

■ Changes in Occupancy Rate and Occupancy Rate on a Cash Flow Basis of Office Buildings

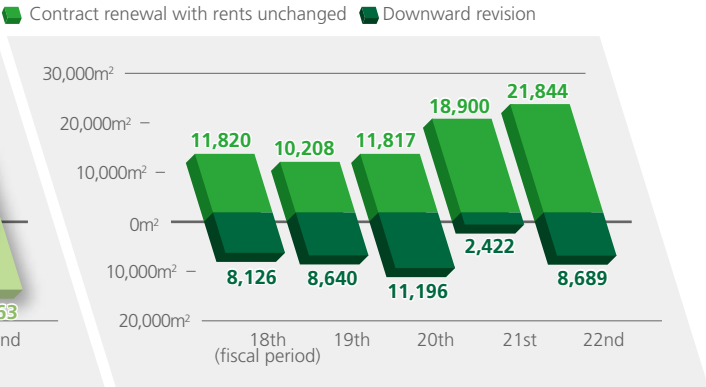


(Note) Occupancy rate on a cash flow basis represents the occupancy rate calculated by dividing the “leased floor spaces that generate cash flows for the month excluding the amount of rents that are set in the lease contracts with tenants but are suspended for the month due to rent-free or “rent holiday” periods, annual “rent holiday” periods, staged rents and other reasons” by the leasable floor space.

■ Move-ins and Move-Outs by Space



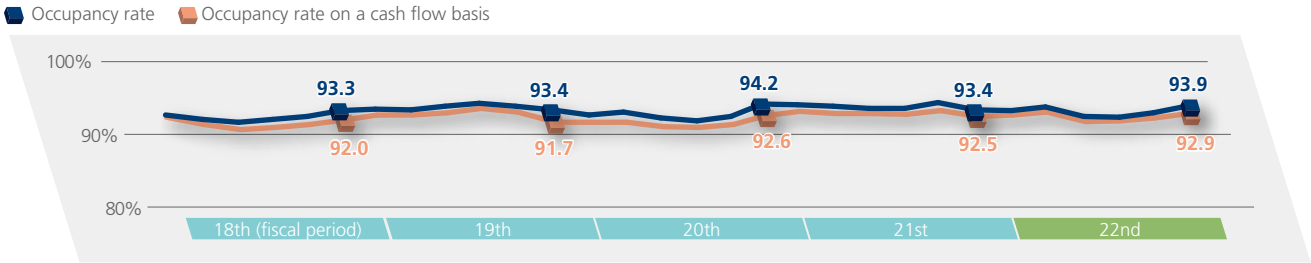
■ Increase/Decrease of Rents upon Contract Renewal by Space



[Management Status of Residential Properties]

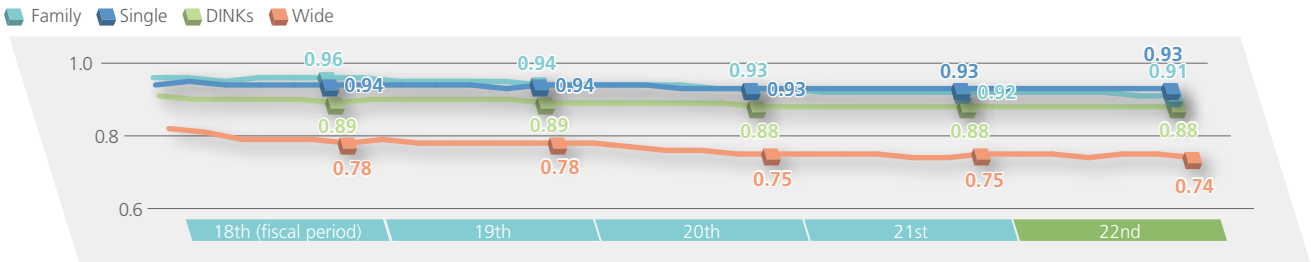
- Occupancy of residential properties continued to remain stable, with the occupancy rate at the end of the 22nd fiscal period standing at 93.9%. The difference between the occupancy rate and occupancy rate on a cash flow basis was also smaller than that for office buildings.
- Properties with WIDE units (classy residence for foreigners), which occupy approximately 17% of PIC’s residential portfolio, are somewhat delayed in the recovery of rent levels, but their impact on the entire portfolio is fairly limited.
- The rent index as compared with rents before the Lehman Shock has almost hit bottom for all unit types.

■ Changes in Occupancy Rate and Occupancy Rate on a Cash Flow Basis of Residential Properties



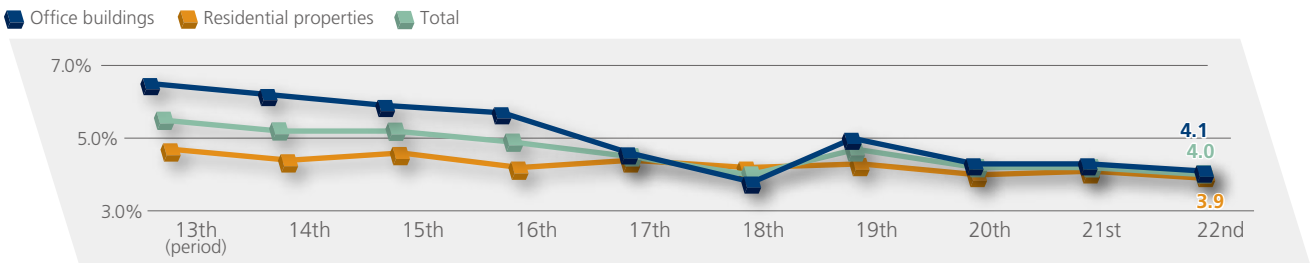
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■ Rent Index by Unit Type (May 2008 set as base month)



(Note) The rent index represents the average rent of occupied residence units in each unit type, indexed for respective months in comparison with that of the base month (rounded to the second decimal place).

■ Changes in NOI Return on Portfolios ^(Note)



(Note 1) The “rental NOI return” is the annualized figure of “rental NOI divided by investment amount” rounded down to the first decimal place. 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
(Note 2) The rental NOI returns and rental NOI of respective asset types do not include the values of the property (Akihabara UDX) backing the preferred securities.

Review of the 22nd Fiscal Period

[22nd Fiscal Period Results]

During the 22nd fiscal period, PIC newly procured 2,500 million yen through debt financing to fund the acquisition of a new property, while refinancing 5,000 million yen in total, borrowing 7,000 million yen to redeem corporate bonds and issuing corporate bonds totaling 7,500 million yen to repay borrowings. As a result, PIC's interest-bearing liabilities totaled 108,162.5 million yen as of October 31, 2013 (in contrast to 105,737.5 million yen as of April 30, 2013), with LTV increasing slightly from 55.2% at the end of the previous fiscal period to 55.8%.

For the interest-bearing liabilities as a whole, PIC achieved a decrease in the average interest rate for borrowings while keeping the average loan period unchanged.

■ Fund Procurement through Borrowings

	Rapid loans	Borrowed loans
Amount	12,500 million yen	14,500 million yen
Average interest rate	1.15%	0.69%
Average loan period	2.4 years	1.8 years

■ Issuance of Corporate Bonds

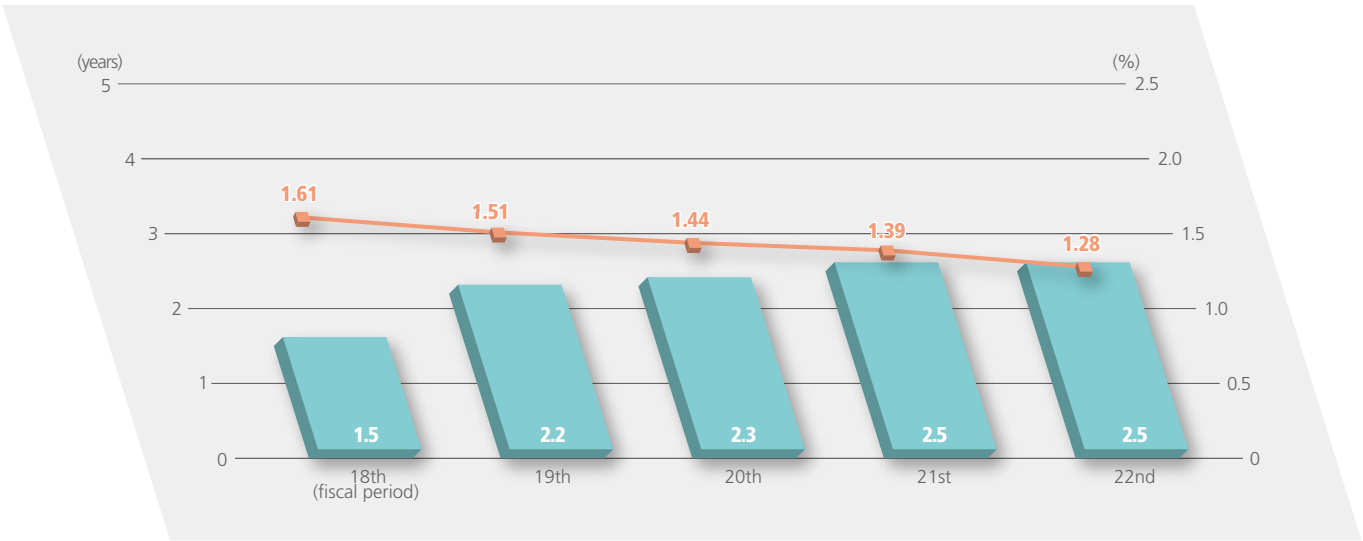
	Redeemed	Issued
Amount	7,000 million yen	7,500 million yen
Issuance and redemption dates	August 16, 2013	July 25, 2013
Term to maturity	3 years	5 years
Interest rate	0.97%	0.72%
Spread	0.45%	0.15%

■ Interest-Bearing Liabilities Ratio

	21st fiscal period	22nd fiscal period
Interest-bearing liabilities ratio	55.2%	55.8%

[Average Interest Rate for Procurement and Remaining Years of Interest-Bearing Liabilities]

