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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

19TH FISCAL PERIOD
ENDED APRIL 30, 2012

MESSAGE TO OUR UNITHOLDERS

Dear Investor,

In the 19th fiscal period (November 1, 2011 – April 30, 2012), Premier Investment Corporation (PIC) newly issued 56,599 investment units through public offering and third-party allotment to obtain 13,686 million yen, and conducted debt financing with new borrowings of 18,400 million yen in total. PIC used these funds to make a lump-sum acquisition of six office buildings and a residential property (total acquisition price: 33,100 million yen).

Although the acquisition of the new properties was conducted amid the continuing difficulty in the rental market, PIC took the viewpoint of external growth over a medium- to long-term perspective and acquired properties featuring stable occupancy rates, taking advantage of the sponsor's pipelines. The acquisition enabled PIC's portfolio size to reach approximately 200 billion yen, with an expansion of about 60 billion yen since NTT Urban Development Corporation (NTTUD) became PIC's main sponsor in May 2010. In terms of the investment ratio of the portfolio by asset type, office buildings rose to about 58%, nearing the targeted ratio of 60%.

Revenues increased due to such factors as the newly acquired properties contributing to earnings, the improved occupancy rate of existing office buildings and gains on sale of Premier Stage Nihonbashi Kayabacho (170 million yen). On the other hand, reductions were achieved in rental expenses for existing properties and other various costs. These

helped PIC to post increases both in revenues and profits compared to the 18th fiscal period, with operating revenues of 6,318 million yen (up 1,355 million yen), ordinary income of 2,178 million yen (up 867 million yen), and net income of 2,178 million yen (up 869 million yen), all on a period-on-period basis.

Furthermore, since the 170 million yen in gains on sale of the property was applicable to the special measures in the Special Taxation Measures Law, PIC decided to use 70 million yen as additional funds for the 19th fiscal period distribution, while internally reserving the remaining 100 million yen as a reserve for advanced depreciation to be used for stabilized distributions for the next fiscal period and after. Consequently, PIC achieved a distribution per unit of 10,566 yen, which surpassed the previous fiscal period's distribution per unit by 1,221 yen and represented an increase of 426 yen over the forecast announced with the 18th fiscal period results.

In financing, PIC conducted refinances totaling approximately 30 billion yen during the 19th fiscal period, further promoting the diversification of repayment dates and extension of loan periods.



Yuichi Kawamori
Yuichi Kawamori
Executive Director
Premier Investment Corporation

As shown above, the operating results for the 19th fiscal period successfully outperformed the forecast announced at the beginning of the period. Nevertheless, the stagnancy in the office building rental market has continued longer than anticipated and rent levels remain on a downward trend, continuously forcing PIC to grant rent-free periods, "rent holiday" periods and other favorable conditions when securing new tenants and revising lease agreements with existing tenants. As a result, PIC has made a downward revision to the performance forecast for the 20th fiscal period.

In such an environment, we are resolved to maintain and improve the occupancy rate of office buildings by further reinforcing leasing activities. In May 2012, PIC commemorated its tenth anniversary since establishment. Going forward, we are dedicated to continue realizing stable management of PIC through close cooperation with the sponsors. Your continued encouragement and support is highly appreciated.



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

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MARKET ENVIRONMENT AND

PIC'S MANAGEMENT POLICY

Market Environment

In the 19th fiscal period, PIC was surrounded by an environment in which the Japanese economy was on track to modest recovery, backed by demand for reconstruction following the Great East Japan Earthquake and recovering personal consumption. Nevertheless, caution is

continuously required based on such downside risk factors as the slowdown of overseas economies, the prolonged European sovereign debt problem and concerns regarding unstable power supply in Japan.

Under these circumstances, PIC remains

committed to maintaining and increasing distributions by working to steadily expand the portfolio size, improve occupancy of owned properties and conduct prudent financial operations, retaining close cooperation with NTTUD, the main sponsor, while flexibly responding to market conditions.

Property Transaction Market Status

Some large-scale properties with investment-grade quality for REITs are appearing in the Japanese property transaction market. For office buildings, the gap between expected cap rates by buyers and sellers has been reduced, though deals still remain stagnant. Meanwhile, the transaction market for residential properties remains robust.

Financial Market Status

Domestic financial institutions have maintained their flexible and positive lending attitude for real estate-related loans. Favorable factors are seen in the REIT market, including several J-REITs re-starting equity financing. In Japan, the policy interest rate will likely remain at a low level, as deflation was promoted by an unstable political situation and other factors, keeping the risk of rising interest rates low.

Rental Market Status

Signs of improvement have been observed in the occupancy and rent trends of residential properties. In particular, demand is anticipated to increase stably from small households comprised of singles or married couples without children (DINKs). The office building rental market continues to face difficulties as tenant demand lacks momentum, hampered by concerns over a possible global recession, although both occupancy rates and rent levels are showing signs of hitting bottom and holding steady.

PIC's Thinking

External Growth

- Promote continuous growth strategy while seeking to diversify the time of acquisition in cooperation with sponsors.
- Acquisitions of office buildings promoted since NTT Urban Development participated in the sponsorship have led to PIC's portfolio almost achieving the initially targeted allocation ratio by asset type. PIC will return to acquisition strategy focusing on the balance of asset types.

Internal Growth

Office (Tokyo Area)

- With no special measure effective to immediately change the supply and demand situation for the better, just enhance marketing efforts for leasing (putting the brakes on granting rent-free periods).
- Investigate reconstruction of the property management framework to allow the comprehensive capabilities of the NTT Group to be implemented.
- Conduct cost reductions extensively by promoting energy-saving measures.

Residence (Tokyo Area)

- Raise rents in a timely manner, taking advantage of the lease period being relatively short (two years) generally.

Financial Operations

- Stabilize and maintain/enhance distribution levels by taking the utmost advantage of the NTT value.
- Secure liquidity by expanding the portfolio size.
- Reinforce profitability by improving the occupancy rate.
- Establish financial foundations that enables prompt responses to the environment.

- Maintain a high LTV level in view of the favorable financing environment, and focus on promoting long-term, fixed interest rate loans while borrowing short-term loans in a mixed way in order to reduce interest burdens.
- Exercise prudent judgment on equity financing while waiting for the full-on recovery of the market.

19TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

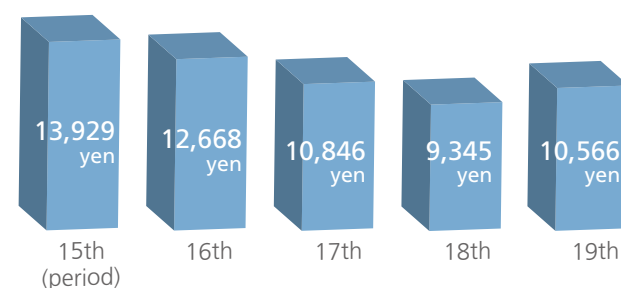
Management and Distribution Results	18th Fiscal Period (ended October 2011)	19th Fiscal Period (ended April 2012)
Operating Revenues (mm yen)	4,963	6,318
Operating Income (mm yen)	2,064	3,013
Ordinary Income (mm yen)	1,311	2,178
Net Income (mm yen)	1,309	2,178
Distribution per Unit (yen) (distribution in excess of profits not included)	9,345	10,566
Total Distributions (mm yen)	1,309	2,078
Distribution Payout Ratio ^(Note)	100.0%	95.3%
Distribution to Net Assets ^(Note)	1.8%	2.2%

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

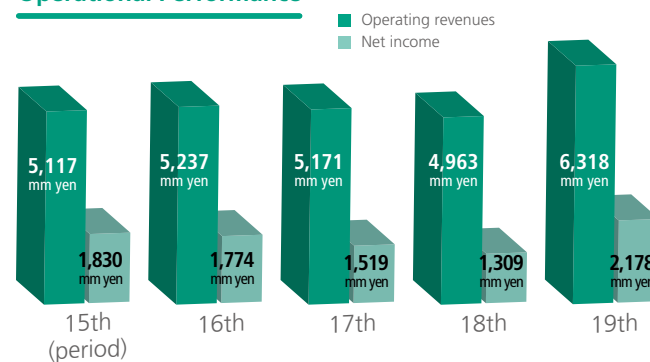
Financial Status	18th Fiscal Period (ended October 2011)	19th Fiscal Period (ended April 2012)
Total Assets (mm yen)	170,766	202,605
Net Assets (mm yen)	73,267	87,823
Net Assets Ratio	42.9%	43.3%
Net Assets per Unit (yen) ^(Note)	522,963	446,486

(Note) The number of outstanding investment units at the end of the 18th and 19th fiscal periods was 140,100 units and 196,699 units, respectively.

Cash Distribution per Unit



Operational Performance



REVIEW OF THE 19TH FISCAL PERIOD

External Growth

- Additionally acquired six office buildings and a residential property (total acquisition price for the seven properties: 33,100 million yen).

Contribution of New Properties to 19th Period Earnings

	Period-on-Period Change (All Properties)	By Additional Seven Properties	By Existing Portfolio
Real Estate Rental Revenues	+1,144 million yen	+1,127 million yen	+16 million yen
Real Estate Rental Income	+810 million yen	+764 million yen	+45 million yen

Transfer of Residential Property

Revenue from sale	2,400 million yen
Gain from sale	170 million yen

Of the gains on sale applicable to the Special Taxation Measures Law, PIC internally reserved 100 million yen – the maximum amount allowed – as reserve for advanced depreciation with an aim to use the proceeds for stabilizing distribution for the 20th fiscal period and after.

Total Acquisition price has been achieved approximate 200,000 million yen.

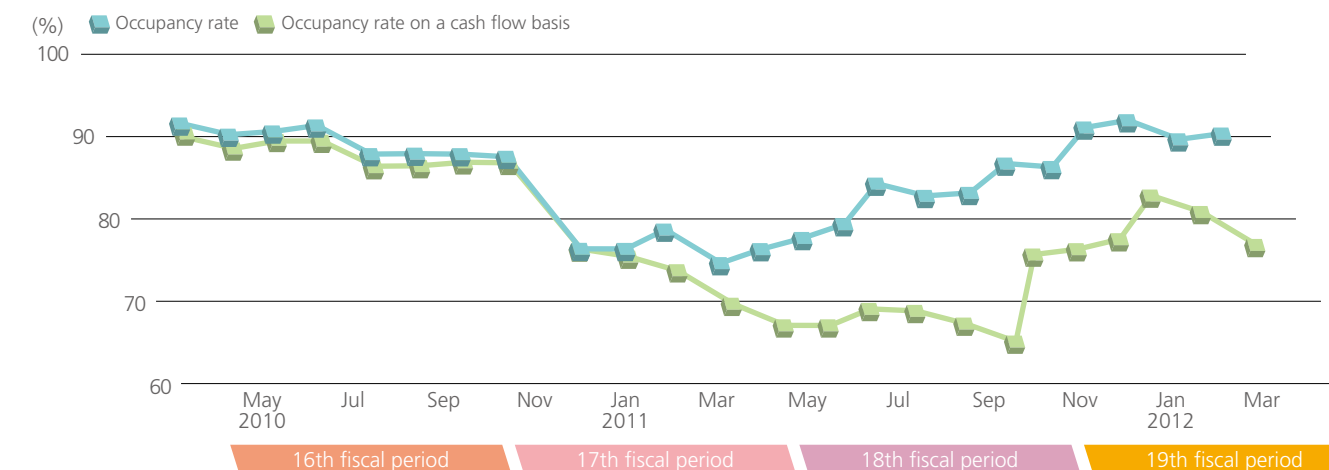
Contribution of New Properties to 19th Period Earnings

No. of Investment Assets	Total Acquisition Price
54	196,544 million yen
(period-on-period change) (+6)	(+30,700 million yen)

Internal Growth

- Although the occupancy rate of PIC's office buildings recovered to the 90% level, the occupancy rate on a cash flow basis was still below 80% due to the impact of rent-free periods needing to be granted upon new leasing.

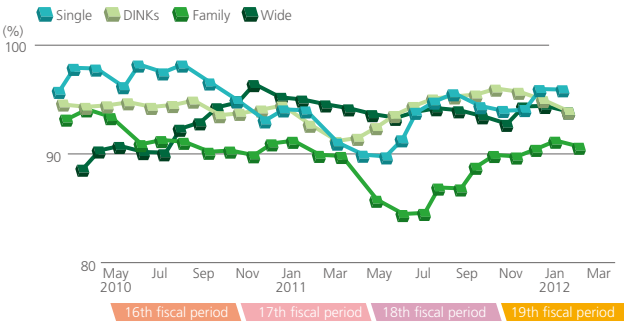
Occupancy Rate of Office Buildings



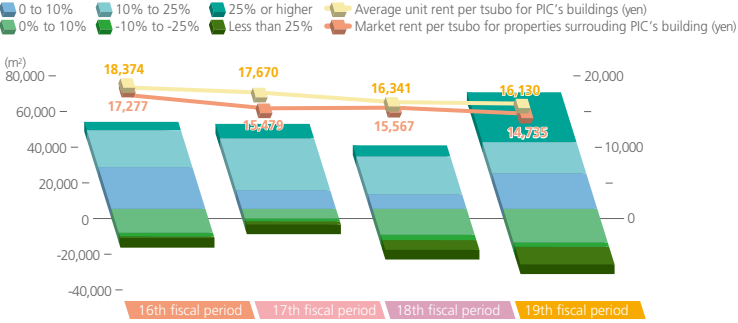
*Occupancy rate on a cash flow basis represents the occupancy rate calculated by the formula "leased floor spaces that generate cash flows for the month / leasable floor space."