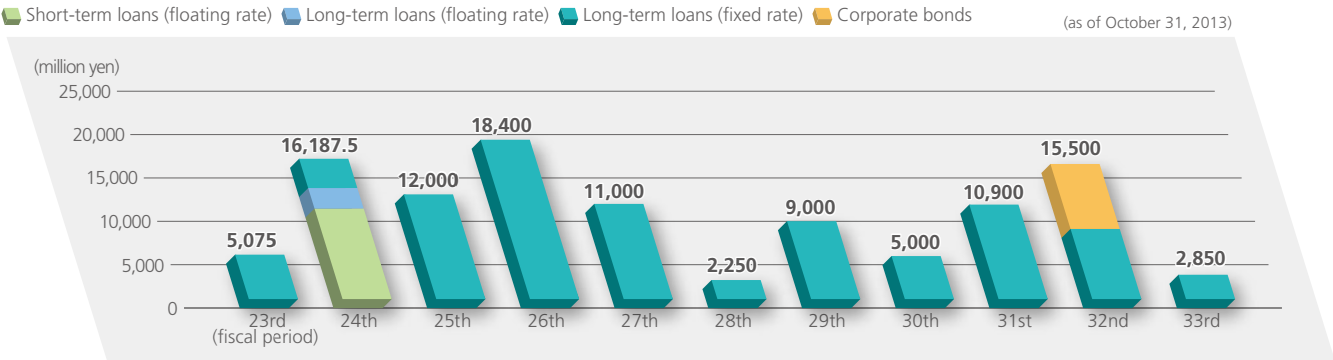
■ Average number of years remaining ■ Average interest rate for total procurement of interest-bearing liabilities



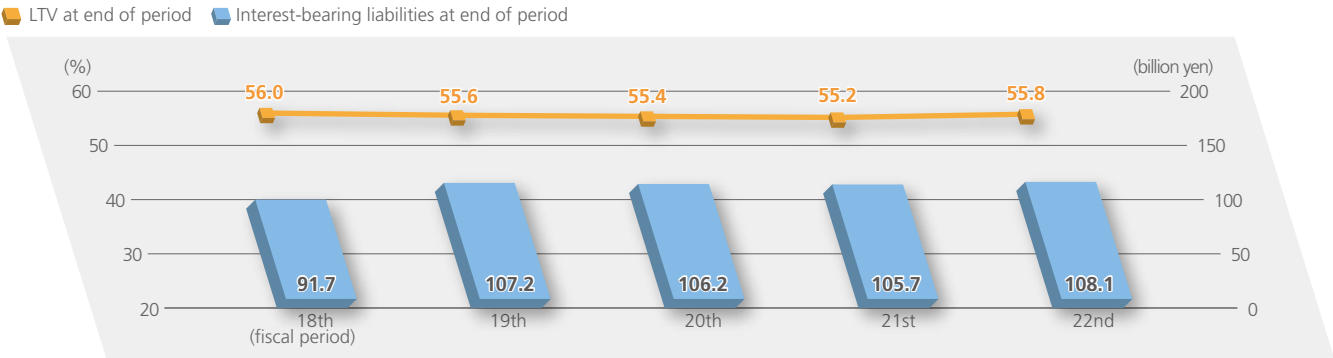
(Note) The average interest rate for procurement of interest-bearing liabilities have been rounded to the second decimal place, and the average number of years remaining have been rounded to the first decimal place.

Other financial information is as follows.

[Diversification of Repayment Dates for Interest-Bearing Liabilities]

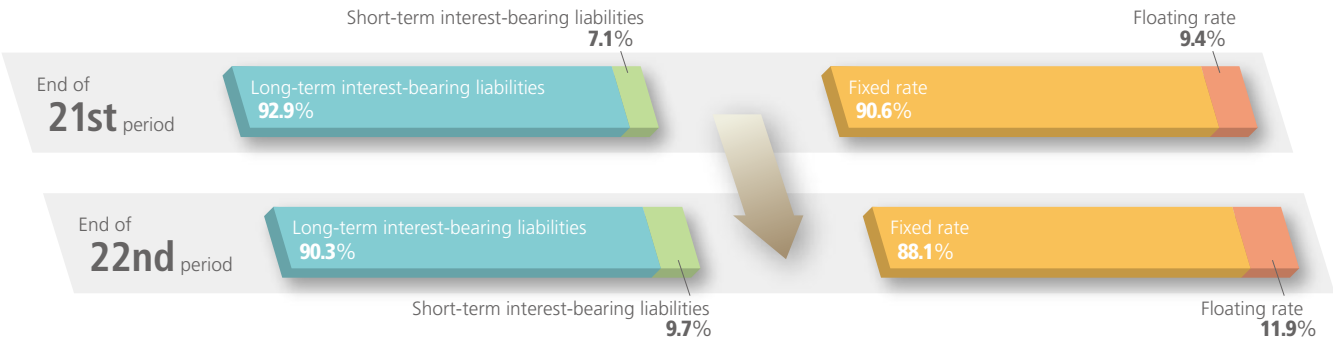


[Changes in Interest-Bearing Liabilities Ratio (LTV)]



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

[Ratio of Long-Term, Fixed-Interest Debt]



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

OVERVIEW OF ASSET MANAGEMENT

		Unit	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)	20th Fiscal Period (May 1, 2012 – October 31, 2012)	21st Fiscal Period (November 1, 2012 – April 30, 2013)	22nd Fiscal Period (May 1, 2013 – October 31, 2013)
Business Results							
Operating Revenues		Thousands of yen	4,963,346	6,318,704	6,210,446	6,197,263	6,213,822
(Real estate rental revenues)		Thousands of yen	(4,715,752)	(5,860,014)	(5,926,147)	(5,893,596)	(5,918,537)
Operating Expenses		Thousands of yen	2,898,669	3,305,616	3,437,462	3,441,428	3,580,560
(Real estate rental expenses)		Thousands of yen	(2,526,964)	(2,860,979)	(2,994,557)	(2,993,621)	(3,138,178)
Operating Income		Thousands of yen	2,064,677	3,013,088	2,772,984	2,755,834	2,633,262
Ordinary Income		Thousands of yen	1,311,489	2,178,976	1,985,078	2,004,536	1,924,274
Net Income	(a)	Thousands of yen	1,309,232	2,178,973	1,983,482	2,003,477	1,922,375
Assets, etc. (as of end of period)							
Total Assets	(b)	Thousands of yen	170,766,247	202,605,716	201,305,265	200,672,305	203,445,801
(Period-on-period variation)		%	(-0.5)	(+18.6)	(-0.6)	(-0.3)	(+1.4)
Interest-bearing Liabilities		Thousands of yen	91,762,500	107,287,500	106,212,500	105,737,500	108,162,500
Net Assets	(c)	Thousands of yen	73,267,189	87,823,472	87,728,633	87,748,597	87,667,594
(Period-on-period variation)		%	(-0.3)	(+19.9)	(-0.1)	(0.0)	(-0.1)
Unitholders' Capital		Thousands of yen	71,957,904	85,644,448	85,644,448	85,644,448	85,644,448
Distribution							
Total Distributions	(d)	Thousands of yen	1,309,234	2,078,321	1,983,512	2,003,379	1,966,990
Distribution Payout Ratio (Note 1)	(d)/(a)	%	100.0	95.3	100.0	100.0	102.3
Per Unit Information							
Number of Units Outstanding	(e)	Units	140,100	196,699	196,699	196,699	196,699
Net Assets per Unit	(c)/(e)	Yen	522,963	446,486	446,004	446,105	445,694
Distribution per Unit	(d)/(e)	Yen	9,345	10,566	10,084	10,185	10,000
(Earnings distribution per unit)		Yen	(9,345)	(10,566)	(10,084)	(10,185)	(10,000)
(Distribution in excess of earnings per unit)		Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices							
Ordinary Income on Total Assets (Note 2)		%	0.8 (1.5)	1.2 (2.3)	1.0 (1.9)	1.0 (2.0)	1.0(1.9)
Return on Unitholders' Equity (Note 3)		%	1.8 (3.5)	2.7 (5.4)	2.3 (4.5)	2.3 (4.6)	2.2(4.3)
Net Assets Ratio	(c)/(b)	%	42.9	43.3	43.6	43.7	43.1
(Period-on-period variation)			(+0.1)	(+0.4)	(+0.3)	(+0.1)	(-0.6)
Rental NOI (Net operating income) (Note 4)		Thousands of yen	3,177,808	4,115,729	4,048,008	4,024,105	3,924,655

(Note 1) Distribution payout ratios have been rounded down to the tenth place.
(Note 2) Ordinary income on total assets: Ordinary income/Average total assets × 100
Average total assets = (Total assets at beginning of period + Total assets at end of period)/2
(Note 3) Return on unitholders' equity: Net income/Average net assets × 100
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 184 days for the 18th fiscal period, 182 days for the 19th fiscal period, 184 days for the 20th fiscal period, 181 days for the 21st fiscal period and 184 days for the 22nd fiscal period. This is true concerning both Note 2 and Note 3.
(Note 4) Rental NOI: (Real estate rental revenues – Real estate rental expenses) + Depreciation (limited to depreciation covering leased properties)

PERFORMANCE FORECASTS

For the 23rd fiscal period, the three properties acquired by using funds from the public offering of new investment units in November 2013 and other sources will contribute to earnings. However, as earnings from existing properties are expected to decrease due to downward

revision of rents upon contract renewals and rent-free periods granted for new contracts, PIC forecasts distribution per unit to be 9,680 yen. The figure is expected to be 80 yen higher than the forecast distribution (9,600 yen per unit) PIC announced in June 2013.

For the 24th fiscal period, PIC projects a decrease both in revenues and profits from the 23rd fiscal period, impacted by a major tenant moving out from Nisso No. 3 Building. Distribution per unit is forecast to be 9,300 yen, as PIC assumes that it will fully reverse the remaining reserve for reduction entry (56 million yen) and add it to net income for distribution.

Forecasts for the 23rd and 24th Fiscal Periods

	22nd Fiscal Period (results)	23rd Fiscal Period (forecast)	Change	24th Fiscal Period (forecast)
Operating revenues (mm yen)	6,213	6,573	359	6,535
Operating income (mm yen)	2,633	2,835	202	2,680
Ordinary income (mm yen)	1,924	2,118	194	1,979
Net income (mm yen)	1,922	2,117	194	1,977
Reversal of reserve for reduction entry (mm yen)	44	-	-44	56
Distribution per unit (yen)	10,000	9,680	-320	9,300

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

Assumptions for the Forecasts

	23rd Fiscal Period (ending April 2014)	24th Fiscal Period (ending October 2014)
No. of investment assets	It is assumed that the number of investment assets owned will remain unchanged from 57, comprising the 55 properties (including preferred securities of an SPC) owned as of the end of the 22nd fiscal period plus the new properties (an office building, a residential property and additional acquisition of preferred securities of the SPC) acquired in November 2013.	It is assumed that the number of investment assets will remain unchanged from the end of the 23rd fiscal period.
No. of investment units outstanding	It is assumed that the number of outstanding investment units will remain unchanged from 218,699 units, comprising the 196,699 outstanding units as of the end of the 22nd fiscal period plus 20,900 units issued through public offering, for which payment was completed on November 7, 2013, and the 1,100 units issued by way of third-party allotment, for which payment was completed on December 4, 2013.	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 23rd fiscal period.
Interest-bearing liabilities	It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which was 108,162.5 million yen as of the end of the 22nd fiscal period: Additional borrowings • On November 8, 2013, PIC borrowed 10,400 million yen in loans to partially fund the 18,515 million yen (purchase amount excluding taxes) for acquiring the above-mentioned properties. Repayment of borrowings • On December 6, 2013, PIC repaid 600 million yen in loans by using the proceeds from the third-party allotment as well as using cash on hand. Refinance • It is planned that 5,000 million yen in long-term loans maturing on March 7, 2014 will be refinanced for the same amount. Partial repayment of long-term loans as agreed upon • 75 million yen will be repaid during the 23rd fiscal period. Other than these, no repayment dates will arrive in the 23rd fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the 23rd fiscal period will be 117,887.5 million yen.)	It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which will be 117,887.5 million yen as of the end of the 23rd fiscal period: Refinance • It is planned that 1,500 million yen in short-term loans maturing on May 9, 2014 will be refinanced for the same amount. • It is planned that 2,000 million yen in short-term loans maturing on May 16, 2014 will be refinanced for the same amount. It is planned that 3,400 million yen in long-term loans maturing on May 20, 2014 will be refinanced for the same amount. • It is planned that, of the 2,287.5 million yen in long-term loans maturing on May 22, 2014 (the amount to be repaid on the final repayment date for the loans with divided repayment as agreed), 2,200 million yen will be refinanced. • It is planned that 7,000 million yen in short-term loans maturing on July 31, 2014 will be refinanced for the same amount. Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the 24th fiscal period will be 117,800.0 million yen.)
Period average occupancy rate	Office buildings: 89.1% (results in the 22nd fiscal period: 88.9%) Residential properties: 93.4% (results in the 22nd fiscal period: 93.2%) Total: 91.0% (results in the 22nd fiscal period: 90.9%)	N/A
Others	(Operating revenues) Calculations for office buildings have been made on the premise that no spaces will be filled during the fiscal period to replace tenants that have notified PIC of contract termination. For residences, operating revenues of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration. (Operating expenses) Major items include: • Outsourcing fees: 778 million yen • Tax and public dues: 419 million yen • Depreciation expenses: 1,191 million yen • Operating expenses (excluding rental expenses): 472 million yen (Non-operating expenses) • Interest expenses (including interest for corporate bonds): 697 million yen (Capital expenditures) 232 million yen (Distribution) It is assumed that PIC will distribute the amount equivalent to net income without reversing the “reserve for reduction entry” reserved in the 19th fiscal period (56 million remaining out of initial 100 million yen).	(Operating revenues) Calculations for office buildings have been made on the premise that some properties will have new lease-up results, with notices of termination taken into consideration. For residences, occupancy revenues of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration. (Operating expenses) Major items include: • Outsourcing fees: 783 million yen • Tax and public dues: 476 million yen • Depreciation expenses: 1,192 million yen • Operating expenses (excluding rental expenses): 497 million yen (Non-operating expenses) • Interest expenses (including interest for corporate bonds): 689 million yen (Capital expenditures) 290 million yen (Distribution) It is assumed that the remaining 56 million yen in the “reserve for reduction entry” is reversed and added to net income, and the combined amount is distributed.

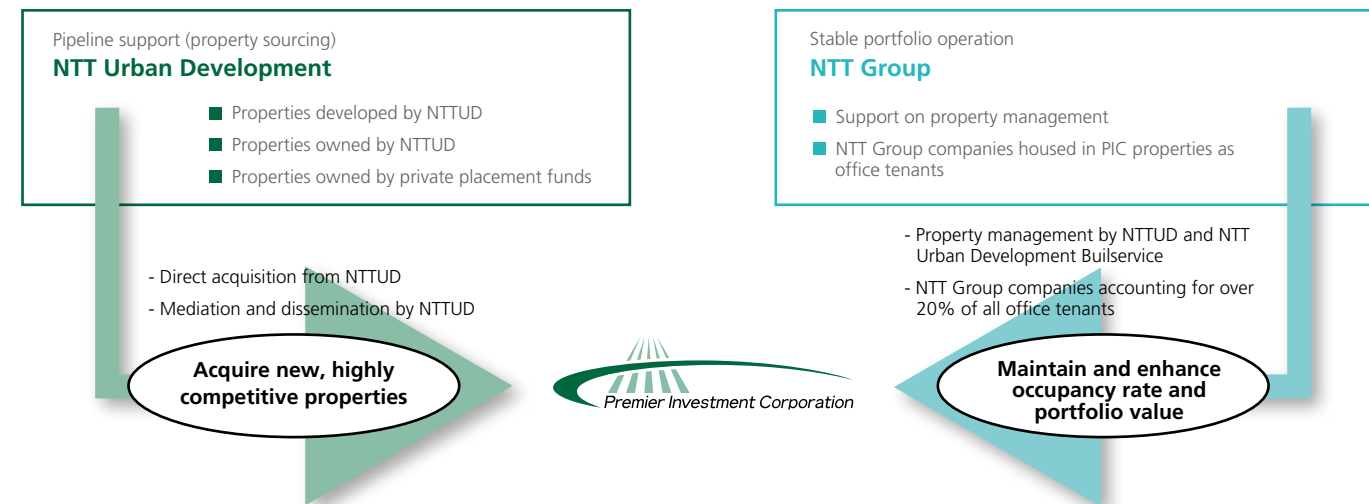
GROWTH THROUGH SPONSOR COLLABORATION

PIC endeavors to achieve steady external growth primarily through the pipeline support provided by NTT Urban Development Corporation (NTTUD), the main sponsor, and aims to conduct

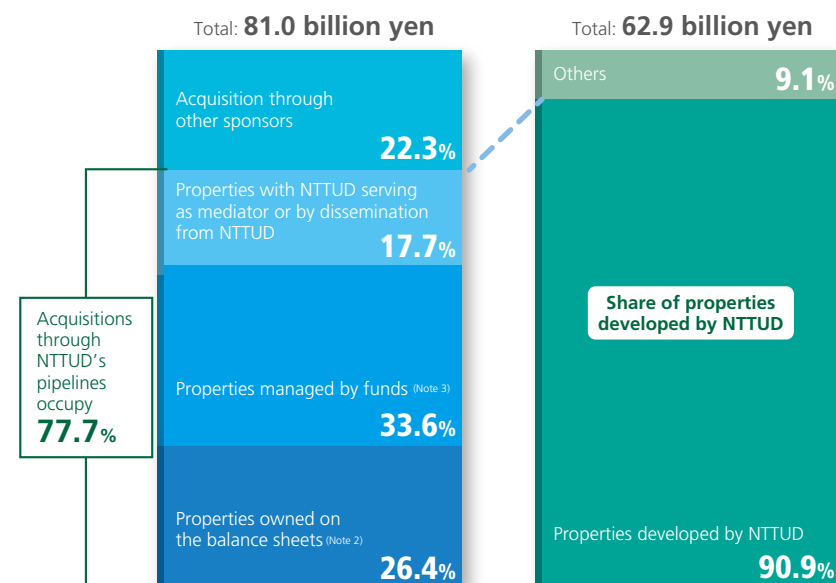
stable operations of its portfolio by taking advantage of the comprehensive capabilities of the NTT (Nippon Telegraph and Telephone) Group. Premier REIT Advisors Co., Ltd., the asset management company,

is a consolidated subsidiary of NTTUD and works on the investment management and operations of PIC in line with the business strategies of NTTUD.

Sponsor Support to PIC



Results of Property Acquisitions Utilizing Pipeline Support from NTTUD (Note 1)

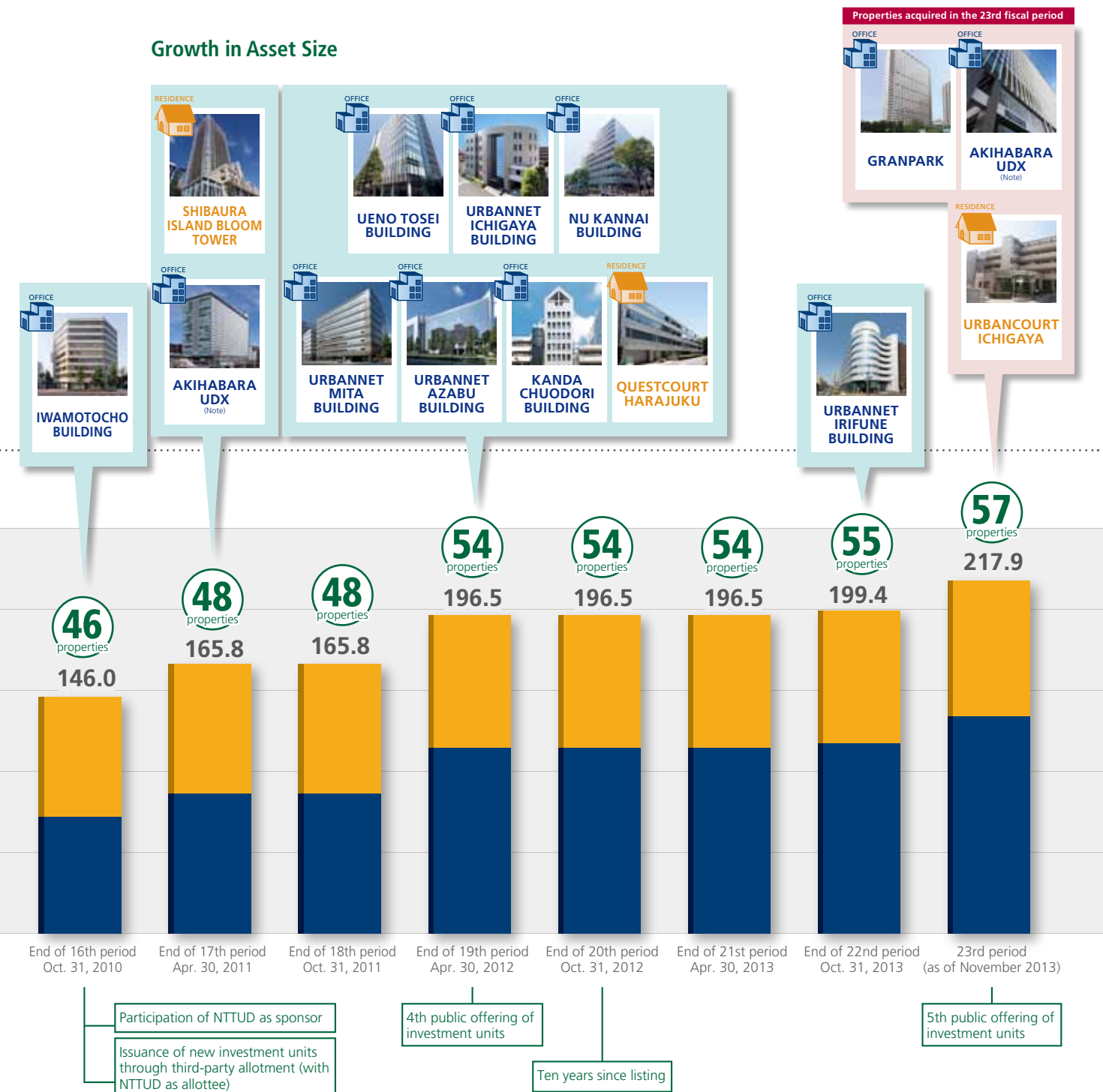


(Note 1) The chart indicates properties PIC owned after NTTUD participated as sponsor in May 2010.
(Note 2) "Properties owned on the balance sheets" represents properties that had been recorded on the balance sheets of NTTUD.
(Note 3) "Properties managed by funds" represents properties that had been owned by private placement funds for which NTTUD provides consigned asset management services as asset manager.