- The occupancy rate of PIC's entire residential properties increased, pushed up by the recovery in the occupancy rate of properties with "Wide" units, which had been impacted by the Great East Japan Earthquake and the nuclear power plant incident.
- For office buildings, the gap between the rent for PIC's properties and the market rent for properties surrounding them expanded slightly. As for residential properties, properties that call for monthly rent of less than 300,000 yen achieved stable operations, but properties with "Wide" units continued to show a downward trend of rents.

Occupancy Rate of Residential Properties by Unit Type



Changes in Rent Gap of Office Buildings



Financial Operations

- Procured 32,086 million yen in total through public offering (13,686 million yen) and new borrowings (18,400 million yen) to fund property acquisitions.
- Of the 30,050 million yen in loans that became due for repayment, PIC refinanced 27,250 million yen while repaying the remaining 2,800 million yen by using proceeds from the transfer of a residential property and cash on hand.
- Further promoted diversification of repayment dates and extension of loan periods upon refinancing.

Changes in LTV*

- Controlled changes in LTV upon public offering in order to avoid dilution of distribution per unit as much as possible.

Contribution of New Properties to 19th Period Earnings

End of 18th Period	End of 19th Period	Period-on-Period Change
56.0%	55.6%	-0.40%

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

Reduction of Interest-Bearing Liabilities

	End of 18th Period	End of 19th Period	Difference
Refinancing (Three Loans)	29,050	27,250	-1,800
Full Repayment (One Loan)	1,000	-	-1,000
Total	30,050	27,250	-2,800

Diversification of Repayment Dates and Extension of Loan Periods

Before Refinancing		After Refinancing	
Balance (million yen)	Loan Period	Balance (million yen)	Loan Period
20,000	1 year	11,000	4 years
3,650	5 years	9,000	5 years
5,400	3 years and 6 months	2,250	4 years and 6 months
		5,000	2 years

EXTERNAL GROWTH

Overview of the 19th Fiscal Period Activities

- Newly acquired 7 properties (total acquisition price: 33,100 million yen) as of November 18, 2011, by using funds primarily obtained from issuing new investment units through public offering and loans from financial institutions, etc.
- Almost achieved the initial target ratio by asset type (60% office buildings and 40% residential properties) in portfolio diversification as a result of the acquisitions of the 7 properties. For future external growth, PIC will implement an acquisition strategy taking into account the balance of office buildings and residential properties.
- Sold Premier Stage Nihonbashi Kayabacho, which PIC had owned since March 2004, to obtain gains from sale of 170 million yen.
- The above operations expanded the total acquisition price to 196,544 million yen as of the end of the 19th fiscal period.

Overview of Newly Acquired Properties

Property Name	Asset Type	Geographical Area	Location	Acquisition Price (mm yen)	Appraisal Value* ¹ (mm yen)	Cap Rate* ²
Urbannet Mita Building	Office building	5 Central Wards of Tokyo	Minato Ward, Tokyo	10,300	10,400	4.6%
Urbannet Azabu Building	Office building	5 Central Wards of Tokyo	Minato Ward, Tokyo	5,000	5,140	4.9%
Urbannet Ichigaya Building	Office building	5 Central Wards of Tokyo	Shinjuku Ward, Tokyo	1,650	1,720	5.5%
Kanda Chuodori Building	Office building	5 Central Wards of Tokyo	Chiyoda Ward, Tokyo	2,450	2,620	4.8%
Ueno Tosei Building	Office building	Other 18 Wards of Tokyo	Taito Ward, Tokyo	5,900	6,030	5.0%
NU Kannai Building	Office building	Surrounding City Area	Yokohama City, Kanagawa	3,300	3,590	5.3%
Questcourt Harajuku	Residential property	5 Central Wards of Tokyo	Shibuya Ward, Tokyo	4,500	4,550	5.2%
Total				33,100	34,050	

Bolstering Management Performance through Newly Acquired Properties

Newly acquired properties at higher cap rate than PIC's existing portfolio.

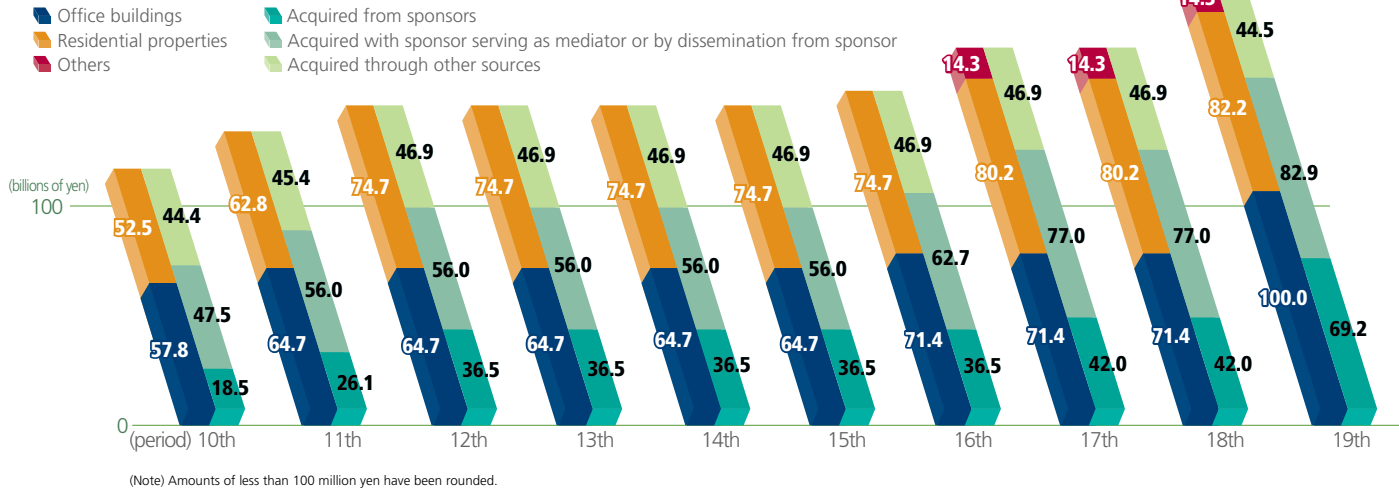
(as of April 30, 2011)	(as of September 1, 2011)
Existing portfolio:	Newly acquired properties:
4.7% ^{*3}	5.3% ^{*4}

Contributed to improvement of occupancy rates.