Results of Property Acquisitions Utilizing Pipeline Support from NTTUD

Properties acquired from the pipelines of NTTUD now counts ten, including the three properties acquired using funds from the public offering of investment units in November 2013, with a total acquisition price of 62.9 billion yen. As a result, the investment assets owned by PIC have grown to 57 properties in total, expanding the asset size to 220 billion yen.

Growth in Asset Size



(Note) Akihabara UDX is classified as an office building.

Property Management Services

In an endeavor to maintain and enhance the portfolio value, PIC consigns property management services to NTTUD and NTT Urban Development Builservice in a concentrated manner, and receives efficient and high-quality services.

Ratio of property management companies for office buildings owned as of November 30, 2013



(Note) The ratio is based on the leasable space in accordance with the equity interests of PIC.

New Properties Acquired from NTTUD (23rd Fiscal Period)

On October 18, 2013, PIC decided on the issuance of additional investment units through public offering, secondary offering through over-allotment and third-party allotment. The investment units were issued after entering the 23rd fiscal period and PIC received the paid-in amount. Using the proceeds received from the issuance of additional investment units through public offering (approximately 8.0 billion yen) and the loans (10.4 billion yen) separately borrowed from financial institutions, etc., PIC acquired three properties on November 8, 2013, with a total acquisition price of approximately 18.5 billion yen. Each of these properties was acquired directly from NTTUD, and should contribute to the improved profitability and quality of the portfolio.

Summary of the Public Offering

Resolution date of issuance	October 18, 2013
Finalization date of offer price and other items	October 30, 2013
Number of new investment units issued	22,000 units (20,900 units through public offering and 1,100 units through third-party allotment)
Number of outstanding investment units after offering	218,699 units
Offer price	392,925 yen per unit
Closing price on finalization date of offer price and other items	403,000 yen per unit
Payment date	November 7, 2013
Paid amount (issue price)	380,029 yen per unit
Total paid amount	8,360,638,000 yen
Discount rate	2.5%
Joint lead managers	SMBC Nikko Securities Inc. Nomura Securities Co., Ltd.

NTT Group Companies as Tenants of PIC’s Office Buildings

PIC takes advantage of the relationship with the NTT Group and works to solicit NTT Group companies as tenants by grasping their needs to move in, in an aim to conduct more stable portfolio operations.

The ratio of NTT Group companies as office tenants, which was 3.7% at the end of the 16th fiscal period (October 31, 2010) after NTTUD participated as a sponsor, has grown to 23.9% by the end of November 2013 after acquiring new properties.

	October 2010	November 2013
NTT Group companies	3.7%	23.9%
Other companies, etc.	96.3%	76.1%

Summary of the New Properties

	Granpark	Akihabara UDX	Urbancourt Ichigaya
Photo			
Type of ownership	Acquired approx. 13% quasi co-ownership interest for the entire site and the entire building	Additionally acquired 14,100 units (5%) of the preferred securities issued by an SPC	Fee simple ownership for both land and building
Acquisition price	11,490 million yen	5,640 million yen	1,385 million yen
Estimated value	11,600 million yen	-	1,400 million yen
Appraisal NOI yield *1	4.8%	-	5.7%
Use	Office building	Office building	Residential property
Area	5 Central Wards of Tokyo	5 Central Wards of Tokyo	5 Central Wards of Tokyo

(Note 1) For Grandpark, PIC acquired 15% quasi co-ownership interest of beneficiary interest in trust for the fee simple ownership and the co-ownership of the land (46.17%) and the co-ownership of the building (86.4915%) as major trust properties (12.973725% quasi co-ownership for the entire building.)
(Note 2) PIC additionally acquired 14,100 units of the preferred securities issued by UDX Special Purpose Company, which manages Akihabara UDX. The photo shows Akihabara UDX, the asset backing the preferred securities.
(Note 3) The appraisal value is the amount equivalent to 15% co-ownership interest for the fee simple ownership and co-ownership of the land and the co-ownership of the building as trust properties.
(Note 4) Appraisal NOI yield has been calculated by using the formula of net operating income under the direct capitalization method indicated in the real estate appraisal report divided by the acquisition price and multiplied by 100 (rounded down to the first decimal place).

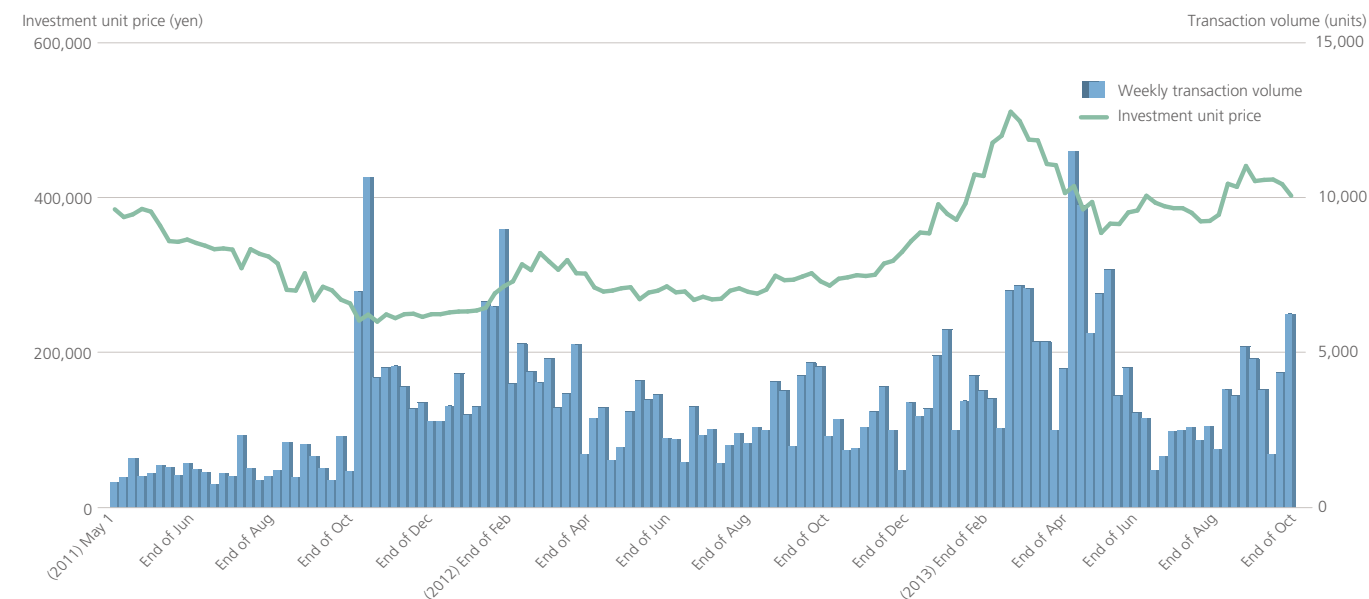
Area	Property Number	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
OFFICE BUILDINGS									
5 Central Wards of Tokyo	A1	Landic Shimbashi Building 1	6,341	3.2	92.7	140	79	61	10.6
	A2	Landic Shimbashi 2 Building	7,045	3.5	100.0	217	92	125	12.9
	A3	Premier Dogenzaka Building	1,727	0.9	100.0	66	29	37	5.5
	A4	KN Shibuya No.3	5,348	2.7	100.0	(Note 5)	(Note 5)	114	10.6
	A5	Takadanobaba Center Building	5,118	2.6	100.0	255	106	148	2.0
	A6	Rokubancho Building	7,860	3.9	100.0	(Note 5)	(Note 5)	155	10.8
	A7	Ougaku Building	1,796	0.9	100.0	57	29	28	14.2
	A8	YS Kaigan Building	5,100	2.6	51.8	80	72	7	10.6
	A9	Iwamotocho Building	6,700	3.4	78.6	175	126	48	12.2
	A10	Urbannet Mita Building	10,300	5.2	99.9	310	140	169	7.2
	A11	Urbannet Azabu Building	5,000	2.5	100.0	(Note 5)	(Note 5)	83	10.5
	A12	Urbannet Ichigaya Building	1,650	0.8	100.0	(Note 5)	(Note 5)	45	7.0
	A13	Kanda Chuodori Building	2,450	1.2	77.0	78	34	43	14.0
	A14	Urbannet Irifune Building (Note 6)	2,900	1.5	100.0	(Note 5)	(Note 5)	100	10.8
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	1,456	0.7	88.7	45	23	21	8.7
	B2	Premier Toyocho Building	4,310	2.2	31.7	(Note 5)	(Note 5)	-13	16.2
	B3	Ueno TH Building	4,380	2.2	61.7	103	62	40	12.8
	B4	Gotanda NT Building	4,100	2.1	86.5	81	40	41	14.3
	B5	Ueno Tosei Building	5,900	3.0	100.0	210	93	117	10.7
Surrounding City Area	C1	Nisso No.3 Building	3,558	1.8	94.5	159	72	86	10.2
	C2	The Kanagawa Science Park R&D Building	6,556	3.3	96.6	408	262	146	10.4
	C4	NU Kannai Building	3,300	1.7	96.0	183	95	87	14.3
SUBTOTAL			102,895	51.6	90.4	3,470	1,785	1,684	-
RESIDENTIAL PROPERTIES									
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	5,208	2.6	95.1	151	77	73	7.4
	D2	Park Axis Meiji-Jingumae	2,604	1.3	93.1	54	23	30	9.9
	D3	Sun Palace Minami-Azabu	1,150	0.6	100.0	31	16	14	5.3
	D4	Cabin Arena Akasaka	1,330	0.7	93.8	37	17	20	10.1
	D5	Cabin Arena Minami-Aoyama	1,070	0.5	87.7	36	17	18	11.2
	D6	Bureau Kioicho	1,840	0.9	100.0	45	14	31	11.6
	D7	Homat Woodville	5,090	2.6	91.6	123	64	59	7.4
	D8	Roppongi Green Terrace	4,678	2.3	86.6	103	70	33	10.3
	D9	Premier Stage Shibakoen II	2,181	1.1	96.5	55	26	28	11.5
	D11	Langue Tower Kyobashi	927	0.5	96.5	35	16	19	12.5
	D12	Premier Stage MitaKeidaimae	1,580	0.8	96.6	53	20	33	14.3
	D13	Premier Rosso	1,662	0.8	100.0	50	21	29	14.0
	D14	Premier Blanc Yoyogikouen	2,330	1.2	90.7	62	31	30	13.1
	D15	Premier Stage Uchikanda	1,723	0.9	75.6	49	23	25	13.8
	D16	Premier Stage Ichigayakawadacho	1,460	0.7	98.2	43	20	23	13.1
	D17	Walk Akasaka	2,043	1.0	94.0	45	28	16	13.9
	D18	Premier Stage Shibakoen	1,585	0.8	93.4	41	20	20	16.1
	D19	MEW	1,556	0.8	90.9	35	22	12	13.9
	D20	Shibaura Island Air Tower	7,590	3.8	95.1	324	237	86	11.2
	D21	Storia Akasaka	3,930	2.0	89.9	87	41	45	11.7
	D22	Renai Shinjuku-Gyoen Tower	6,500	3.3	95.5	178	109	69	7.2
	D23	Shibaura Island Bloom Tower	5,500	2.8	97.2	264	161	102	10.0
	D24	Questcourt Harajuku	4,500	2.3	96.5	137	52	84	12.7
	Other 18 Wards of Tokyo	E1	B-Site Osaki	1,072	0.5	100.0	29	11	17
E2		Premier Garden Hongo	975	0.5	100.0	26	11	15	12.1
E3		Premier Grande Magome	1,560	0.8	94.9	42	22	20	15.7
E4		Premier Nozze Yutenji	1,525	0.8	89.6	36	21	15	13.6
E5		Premier Stage Yushima	1,803	0.9	96.7	48	26	21	17.2
E6		Premier Stage Komagome	1,830	0.9	83.9	51	29	21	18.0
E7		Premier Stage Otsuka	1,310	0.7	94.0	41	19	22	22.5
E8		Premier Stage Honjo-Azumabashi	2,640	1.3	95.7	77	46	30	14.7
E9		Premier Stage Ryogoku	1,496	0.8	90.8	45	24	20	12.8
SUBTOTAL			82,249	41.2	93.9	2,448	1,352	1,095	-
OTHER									
-	UDX Special Purpose Company Preferred Securities (Note 7)		14,300	7.2	-	-	-	-	-
SUBTOTAL			14,300	7.2	-	-	-	-	-
TOTAL			199,444	100.0	92.0	5,918	3,138	2,780	8.7

- (Note 1) PIC has acquired the assets listed in the table to the left in the form of either beneficiary interests in real estate trust or preferred securities.
- (Note 2) The acquisition price of respective properties indicates the value (transaction price depicted in the sales agreement, etc.) that does not include incidental expenses accompanying the acquisition of the relevant real estate or preferred securities (such as transaction brokerage fees and tax and public dues.)
- (Note 3) The indicated shares represent the ratio of the acquisition price of respective properties to the total acquisition price of all properties.
- (Note 4) PIC acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures.
- In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.
- (Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.
- (Note 6) In the 22nd fiscal period, PIC executed a real estate trust beneficiary interest transfer agreement for the property on May 2, 2013, and had the property delivered on May 10, 2013.
- (Note 7) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

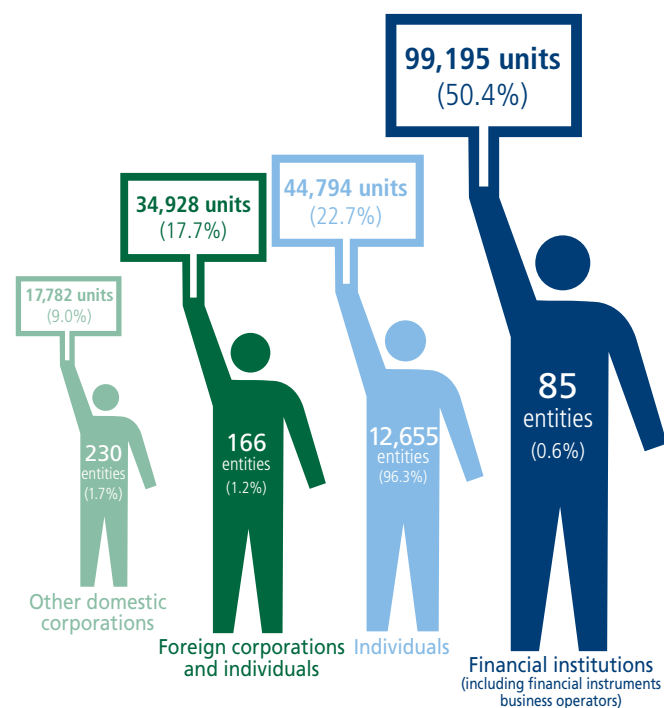
INVESTMENT UNIT STATUS

Historical Unit Price

The following is the history of investment unit prices and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 18th fiscal period (May 1, 2011) to the end of the 22nd fiscal period (October 31, 2013).



Breakdown of Unitholders as of October 31, 2013



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

Top 10 Unitholders as of October 31, 2013

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	46,426	23.60
2	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	10,936	5.55
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	10,462	5.31
4	NTT Urban Development Corporation	8,700	4.42
5	The Master Trust Bank of Japan, Ltd. (Trust Account)	7,880	4.00
6	UBS AG HONG KONG	5,998	3.04
7	The Fuji Fire and Marine Insurance Co., Ltd.	3,886	1.97
8	NOMURA BANK (LUXEMBOURG) S.A.	3,772	1.91
9	NIPPONVEST	2,670	1.35
10	Shikoku Railroad Company	2,165	1.10
	Total	102,895	52.31

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

2. Portfolio Management Standards Based on Basic Policy

Holding Period

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

Acquisition Standards

A) Acquisition Standards

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

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

B) Use

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

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

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

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

C) Areas

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

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

D) Asset Size per Property

a. Office buildings

In principle, office buildings with available space for lease of approximately 2,000m²

Use

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

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

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

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

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

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

E) Due Diligence [▶see table on page 21](#)
PIC decides on the acquisition of investment assets after considering all the results of economic, physical and legal inspections of the assets. The table on the following page lists the items that are, in principle, investigated in such inspections. However, since the importance of each

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

F) Standards for Tenant Selection

[▶see table below](#)

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

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

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

G) Amount of Investment

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

Areas

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

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

Asset Size per Property

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

Standards for Tenant Selection

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

Due Diligence

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

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

3. Sales Standards

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

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

a. Strategic classifications

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

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

b. Specific cases where sale will be considered

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

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

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

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

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

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

4. Policy for Investment in Development Projects

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

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

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

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

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

6. Insurance Policy

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

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

7. Financial Policy

A) Borrowings and Corporate Bonds

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

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

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

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

B) Issuance of Additional Investment Units

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

II. MANAGEMENT POLICY

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

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

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

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

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

III. DISCLOSURE POLICY

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

Standards for Selection of Property Manager

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

IV. DISTRIBUTION POLICY

■ Distribution of Profits

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

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

■ Cash Distributions in Excess of Profits

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

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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



Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheets as at October 31, 2013, and the profit and loss statements, statements of changes in unitholders' equity and cash flow statements for the six months period then ended, all expressed in Japanese yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2013, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note-17 to the financial statements, which states that the Company issued new investment units, borrowed loans and acquired new properties

PricewaterhouseCoopers Aarata

February 4, 2014

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BALANCE SHEETS

AS OF OCTOBER 31, 2013 AND APRIL 30, 2013

	Thousands of yen	
	October 31, 2013	April 30, 2013
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-13)	¥ 1,996,236	¥ 1,638,412
Cash and deposits held in trust (Note-3) (Note-13)	9,391,019	9,011,796
Tenant receivables	74,589	74,660
Prepaid expenses	166,098	190,314
Income taxes refund receivables	60,446	60,364
Consumption taxes refund receivables	18,963	-
Deferred tax assets (Note-9)	1,450	2,744
Other current assets	11,209	11,578
TOTAL CURRENT ASSETS	11,720,013	10,989,871
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	74,662,544	73,434,934
Structures held in trust (Note-4)	1,662,278	1,619,330
Tools, furniture and fixtures held in trust (Note-4)	215,328	203,431
Less accumulated depreciation	(17,056,940)	(15,914,072)
Land held in trust (Note-4)	115,240,196	113,322,467
Property and equipment, net	174,723,553	172,666,237
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	3,281	2,390
Intangible fixed assets	1,733	2,851
Total intangible fixed assets	1,782,617	1,782,843
Investment and other assets		
Investment Securities (Note-13) (Note-14)	14,378,482	14,378,482
Other deposits	10,000	10,000
Long-term prepaid expenses	182,545	225,677
Other deposits held in trust	604,402	604,365
New investment unit issuance costs	7,999	11,999
Corporate bond issuance costs	36,188	2,828
Total investment and other assets	15,219,617	15,233,352
TOTAL LONG-TERM ASSETS	191,725,788	189,682,434
TOTAL ASSETS	¥ 203,445,801	¥ 200,672,305

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 674,286	¥ 546,988
Short-term loan payable (Note-7) (Note-13)	10,500,000	7,500,000
Long-term loan payable due within one year (Note-7) (Note-13)	10,762,500	9,150,000
Corporate bonds payable due within one year (Note-6) (Note-13)	-	7,000,000
Accrued expenses	212,715	211,418
Distributions payable	13,572	12,679
Income taxes payable	556	1,061
Consumption taxes payable	-	31,719
Business office taxes payable	3,963	7,217
Rents received in advance	757,020	830,584
Deposits received	135,136	50,819
Total current liabilities	23,059,751	25,342,489
LONG-TERM LIABILITIES		
Long-term loan payable (Note-7) (Note-13)	79,400,000	82,087,500
Corporate bonds (Note-6) (Note-13)	7,500,000	-
Tenant security deposits held in trust	5,818,456	5,493,718
Total long-term liabilities	92,718,456	87,581,218
TOTAL LIABILITIES	115,778,207	112,923,707
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	85,644,448	85,644,448
Units authorized - 2,000,000 units		
Units issued and outstanding - 196,699 units		
as of October 31, 2013 and April 30, 2013		
Retained earnings		
Reserve for reduction entry	100,653	100,653
Unappropriated income	1,922,492	2,003,496
Total unitholders' equity	87,667,594	87,748,597
TOTAL NET ASSETS	87,667,594	87,748,597
TOTAL LIABILITIES AND NET ASSETS	¥ 203,445,801	¥ 200,672,305