(as of July 31, 2011)	(as of July 31, 2011)		End of the 19th fiscal period (April 30, 2012)
Existing portfolio:	Newly acquired properties:	Total:	
86.8%	95.8%	→ 88.3%	Total: 92.2%

*1 Appraisal Value represents the figure of respective properties obtained upon their acquisition (appraisal date: September 1, 2010).
*2 Cap Rate represents the rate used for calculating the value estimated by income approach under the direct capitalization method described in the appraisal reports obtained for the respective properties upon their acquisitions.
*3 The existing portfolio cap rate is the rate arrived at by dividing "real estate rental income + depreciation (limited to depreciation covering leased properties)" of the 17th fiscal period, after annualizing it at 365 days per year based on the actual number of days, by the total acquisition prices of the existing portfolio (and rounded off to the first decimal place).
*4 The cap rate of the newly acquired properties as a whole is the rate arrived at by dividing the total amount of the "Net income on rental operation," which is appraised in the calculation of the value estimated by income approach under the direct capitalization method described in the appraisal reports obtained for the respective properties upon their acquisition, by the total acquisition prices of the said properties (and rounded off to the first decimal place).

Track Record of Portfolio Expansion and Pipelines



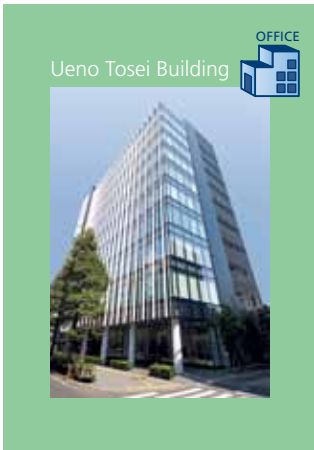
Acquisition Pipelines

The seven properties were acquired through sponsor channels; six properties via NTT Urban Development (NTTUD) and one property via Ken Corporation Ltd. As the main sponsor, NTTUD has clearly demonstrated its commitment to the growth of PIC.

Acquisition using
NTTUD's pipelines

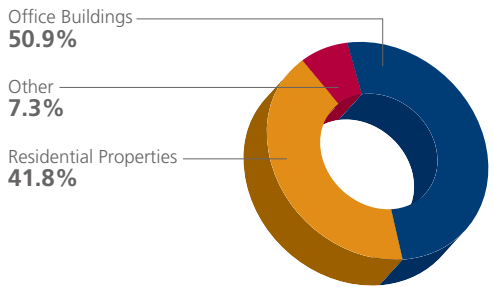


Acquisition through mediation of
Ken Corporation

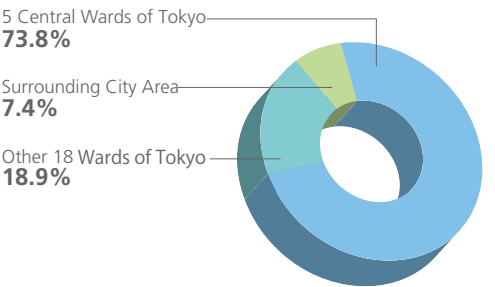


Portfolio Diversification Status

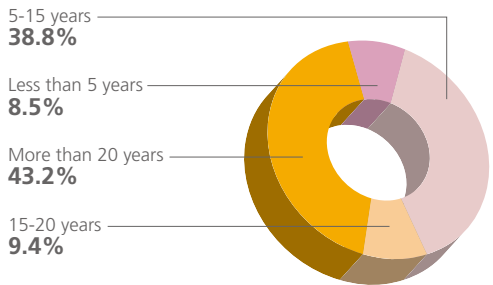
By Asset Type



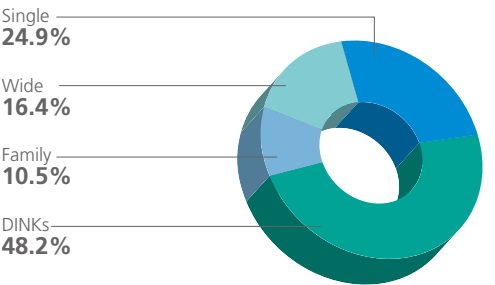
By Area



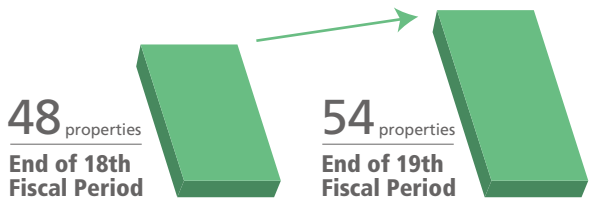
By Portfolio Age



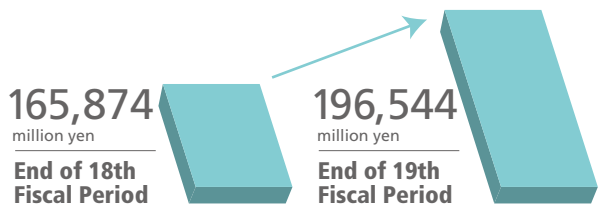
By Unit Type



Number of Properties



Portfolio Size



INTERNAL GROWTH

General Overview

	Occupancy Rate	Rent Situation
Office Buildings	Occupancy rate surpassed 90% for the first time in 17 months due to successful new leases, and stayed at the 90% level for the rest of the period.	Rents hovered around the bottom zone with a slightly downward trend, failing to see a complete bottoming out. Rent-free periods granted to new tenants had a large impact on rental revenues.
Residential Properties	Occupancy of properties with "Wide" units improved, bringing occupancy rates of all unit types back to the 90% level.	Rents remained almost flat, but upward revisions with some tenants were also observed upon contract renewal.

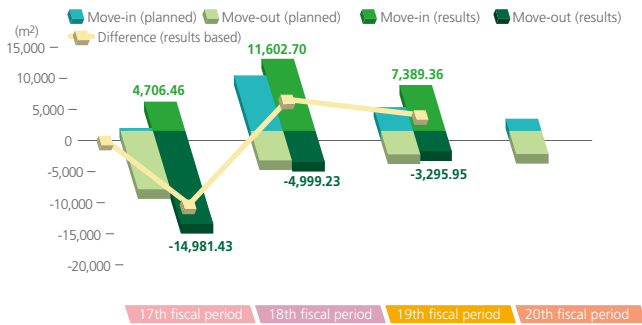
Period Average Occupancy Rates and Rental NOI Returns

	Period Average Occupancy Rates		Rental NOI Returns	
	18th Period	19th Period	End of 18th Period	End of 19th Period
Office Buildings	82.1%	90.2%	3.8%	5.0%
Residential Properties	92.4%	93.7%	4.0%	4.3%
Entire Portfolio	87.8%	91.9%	3.9%	4.7%