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

P

ROFIT AND LOSS STATEMENTS

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 5,266,923	¥ 5,269,033
Other revenue (Note-8)	651,613	624,563
Dividend income	295,285	303,666
Operating expenses		
Property-operating expenses (Note-8)	3,138,178	2,993,621
Asset management fees	237,358	240,999
Directors' compensation	9,000	9,000
Custodian fees	9,560	9,461
Administration fees	74,579	82,208
Audit fees	8,500	8,500
Other expenses	103,383	97,637
Operating income	2,633,262	2,755,834
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	972	1,018
Return of unclaimed distribution	952	1,402
Other non-operating income	206	100
Non-operating expenses		
Interest expense	664,730	706,597
Interest expenses on corporate bonds	34,784	33,613
Amortization of corporate bond issuance costs	5,413	5,657
Amortization of new investment unit issuance costs	3,999	6,122
Other non-operating expenses	2,190	1,827
Ordinary income	1,924,274	2,004,536
Income before income taxes	1,924,274	2,004,536
Income taxes (Note-9)		
Current	605	2,311
Deferred	1,294	(1,251)
Net income	1,922,375	2,003,477
Income carried forward	117	19
UNAPPROPRIATED INCOME	¥ 1,922,492	¥ 2,003,496

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
UNITHOLDERS' EQUITY		
UNITHOLDERS' CAPITAL		
Balance at the beginning of the period	¥ 85,644,448	¥ 85,644,448
Changes during the period		
Total changes during the period	-	-
Balance at the end of the period	85,644,448	85,644,448
RETAINED EARNINGS		
Reserve for reduction entry		
Balance at the beginning of the period	100,653	100,653
Changes during the period		
Total changes during the period	-	-
Balance at the end of the period	100,653	100,653
Unappropriated income		
Balance at the beginning of the period	2,003,496	1,983,531
Changes during the period		
Cash distributions paid	(2,003,379)	(1,983,512)
Net income	1,922,375	2,003,477
Total changes during the period	(81,003)	19,964
Balance at the end of the period	1,922,492	2,003,496
Total retained earnings		
Balance at the beginning of the period	2,104,149	2,084,185
Changes during the period		
Cash distributions paid	(2,003,379)	(1,983,512)
Net income	1,922,375	2,003,477
Total changes during the period	(81,003)	19,964
Balance at the end of the period	2,023,146	2,104,149
TOTAL UNITHOLDERS' EQUITY		
Balance at the beginning of the period	87,748,597	87,728,633
Changes during the period		
Cash distributions paid	(2,003,379)	(1,983,512)
Net income	1,922,375	2,003,477
Total changes during the period	(81,003)	19,964
Balance at the end of the period	87,667,594	87,748,597
TOTAL NET ASSETS		
Balance at the beginning of the period	87,748,597	87,728,633
Changes during the period		
Cash distributions paid	(2,003,379)	(1,983,512)
Net income	1,922,375	2,003,477
Total changes during the period	(81,003)	19,964
Balance at the end of the period	¥ 87,667,594	¥ 87,748,597

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

CASH FLOW STATEMENTS

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 1,924,274	¥ 2,004,536
Depreciation	1,145,415	1,125,183
Amortization of corporate bond issuance costs	5,413	5,657
Amortization of new investment unit issuance costs	3,999	6,122
Interest income	(972)	(1,018)
Refund of unpaid distributions	(952)	(1,402)
Interest expenses	699,515	740,211
Decrease in tenant receivables	70	22,147
Increase in accounts payable	39,185	8,467
Increase in consumption taxes refund receivables	(18,963)	-
Decrease in consumption taxes payable	(31,719)	(80,138)
(Decrease) Increase in rent received in advance	(73,564)	16,733
Increase in deposits received (Note-1)	84,316	17,817
Other (Note-1)	5,855	3,623
SUBTOTAL	3,781,873	3,867,941
Interest received	972	1,018
Interest paid	(642,628)	(765,097)
Income taxes paid	(1,191)	(5,153)
Net cash provided by operating activities	3,139,025	3,098,709
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(3,109,769)	(249,745)
Payments for purchases of Intangible fixed assets	(760)	-
Payments for purchases of intangible fixed assets held in trust	(844)	-
Proceeds from tenant security deposits held in trust	630,652	183,283
Payments of tenant security deposits held in trust	(305,914)	(308,296)
Other	(37)	(14)
Net cash used in investing activities	(2,786,672)	(374,771)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	11,500,000	2,000,000
Proceeds from long-term loan payable	3,000,000	13,750,000
Repayments of short-term loan payable	(8,500,000)	(5,400,000)
Repayments of long-term loan payable	(4,075,000)	(10,825,000)
Proceeds from issuance of corporate bonds	7,500,000	-
Redemption of corporate bonds	(7,000,000)	-
Payments of corporate bond issuance costs	(38,772)	-
Payments of distributions	(2,001,533)	(1,981,138)
Net cash provided by (used in) financing activities	384,693	(2,456,138)
NET CHANGE IN CASH AND CASH EQUIVALENTS	737,047	267,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,650,209	10,382,410
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-3)	¥ 11,387,256	¥ 10,650,209

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

NOTES TO FINANCIAL STATEMENTS

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

Note-1. Organization and basis of presentation

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

Status of equity financing is as follows:

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

As of October 31, 2013, PIC had total unitholders' capital of 85,644,448 thousand yen with 196,699 units outstanding.

As of October 31, 2013, PIC owned a portfolio of 22 office buildings, 32 residential properties and preferred securities of an SPC (55 properties in total). Total acquisition costs of those properties were 199,444,826 thousand yen.

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

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

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

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

(c) Changes in the method of presentation – "Increase in deposits received," which had been included in "Other" under "Cash flow from operating activities" for the six months ended April 30, 2013, was presented separately for the six months ended October 31, 2013 and will be done so afterward, since the amount has become material. The financial statements for the six months ended April 30, 2013 have been reclassified to reflect this change in presentation. As a result, the amount of 21,441 thousand yen that had been presented as "Other" under "Cash flow from operating activities" in the cash flow statements for the six months ended April 30, 2013 has been reclassified as 17,817 thousand yen in "(Decrease) Increase in deposits received" and 3,623 thousand yen in "Other."

Note-2. Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 13,241 thousand yen for the six months ended October 31, 2013.

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

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

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

Note-3. Cash and cash equivalents

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
Cash and deposits	¥ 1,996,236	¥ 1,638,412
Cash and deposits held in trust	9,391,019	9,011,796
CASH AND CASH EQUIVALENTS	¥ 11,387,256	¥ 10,650,209

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

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

	Thousands of yen					
	October 31, 2013			April 30, 2013		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 74,662,544	¥ 16,249,963	¥ 58,412,581	¥ 73,434,934	¥ 15,153,608	¥ 58,281,326
Structures	1,662,278	638,525	1,023,753	1,619,330	600,694	1,018,635
Tools, furniture and fixtures	215,328	168,306	47,021	203,431	159,624	43,807
Land	115,240,196	-	115,240,196	113,322,467	-	113,322,467
SUBTOTAL	191,780,348	17,056,795	174,723,553	188,580,164	15,913,927	172,666,237
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	4,852	1,570	3,281	4,462	2,072	2,390
SUBTOTAL	1,782,454	1,570	1,780,884	1,782,065	2,072	1,779,992
TOTAL	¥ 193,562,803	¥ 17,058,366	¥ 176,504,437	¥ 190,362,229	¥ 15,915,999	¥ 174,446,229

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

	Thousands of yen		Interest rate (%)
	October 31, 2013 (Amount)	April 30, 2013 (Amount)	
Unsecured bond No.4 (issued on July 25, 2013 and due on July 25, 2018)	¥ 7,500,000	¥ -	0.72
Unsecured bond No.3 (issued on August 18, 2010 and due on August 16, 2013)	-	7,000,000	0.97
TOTAL	¥ 7,500,000	¥ 7,000,000	-

The anticipated maturities of corporate bonds for the following four years ending October 31 starting in 2014 are as follows:

(thousands of yen)	
2014	¥ -
2015	-
2016	-
2017	7,500,000

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

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

	October 31, 2013		April 30, 2013	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on May 17, 2013 with floating rate	¥ -	-	¥ 2,000,000	0.82000
Unsecured loan due on July 26, 2013 with floating rate	-	-	3,500,000	0.71690
Unsecured loan due on November 15, 2013 with floating rate	*1 -	-	2,000,000	0.66530
Unsecured loan due on May 9, 2014 with floating rate	*2 1,500,000	0.57424	-	-
Unsecured loan due on May 16, 2014 with floating rate	2,000,000	0.58912	-	-
Unsecured loan due on July 31, 2014 with floating rate	7,000,000	0.56000	-	-
SUBTOTAL	10,500,000	-	7,500,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on July 31, 2013 with fixed rate	-	-	1,000,000	2.23875
Unsecured loan due on May 22, 2013 with fixed rate	-	-	3,000,000	2.08125
Unsecured loan due on May 22, 2014 with floating rate	*3 *4 2,362,500	1.83674	150,000	1.90412
Unsecured loan due on May 20, 2014 with fixed rate	3,400,000	1.36125	-	-
Unsecured loan due on March 7, 2014 with fixed rate	5,000,000	1.05500	5,000,000	1.05500
SUBTOTAL	10,762,500	-	9,150,000	-
LONG-TERM LOANS				
Unsecured loan due on May 22, 2014 with floating rate	*3 *4 -	-	2,287,500	1.90412
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.72750	3,900,000	1.72750
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14250	8,000,000	1.14250
Unsecured loan due on May 20, 2014 with fixed rate	-	-	3,400,000	1.36125
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39250	6,500,000	1.39250
Unsecured loan due on November 18, 2014 with fixed rate	12,000,000	1.16500	12,000,000	1.16500
Unsecured loan due on December 8, 2015 with fixed rate	11,000,000	1.29375	11,000,000	1.29375
Unsecured loan due on December 8, 2016 with fixed rate	9,000,000	1.43375	9,000,000	1.43375
Unsecured loan due on August 31, 2016 with fixed rate	2,250,000	1.34525	2,250,000	1.34525
Unsecured loan due on September 5, 2018 with fixed rate	5,000,000	1.21000	5,000,000	1.21000
Unsecured loan due on September 5, 2017 with fixed rate	5,000,000	0.95375	5,000,000	0.95375
Unsecured loan due on November 16, 2017 with fixed rate	3,000,000	0.98250	3,000,000	0.98250
Unsecured loan due on February 28, 2019 with fixed rate	2,850,000	1.02875	2,850,000	1.02875
Unsecured loan due on March 27, 2018 with fixed rate	7,900,000	0.88250	7,900,000	0.88250
Unsecured loan due on May 22, 2018 with fixed rate	3,000,000	1.15125	-	-
SUBTOTAL	79,400,000	-	82,087,500	-
TOTAL	¥ 100,662,500	-	¥ 98,737,500	-

*1 PIC repaid 2,000 million yen on July 31, 2013, before their maturity date.