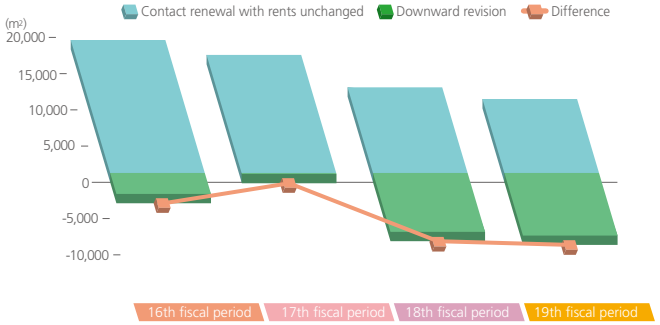
Management Status of Office Buildings

- Leasing activities in the 19th fiscal period resulted in new contracts of 7,389.30m² (6.3% of total leasable floor space) for all office buildings, representing a net increase of 4,093.41m² in space occupied by tenants, and the occupancy rate recovered to the 90% level with the contribution of newly acquired properties with high occupancy rates.
- However, rental revenues (cash flows) did not increase along with the rise in the occupancy rate, as granting rent-free periods to new tenants continued to be required. The occupancy rate remained flat at roughly 80% when calculated on a cash flow basis.
- With rent levels failing to see a complete bottoming out, PIC had to set lower rents for new tenants succeeding tenant move-outs, and make downward revisions for tenants upon contract renewal. During the 19th fiscal period, 16.1% of total leasable floor space became due for contract renewal, and 45.8% of the relevant spaces had downward revisions.

Move-ins and Move-outs by Space



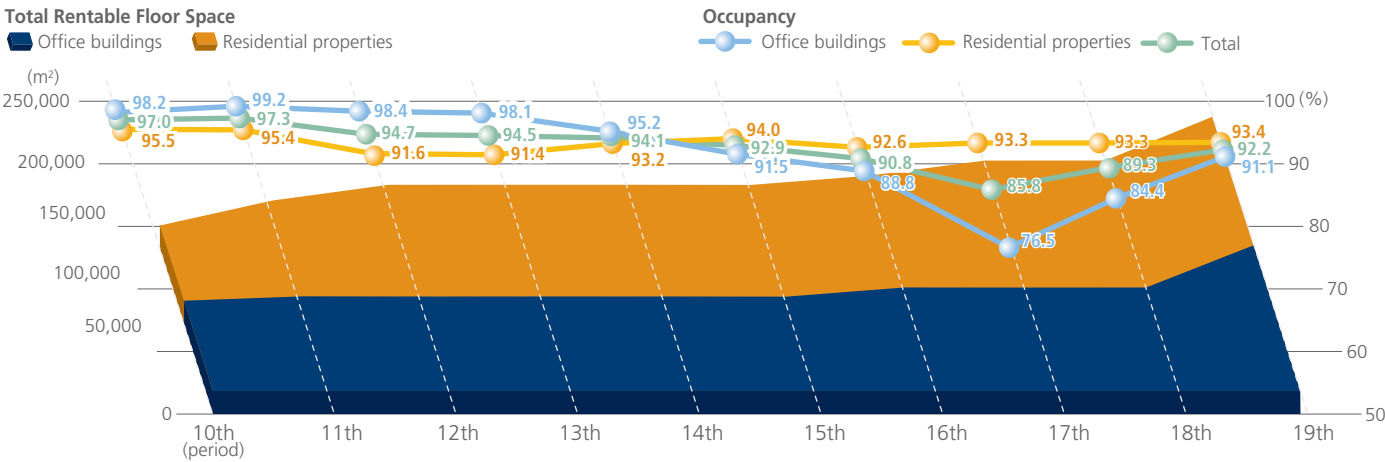
Increase/Decrease of Rents upon Contract Renewal



Management Status of Residential Properties

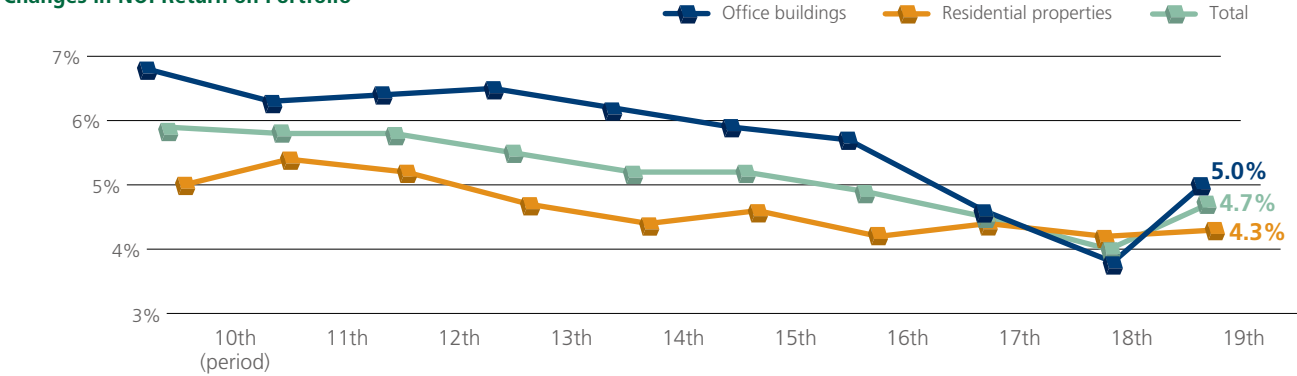
- The occupancy rate of properties with "Wide" units, which had slightly decreased in the 18th fiscal period due to the impact of the Great East Japan Earthquake and the nuclear power plant incident, recovered to help improve the period average occupancy rate of all residential properties for the 19th fiscal period by 1.3 percentage points to 93.7%. However, rent levels for properties with "Wide" units continued to decrease.
- New leasing with higher rents has started to be concluded at properties with "Single" and "DINKs" units that call for monthly rent of less than 300,000 yen and occupy more than 65% of owned units.
- During the 19th fiscal period, 12.7% of total leasable floor space became due for contract renewal, and 92.5% of the relevant spaces had contract renewal with rents unchanged. As such, extremely stable management has been achieved for residential properties to date.

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



(Note) Calculations of occupancy rates for respective asset types do not include the occupancy rate of the property (Akihabara UDX) backing the Preferred Securities.

Changes in NOI Return on Portfolio



(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 of respective asset types do not include the value of the property (Akihabara UDX) backing the Preferred Securities.

FINANCIAL OPERATIONS

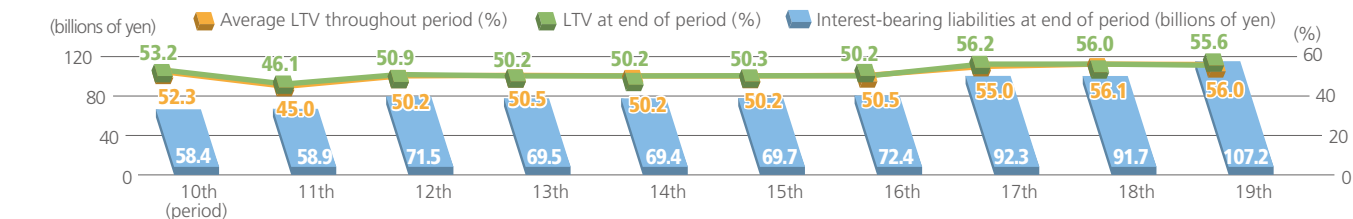
19th Fiscal Period Results

- Newly issued 56,599 investment units through public offering and third-party allotment to obtain approximately 13,686 million yen, and used the funds to acquire new properties and repay borrowings.
- Newly borrowed 19,600 million yen to partly fund the property acquisitions (balance after partial repayment during the fiscal period: 18,400 million yen).
- Conducted three refinances (27,250 million yen in total), made partial repayment (1,800 million yen) upon refinancing, and fully repaid a single loan (1,000 million yen).
- These operations resulted in the remaining years of interest-bearing liabilities being extended to 2.2 years (the 18th fiscal period end: 1.5 years), the average interest rate for procurement decreasing to 1.51% (the 18th fiscal period: 1.61%), and LTV decreasing by 0.4% to 55.6% at the end of the 19th fiscal period (the 18th fiscal period end: 56.0%).

Balance of Interest-Bearing Liabilities (as of April 30, 2012)

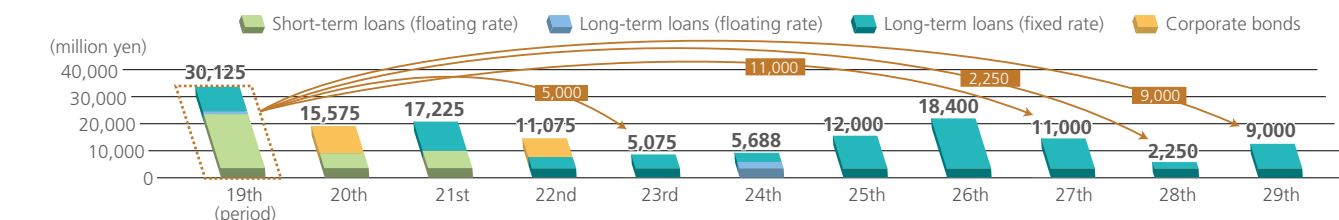
Short-term loans	11,900 million yen
Long-term loans (including long-term loans due within one year)	78,387.5 million yen
Corporate bonds	17,000 million yen
Balance of interest-bearing liabilities	107,287.5 million yen
Ratio of long-term interest-bearing liabilities	88.9%

Changes in Interest-Bearing Liabilities Ratio (LTV)

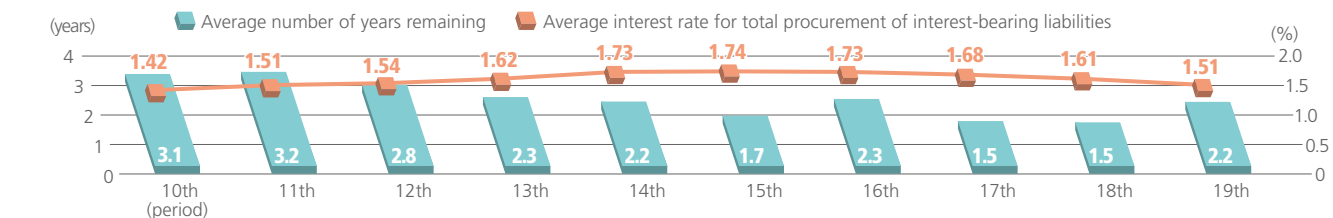


(Note) Interest-bearing liabilities ratio (%) = Interest-bearing liabilities / (Interest-bearing liabilities + Unitholders' capital) x 100

Diversification of Repayment Dates for Interest-Bearing Liabilities



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



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

OVERVIEW OF ASSET MANAGEMENT

	Unit	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)
Business Results						
Operating Revenues	Thousands of yen	5,117,572	5,237,765	5,171,445	4,963,346	6,318,704
(Real estate rental revenues)	Thousands of yen	(5,117,572)	(5,237,765)	(5,022,768)	(4,715,752)	(5,860,014)
Operating Expenses	Thousands of yen	2,684,965	2,811,567	2,899,766	2,898,669	3,305,616
(Real estate rental expenses)	Thousands of yen	(2,265,101)	(2,396,183)	(2,479,011)	(2,526,964)	(2,860,979)
Operating Income	Thousands of yen	2,432,606	2,426,197	2,271,678	2,064,677	3,013,088
Ordinary Income	Thousands of yen	1,831,214	1,776,539	1,531,930	1,311,489	2,178,976
Net Income	(a) Thousands of yen	1,830,214	1,774,814	1,519,501	1,309,232	2,178,973
Assets, etc. (as of end of period)						
Total Assets	(b) Thousands of yen	146,755,777	152,370,359	171,586,194	170,766,247	202,605,716
(Period-on-period variation)	%	(-0.1)	(+3.8)	(+12.6)	(-0.5)	(+18.6)
Interest-bearing Liabilities	Thousands of yen	69,787,500	72,422,500	92,347,500	91,762,500	107,287,500
Net Assets	(c) Thousands of yen	70,775,631	73,732,767	73,477,481	73,267,189	87,823,472
(Period-on-period variation)	%	(-0.2)	(+4.2)	(-0.3)	(-0.3)	(+19.9)
Unitholders' Capital	Thousands of yen	68,945,312	71,957,904	71,957,904	71,957,904	85,644,448
Distribution						
Total Distributions	(d) Thousands of yen	1,830,270	1,774,786	1,519,524	1,309,234	2,078,321
Distribution Payout Ratio (Note 1)	(d)/(a) %	100.0	99.9	100.0	100.0	95.3
Per Unit Information						
Number of Units Outstanding	(e) Units	131,400	140,100	140,100	140,100	196,699
Net Assets per Unit	(c)/(e) Yen	538,627	526,286	524,464	522,963	446,486
Distribution per Unit	(d)/(e) Yen	13,929	12,668	10,846	9,345	10,566
(Earnings distribution per unit)	Yen	(13,929)	(12,668)	(10,846)	(9,345)	(10,566)
(Distribution in excess of earnings per unit)	Yen	(-)	(-)	(-)	(-)	(-)
Financial Indices						
Ordinary Income on Total Assets (Note 2)	%	1.2 (2.5)	1.2 (2.4)	0.9 (1.9)	0.8 (1.5)	1.2 (2.3)
Return on Unitholders' Equity (Note 3)	%	2.6 (5.2)	2.5 (4.9)	2.1 (4.2)	1.8 (3.5)	2.7 (5.4)
Net Assets Ratio	(c)/(b) %	48.2	48.4	42.8	42.9	43.3
(Period-on-period variation)		(-0.1)	(+0.2)	(-5.6)	(+0.1)	(+0.4)
Rental NOI (Net operating income) (Note 4)	Thousands of yen	3,752,979	3,760,367	3,516,442	3,177,808	4,115,729

(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 x 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 x 100
Average net assets = (Net assets at beginning of period + Net assets at end of period)/2
Furthermore, figures in parentheses are annualized figures based on accounting calculation periods of 181 days for the 15th fiscal period, 184 days for the 16th fiscal period, 181 days for the 17th fiscal period, 184 days for the 18th fiscal period and 182 days for the 19th 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

PIC's residential properties are operating stably, with both rent levels and occupancy rates hitting the bottom primarily for "Single" and "DINKs" properties, and this is expected to continue in the 20th fiscal period and after. In contrast, the office building rental market has remained in a difficult condition, especially since the latter half of the 19th fiscal period, and PIC's office buildings are showing a trend in which tenant move-outs surpass move-ins by floor area since entering the 20th fiscal period. The rent levels are yet to completely bottom out, though they are hovering near the bottom, and PIC is required to make downward revisions with tenants due for contract renewals, set lower advertising rents upon new leasing and grant rent-free periods to new tenants.