*2 PIC repaid 1,000 million yen on July 31, 2013, before their maturity date (2,500 million yen in total).

*3 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*4. The average interest rate of the loan has been entered in the relevant column for the Long-term loans.

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

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

The anticipated maturities of long-term loans for the following five years beginning November 1, starting in 2014 are as follows:

(thousands of yen)		
2014	¥	30,400,000
2015		13,250,000
2016		14,000,000
2017		26,400,000
2018		2,850,000

Note-8. Rental revenues and expenses

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,425,102	¥ 4,452,423
Common area charge	841,821	816,609
Subtotal	5,266,923	5,269,033
Other revenue		
Parking fees	153,753	150,600
Facility fees	36,796	40,114
Incidental revenue	357,840	294,468
Miscellaneous income	103,222	139,379
Subtotal	651,613	624,563
TOTAL REAL ESTATE RENTAL REVENUE	5,918,537	5,893,596
REAL ESTATE RENTAL EXPENSES		
Property-operating expenses		
Property management fees	736,376	685,090
Utilities	408,455	347,662
Real estate taxes	419,813	415,842
Insurance	12,883	12,605
Maintenance and repairs	241,801	225,799
Trust fees	46,401	46,022
Depreciation	1,144,297	1,124,130
Miscellaneous expenses	128,150	136,468
TOTAL REAL ESTATE RENTAL EXPENSES	3,138,178	2,993,621
REAL ESTATE RENTAL INCOME	¥ 2,780,358	¥ 2,899,974

Note-9. Income taxes

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

	October 31, 2013	April 30, 2013
Statutory tax rate	36.59%	36.59%
Adjustments		
Deductible cash distributions	(37.37)	(36.56)
Other	0.88	0.03
EFFECTIVE TAX RATE	0.10%	0.05%

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

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
Deferred tax assets		
Enterprise taxes	¥ 1,450	¥ 2,744
Total of deferred tax assets	1,450	2,744
NET DEFERRED TAX ASSETS	¥ 1,450	¥ 2,744

Note-10. Per unit information

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

	October 31, 2013	April 30, 2013
Net assets per unit	¥ 445,694	¥ 446,105
Net income per unit	9,773	10,185

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

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
Net income	¥ 1,922,375	¥ 2,003,477
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	1,922,375	2,003,477
Average number of units during the period	196,699 units	196,699 units

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

Note-11. Leases

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

	Thousands of yen	
	October 31, 2013	April 30, 2013
Due within one year	¥ 355,252	¥ 402,960
Due after one year	2,157,006	2,303,049
TOTAL	¥ 2,512,258	¥ 2,706,009

Note-12. Distribution information

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

In accordance with this policy, PIC declared on a total distribution of 1,966,990,000 yen as distribution of income for the 22nd fiscal period (payment to start on January 16, 2014). This is the maximum value arrived at when the number of units outstanding (196,699 units) is multiplied by an integer, within the limit of the unappropriated retained earnings for the 22nd fiscal period. And PIC declared on a total distribution of 2,003,379,315 yen as distribution of income for the 21st fiscal period (payment starting on July 8, 2013), which was the maximum value arrived at when the number of units outstanding (196,699 units) was multiplied by an integer, within the limit of the unappropriated retained earnings as of the end of the 21st fiscal period after deducting the reserve for reduction entry, which is defined in Article 66-2 of the Special Taxation Measures Law.

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

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

	October 31, 2013	April 30, 2013
Unappropriated income	¥ 1,922,492,887	¥ 2,003,496,338
Reversal of reserve for reduction entry	44,497,113	-
Cash distributions declared	1,966,990,000	2,003,379,315
(Cash distribution declared per unit)	(10,000)	(10,185)
INCOME CARRIED FORWARD	¥ -	¥ 117,023

Note-13. Financial instruments

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

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

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

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

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

Description of financial instruments, their respective risks and risk management structure - Short-term loans, long-term loans and corporate bonds are means of fund procurement primarily for acquiring 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 issues on a regular basis.

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

(b) Items concerning fair value of financial instruments -

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

	Thousands of yen						
	October 31, 2013			April 30, 2013			
	Book value	Fair value	Difference	Book value	Fair value	Difference	
Assets							
(1) Cash and deposits	¥ 1,996,236	¥ 1,996,236	¥ -	¥ 1,638,412	¥ 1,638,412	¥ -	
(2) Cash and deposits held in trust	9,391,019	9,391,019	-	9,011,796	9,011,796	-	
TOTAL ASSETS	¥ 11,387,256	¥ 11,387,256	¥ -	¥ 10,650,209	¥ 10,650,209	¥ -	
Liabilities							
(3) Short-term loans	¥ 10,500,000	¥ 10,500,000	¥ -	¥ 7,500,000	¥ 7,500,000	¥ -	
(4) Long-term loans payable due within one year	10,762,500	10,800,551	38,051	9,150,000	9,190,404	40,404	
(5) Corporate bonds payable due within one year	-	-	-	7,000,000	7,009,870	9,870	
(6) Long-term loans	79,400,000	80,181,383	781,383	82,087,500	82,648,308	560,808	
(7) Corporate bonds	7,500,000	7,556,850	56,850	-	-	-	
TOTAL LIABILITIES	¥ 108,162,500	¥ 109,038,784	¥ 876,284	¥ 105,737,500	¥ 106,348,583	¥ 611,083	

*1 The following methods are used to estimate the fair value of financial instruments:
(1) **Cash and deposits, and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) **Short-term loans** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(4) **Long-term loans payable due within one year and (6) long-term loans** - Fair values of these instruments are calculated based on the total amount of principals and interests discounted by rates estimated in the event that PIC conducts new borrowings corresponding to the remaining periods.
(5) **Corporate bonds payable due within one year and (7) 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 five years as of October 31, 2013 and April 30, 2013, are as follows:

	Thousands of yen						
	October 31, 2013						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
(1) Cash and deposits	¥ 1,996,236	¥ -	¥ -	¥ -	¥ -	¥ -	-
(2) Cash and deposits held in trust	9,391,019	-	-	-	-	-	-
TOTAL	¥ 11,387,256	¥ -	¥ -	¥ -	¥ -	¥ -	-

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

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

	Thousands of yen						
	October 31, 2013						
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years	
(3) Short-term loans	¥ 10,500,000	¥ -	¥ -	¥ -	¥ -	¥ -	-
(4) Long-term loans payable due within one year	10,762,500	-	-	-	-	-	-
(6) Long-term loans	-	30,400,000	13,250,000	14,000,000	18,900,000	2,850,000	-
(7) Corporate bonds	-	-	-	-	7,500,000	-	-
TOTAL	¥ 21,262,500	¥ 30,400,000	¥ 13,250,000	¥ 14,000,000	¥ 26,400,000	¥ 2,850,000	-

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

Note-14. Investment securities

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

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

Note-15. Rental property

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

	Thousands of yen							
	October 31, 2013				April 30, 2013			
	Book value at May 1, 2013	Increase and Decrease during the period	Book value at October 31, 2013	Fair value at October 31, 2013	Book value at November 1, 2012	Increase and Decrease during the period	Book value at April 30, 2013	Fair value at April 30, 2013
Office buildings	¥ 97,178,347	¥ 2,655,266	¥ 99,833,614	¥ 96,710,000	¥ 97,448,700	¥ (270,353)	¥ 97,178,347	¥ 94,060,000
Residential properties	77,265,491	(597,950)	76,667,541	68,647,000	77,869,750	(604,258)	77,265,491	68,069,000
TOTAL	¥ 174,443,839	¥ 2,057,315	¥ 176,501,155	¥ 165,357,000	¥ 175,318,450	¥ (874,611)	¥ 174,443,839	¥ 162,129,000

*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 3,281 thousand yen and 2,390 thousand yen as of October 31, 2013 and April 30, 2013) are not included.
*2 Major increases in the fiscal period ended October 31, 2013 are due to acquisition of Urbannet Irifune Building (2,931,529 thousand yen) and the capital expenditures (269,624 thousand yen), and major decreases are due to the depreciation (1,143,811 thousand yen). Major increases in the fiscal period ended April 30, 2013 are due to the capital expenditures (249,217 thousand yen) for renovation of air conditioning system at IPB Ochanomizu Building, and major decreases are due to depreciation (1,123,828 thousand yen).
*3 The fair values at the end of the fiscal periods in the above table are appraisal values based on external real estate appraisers.

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

	Thousands of yen						
	May 1, 2013 to October 31, 2013			November 1, 2012 to April 30, 2013			
	Real estate rental revenue	Real estate rental expenses	Real estate rental income	Real estate rental revenue	Real estate rental expenses	Real estate rental income	
Office buildings	¥ 3,470,028	¥ 1,785,636	¥ 1,684,391	¥ 3,404,147	¥ 1,661,278	¥ 1,742,869	
Residential properties	2,448,508	1,352,541	1,095,966	2,489,449	1,332,343	1,157,105	
TOTAL	¥ 5,918,537	¥ 3,138,178	¥ 2,780,358	¥ 5,893,596	¥ 2,993,621	¥ 2,899,974	

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

Note-16. Segment Information

(a) Segment information -

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

(b) Related information -

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

Note-17. Subsequent events

(a) Issuance of new investment units -

At the board of Directors meetings held on October 18, 2013 and October 30, 2013, PIC resolved the issuance new investment units through public offering and third-party allotment to use the funds for acquiring new properties and partial repayment of loans.

- PIC completed the public offering of 20,900 units on November 7, 2013, the payment date, at an offering price of 392,925 yen per unit. The total paid amount (issue price) from this offering was 7,942,606 thousand yen. The date of issuance and the starting date for calculating dividends are November 7, 2013 and November 1, 2013, respectively. As a result of this issuance of new investment units, the unitholders' capital was 93,587,054 thousand yen with 217,599 units outstanding as of November 7, 2013.
- PIC completed the third-party allotment of 1,100 units on December 4, 2013, the payment date, at an issue price of 380,029 yen per unit. The total paid amount from this offering was 418,031 thousand yen. The date of issuance and the starting date for calculating dividends are December 4, 2013 and November 1, 2013, respectively. As a result of the issuance new investment units, the unitholders' capital was 94,005,086 thousand yen with 218,699 units outstanding as of December 4, 2013.

(b) Loan -

PIC borrowed 10,400 million yen on November 8, 2013 in order to partly fund the acquisition of the trust beneficiary interest in Granpark and Urbancourt Ichigaya, and the UDX Special Purpose Company Preferred Securities that were acquired on November 8, 2013 (as described in the below Acquisition of properties).