For the 20th fiscal period, downward revisions of lease contracts will likely offset contributions to rental revenues from tenants of office buildings after their rent-free periods end. Moreover, while the properties acquired in the 19th fiscal period will contribute to revenues through full-period operations, there will be an increase in rental expenses including property taxes to be recorded as expenses. Taking this into account, PIC has made a downward modification of its forecast for the 20th fiscal period, while deciding to reverse the full amount of the reserve for advanced depreciation (100 million yen), which was reserved from the gains from sale of Premier Stage Nihonbashi Kayabacho transferred in the 19th fiscal period, and add it to the income for distribution. Accordingly, PIC assumes a distribution per unit (DPU) of 10,030 yen for the period.

As for the 21st fiscal period, PIC expects a period-on-period decrease in rental NOI due to anticipated stagnancy in tenant demand and the impact of the downward revisions of rents upon contract renewal with existing tenants. Furthermore, with the lack of reversal of internal reserves, the DPU is projected to be 9,410 yen, a decrease of 620 yen from the 20th fiscal period forecast.

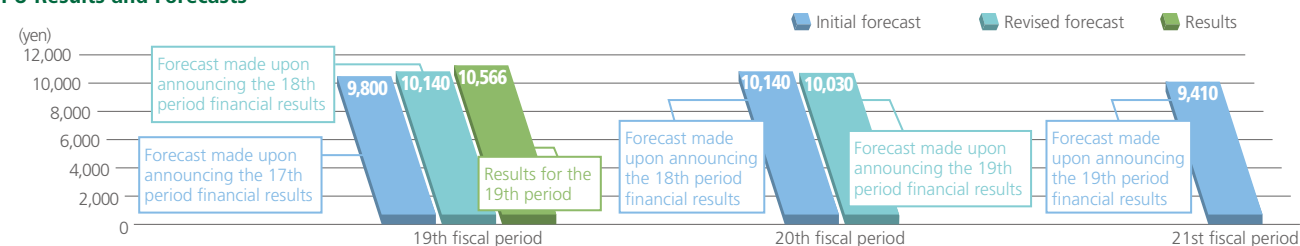
Against these forecasts, PIC will do its utmost to lease vacant spaces and improving occupancy rates of its office buildings. For residential properties, PIC will take the opportunity for tenant replacements to realize upward revisions of rents, with a particular focus on properties with "Single" and "DINKs" units.

Forecasts for the 20th and 21st Fiscal Periods

	19th Fiscal Period (results)	20th Fiscal Period		Change (2) – (1)	21st Fiscal Period (forecast)
		(forecast at end of 18th period) (1)	(forecast at end of 19th period) (2)		
Operating revenues (mm yen)	6,318	6,261	6,176	-84	6,172
Operating income (mm yen)	3,013	2,746	2,668	-77	2,623
Ordinary income (mm yen)	2,178	1,934	1,873	-61	1,852
Rental NOI (mm yen)	4,115	4,048	3,996	-52	3,955
Net income (mm yen)	2,178	1,933	1,872	-61	1,850
Distribution per unit (yen)	10,566	10,140	10,030	-110	9,410
No. of investment assets	54	54	54	-	54

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

DPU Results and Forecasts



Assumptions for the Forecasts

	20th Fiscal Period (ending October 2012)	21st Fiscal Period (ending April 2013)
No. of investment assets	It is assumed that the number of investment assets owned will remain unchanged from the end of the 19th fiscal period, comprising 53 properties and preferred securities of an SPC.	It is assumed that the number of investment assets will remain unchanged from the end of the 20th fiscal period.
No. of investment units outstanding	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 19th fiscal period, totaling 196,699 units.	It is assumed that the number of outstanding investment units will remain unchanged from the end of the 20th fiscal period.
Interest-bearing liabilities	<p>It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which was 107,287.5 million yen as of the end of the 19th fiscal period:</p> <p>1. Refinancing of existing loans and investment corporate bonds maturing during the fiscal period</p> <ul style="list-style-type: none"> 2,000 million yen in short-term loans maturing on May 18, 2012 was refinanced for the same amount in short-term loans. It is planned that 3,500 million yen in short-term loans maturing on July 27, 2012 will be refinanced for the same amount. It is planned that 10,000 million yen in 2nd Unsecured Corporate Bond, which is to be redeemed on September 7, 2012, will be fully redeemed by using funds from investment corporate bonds or borrowings. <p>2. Partial repayment of long-term loans as agreed upon</p> <ul style="list-style-type: none"> 75 million yen will be repaid during the fiscal period. <p>Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 107,212.5 million yen)</p>	<p>It is assumed that the following changes will be made to the balance of interest-bearing liabilities, which will be 107,212.5 million yen as of the end of the 20th fiscal period:</p> <p>1. Refinancing of existing loans maturing during the fiscal period</p> <ul style="list-style-type: none"> It is planned that 6,400 million yen in short-term loans maturing on November 16, 2012 will be refinanced for the same amount. It is planned that 2,850 million yen in long-term loans maturing on February 28, 2013 will be refinanced for the same amount. It is planned that 7,900 million yen in long-term loans maturing on March 27, 2013 will be refinanced for the same amount. <p>2. Partial repayment of long-term loans as agreed upon</p> <ul style="list-style-type: none"> 75 million yen will be repaid during the fiscal period. <p>Other than these, no repayment dates will arrive in the fiscal period and PIC assumes no new borrowings, etc. (The scheduled balance of the interest-bearing liabilities at the end of the fiscal period will be 107,137.5 million yen)</p>
Period average occupancy rate	Office buildings: 90.7% (results in the 19th fiscal period: 90.2%) Residential properties: 93.5% (results in the 19th fiscal period: 93.7%) Total: 92.0% (results in the 19th fiscal period: 91.9%)	N/A
Others	<p>(Operating revenues)</p> <p>Calculations for office buildings have been made on the premise that no space will be filled during the fiscal period to replace tenants that have notified PIC of contract termination (except for spaces for which new contracts have already been confirmed).</p> <p>For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration.</p> <p>(Operating expenses)</p> <p>Major items include:</p> <ul style="list-style-type: none"> Outsourcing fees: 680 million yen Tax and public dues: 421 million yen Depreciation expenses: 1,125 million yen Operating expenses (excluding rental expenses): 464 million yen <p>(Non-operating expenses)</p> <ul style="list-style-type: none"> Interest expenses (including interest for corporate bonds): 784 million yen <p>(Capital expenditures) 170 million yen</p> <p>(Distribution)</p> <p>For distribution per unit for the 20th fiscal period, it is assumed that all of the reserve for advanced depreciation (100 million yen) that was reserved in the 19th fiscal period is added to net income, and the combined amount is distributed.</p>	<p>(Operating revenues)</p> <p>Calculations for office buildings have been made on the premise that some properties will have new lease-up results, with notices of termination taken into consideration.</p> <p>For residences, occupancy rates of respective properties have been assumed, with their current occupancies as well as past occupancy results taken into consideration.</p> <p>(Operating expenses)</p> <p>Major items include:</p> <ul style="list-style-type: none"> Outsourcing fees: 704 million yen Tax and public dues: 420 million yen Depreciation expenses: 1,125 million yen Operating expenses (excluding rental expenses): 474 million yen <p>(Non-operating expenses)</p> <ul style="list-style-type: none"> Interest expenses (including interest for corporate bonds): 761 million yen <p>(Capital expenditures) 212 million yen</p>