The lender and other information on these loans are as indicated below:

- Under unsecured and unguaranteed loan agreement with Sumitomo Mitsui Banking Corporation, Aozora bank, Ltd., Resona Bank, Limited and Mizuho Bank, Ltd. effective November 6, 2013, PIC received 5,000 million yen on November 8, 2013. The interest rate on the loan is TIBOR (for each interest calculation period) plus 0.25%, and the loan will mature on October 31, 2014.
* Repayment before maturity – Of the short-term loan above (initial loan amount of 5,000 million yen), PIC repaid 600 million yen as of December 6, 2013 using proceeds from the issuance of new investment units through the third-party allotment (refer to "Issuance of new investment units" above).
- Under unsecured and unguaranteed loan agreement with Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation and Sumitomo Mitsui Trust Bank, Limited effective November 6, 2013, PIC received 5,400 million yen on November 8, 2013. The interest rate on the loan is TIBOR (for each interest calculation period) plus 0.25%, and the loan will mature on October 31, 2016.

(c) Acquisition of properties -

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

- On November 8, 2013, PIC purchased trust beneficiary interest *1 in Granpark for 11,490 million yen. The acquisition was financed with proceeds from the offering and loans described above. This Office building is located at 3-4-1 and 3-4-2 Shibaura, Minato Ward, Tokyo, with an area of 16,449.37m², total floor space of 160,042.88m², and total leasable space of 10,602.05m² *2. The construction was completed in August 1996.
*1 PIC acquired 15% quasi co-ownership interest of beneficiary interest in trust for the following real estate related to Granpark as trust properties.
(Land) Fee simple ownership for 12,320.89m² and 46.17% co-ownership for 4,128.48m²
(Building) 86.4915% co-ownership
*2 The total leasable space is the figure obtained by multiplying the actual leasable space of Granpark by the quasi co-ownership ratio of PIC (12.973725%) for the entire building.
- On November 8, 2013, PIC purchased trust beneficiary interest in Urbannet Ichigaya for 1,385 million yen. The acquisition was financed with proceeds from the offering and loans described above. This Residential property is located at 25-1 Haraikatamachi, Shinjuku Ward, Tokyo, with an area of 2,277.68m², total floor space of 3,662.97m², and total leasable space of 3,609.91m². The construction was completed in January 1993.
- On November 8, 2013, PIC purchased 14,100 units of the preferred securities issued by UDX Special Purpose Company backed by the cash flow gained from real estate *1 for 5,640 million yen*2. The acquisition was financed with proceeds from the offering and loans described above. The real estate which substantiates the preferred securities is located at 4-14-1 Sotokanda, Chiyoda Ward, Tokyo, with an area of 11,548.09m² and total floor space of 155,629.05m². The construction was completed in January 2006.
*1 The real estate managed by UDX Special Purpose Company is the entire office building (Akihabara UDX) and its site.
*2 PIC had acquired 39,480 units (14.0% of the total units outstanding) of the preferred securities at an acquisition price of 14,300 million yen in December 2010. As a result of this additional acquisition, PIC owns 53,580 units (19.0% of the total units outstanding), with the total acquisition price amounting to 19,940 million yen.

OTHER INFORMATION (UNAUDITED)

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

CAPITAL EXPENDITURES

The following is an overview of major construction classified as capital expenditures during the 22nd fiscal period (May 1, 2013 – October 31, 2013) for the portfolio owned by PIC.

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 22nd Fiscal Period	Amount Paid before the 22nd Fiscal Period
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of air conditioning system	July 2013 – April 2015	189,154	-	-
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	October 2013 – January 2015	163,061	-	-
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems, etc.	October 2007 – October 2016	129,041	-	80,550
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 - April 2015	33,750	1,545	13,006

2. Capital Expenditures during the 22nd Fiscal Period

Capital expenditures during the period totaled 271,391 thousand yen. This, combined with maintenance and repair expenditures of 241,801 thousand yen that were classified as operating expenses for the period, aggregating a total of 513,192 thousand yen was spent on renovations.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Landic Shimbashi Building 1	Minato Ward, Tokyo	Renovation of entrance hall	August 2013 - October 2013	30,844
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of elevator hall	August 2013 - October 2013	29,935
Urbannet Ichigaya Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	March 2013 - June 2013	28,179
Iwamotocho Building	Chiyoda Ward, Tokyo	Renovation of elevator hall, etc.	September 2013 - October 2013	24,376
Kanagawa Science Park R&D Building	Kawasaki City, Kanagawa	Renovation of high voltage switchboards, etc.	April 2013 - May 2013	21,587
Nisso No.3 Building	Yokohama City, Kanagawa	Renovation of mechanical parking system	April 2013 - May 2013	20,801
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of elevator hall, etc.	July 2013 - September 2013	11,737
Other construction	-	-	-	103,929
Total				271,391

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

(thousands of yen)					
Item \ Fiscal Period	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)	20th Fiscal Period (May 1, 2012 – October 31, 2012)	21st Fiscal Period (November 1, 2012 – April 30, 2013)	22nd Fiscal Period (May 1, 2013 – October 31, 2013)
Deposits at end of the preceding period	345,941	360,264	375,917	390,240	404,563
Deposits made during the period	14,323	15,983	14,323	14,323	14,323
Amounts used from deposits during the period	-	330	-	-	-
Deposits carried forward to the next period	360,264	375,917	390,240	404,563	418,886

OVERVIEW OF FUND PROCUREMENT

1. New Borrowings

On May 10, 2013, PIC borrowed 2,500 million yen in a short-term loan in order to partly fund the acquisition of trust beneficiary interest in Urbannet Irifune Building that was acquired as of the same date.

2. Refinance and Repayment of Borrowings

- (i) On May 17, 2013, PIC refinanced 2,000 million yen in a short-term loan borrowed on May 18, 2012 into a short-term loan for the same amount.
- (ii) On May 22, 2013, PIC refinanced 3,000 million yen in a long-term loan borrowed on May 22, 2008 into a long-term loan for the same amount.

4. Issuance of Corporate Bonds

On July 25, 2013, PIC issued corporate bonds (Unsecured Bond No. 4) totaling 7,500 million yen and used the funds to repay two loans upon maturity (3,500 million yen in a short-term loan borrowed on July 27, 2012 and 1,000 million yen in a long-term loan borrowed on July 31, 2007) as well as to partially repay two loans before maturity (repaying 3,000 million yen in total for the two short-term loans.)

5. Borrowing for Redemption of Corporate Bonds

On August 14, 2013, PIC refinanced 7,000 million yen in a short-term loan to fund the redemption of Unsecured Bond No.3 (7,000 million yen) that matured on August 16, 2013.

6. Other Repayments

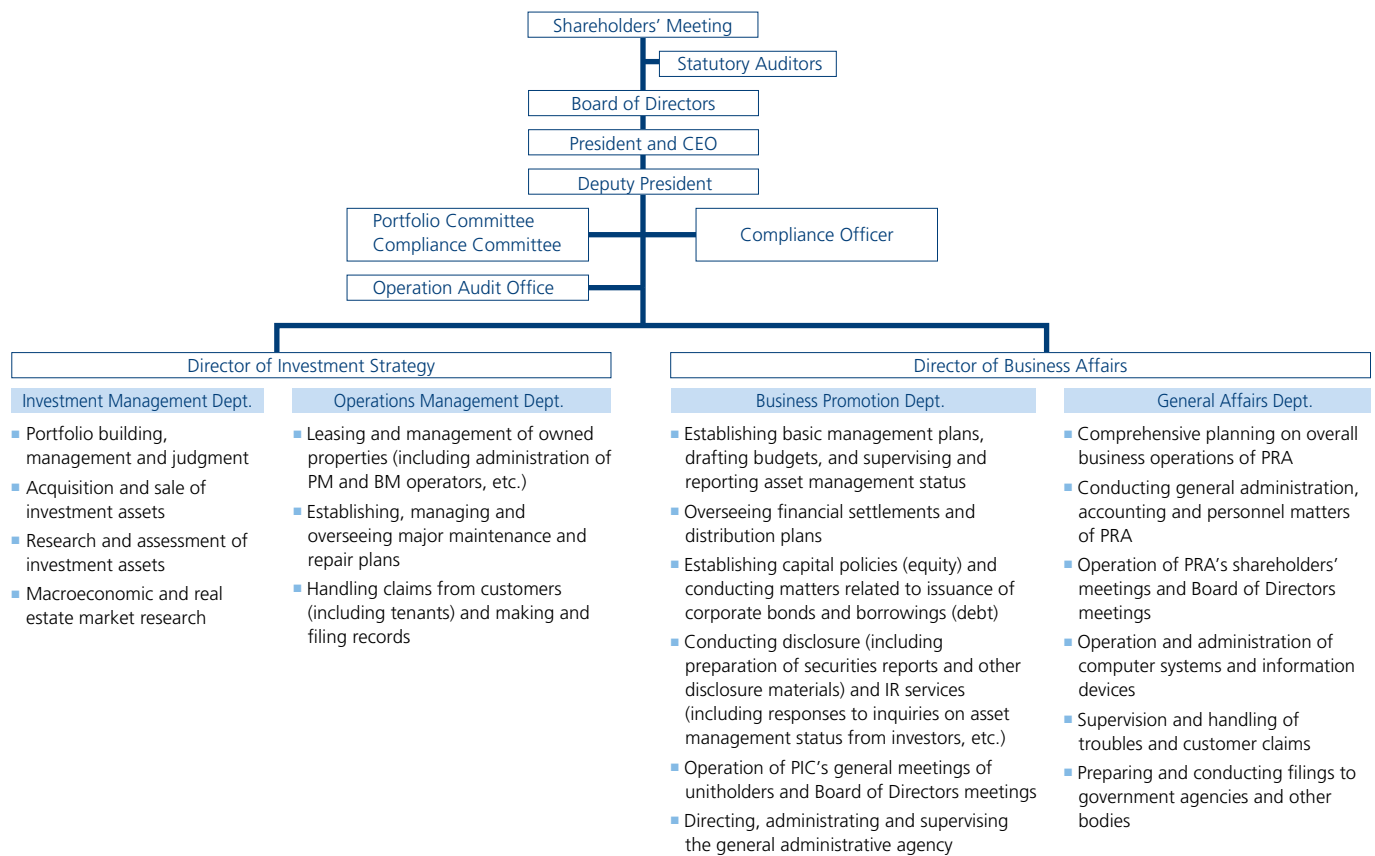
On May 31, 2013 and August 30, 2013, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of a long-term loans borrowed from Development Bank of Japan Inc. on May 22, 2009) by using cash on hand.

As a result of the above, PIC’s interest-bearing liabilities totaled 108,162.5 million yen as of October 31, 2013. The breakdown is as follows: 10,500 million yen in short-term loans, 90,162.5 million yen in long-term loans (including long-term loans due within one year) and 7,500 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 90.3%.

ASSET MANAGER OVERVIEW

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

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



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