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	41.7	110	77	32	10.6
	A2	Landic Shimbashi 2 Building	7,045	3.6	88.1	122	89	33	12.9
	A3	Fuji Building No.37	1,727	0.9	100.0	75	44	31	5.5
	A4	KN Shibuya No.3	5,348	2.7	100.0	(Note 5)	(Note 5)	45	10.6
	A5	Takadanobaba Center Building	5,118	2.6	100.0	250	111	138	2.0
	A6	Rokubancho Building	7,860	4.0	100.0	(Note 5)	(Note 5)	197	10.8
	A7	Ougaku Building	1,796	0.9	100.0	68	26	42	14.2
	A8	YS Kaigan Building	5,100	2.6	72.2	111	90	21	10.6
	A9	Iwamotocho Building	6,700	3.4	100.0	255	90	164	12.2
	A10	Urbannet Mita Building	10,300	5.2	97.0	323	89	234	7.2
	A11	Urbannet Azabu Building	5,000	2.5	100.0	(Note 5)	(Note 5)	103	10.5
	A12	Urbannet Ichigaya Building	1,650	0.8	100.0	(Note 5)	(Note 5)	50	7.0
	A13	Kanda Chuodori Building	2,450	1.2	100.0	80	15	64	14.0
Other 18 Wards of Tokyo	B1	IPB Ochanomizu Building	1,456	0.7	88.7	56	25	30	8.7
	B2	Premier Toyochō Building	4,310	2.2	31.7	117	63	53	16.2
	B3	Ueno TH Building	4,380	2.2	100.0	136	61	74	12.8
	B4	Gotanda NT Building	4,100	2.1	88.6	84	38	46	14.3
	B5	Ueno Tosei Building	5,900	3.0	100.0	200	71	129	10.7
Surrounding City Area	C1	Nisso No.3 Building	3,558	1.8	100.0	167	69	98	10.2
	C2	The Kanagawa Science Park R&D Building	6,556	3.3	94.6	342	259	83	10.4
	C4	NU Kannai Building	3,300	1.7	96.0	160	64	95	14.3
SUBTOTAL			99,995	50.9	91.1	3,307	1,533	1,773	-
RESIDENTIAL PROPERTIES									
5 Central Wards of Tokyo	D1	Park Axis Yotsuya Stage	5,208	2.6	92.4	156	79	76	7.4
	D2	Park Axis Meiji-Jingumae	2,604	1.3	93.1	51	21	29	9.9
	D3	Sun Palace Minami-Azabu	1,150	0.6	92.7	32	19	12	5.3
	D4	Cabin Arena Akasaka	1,330	0.7	94.5	38	16	22	10.1
	D5	Cabin Arena Minami-Aoyama	1,070	0.5	89.6	34	17	17	11.2
	D6	Bureau Kioicho	1,840	0.9	100.0	62	14	47	11.6
	D7	Homat Woodville	5,090	2.6	91.5	129	78	50	7.4
	D8	Roppongi Green Terrace	4,678	2.4	93.2	113	63	50	10.3
	D9	Premier Stage Shibakoen II	2,181	1.1	98.0	53	27	25	11.5
	D11	Langue Tower Kyobashi	927	0.5	100.0	35	16	19	12.5
	D12	Premier Stage MitaKeidaimae	1,580	0.8	96.6	54	18	36	14.3
	D13	Premier Rosso	1,662	0.8	89.3	49	21	28	14.0
	D14	Premier Blanc Yoyogikouen	2,330	1.2	100.0	62	31	31	13.1
	D15	Premier Stage Uchikanda	1,723	0.9	97.4	59	23	36	13.8
	D16	Premier Stage Ichigayakawadacho	1,460	0.7	88.8	44	19	25	13.1
	D17	Walk Akasaka	2,043	1.0	89.3	42	28	13	13.9
	D18	Premier Stage Shibakoen	1,585	0.8	93.4	42	17	25	16.1
	D19	MEW	1,556	0.8	95.2	36	20	15	13.9
	D20	Shibaura Island Air Tower	7,590	3.9	95.1	326	222	104	11.2
	D21	Storia Akasaka	3,930	2.0	82.5	86	44	42	11.7
	D22	Renai Shinjuku-Gyoen Tower	6,500	3.3	93.9	187	104	82	7.2
	D23	Shibaura Island Bloom Tower	5,500	2.8	95.2	265	147	118	10.0
	D24	Questcourt Harajuku	4,500	2.3	89.1	129	42	86	12.7
	Other 18 Wards of Tokyo	E1	B-Site Osaki	1,072	0.5	100.0	29	10	18
E2		Premier Garden Hongo	975	0.5	100.0	31	9	22	12.1
E3		Premier Grande Magome	1,560	0.8	97.0	41	22	19	15.7
E4		Premier Nozze Yutenji	1,525	0.8	96.4	38	17	20	13.6
E5		Premier Stage Yushima	1,803	0.9	94.2	51	27	24	17.2
E6		Premier Stage Komagome	1,830	0.9	88.1	50	30	19	18.0
E7		Premier Stage Otsuka	1,310	0.7	92.1	42	21	20	22.5
E8		Premier Stage Honjo-Azumabashi	2,640	1.3	95.1	82	38	43	14.7
E9		Premier Stage Ryogoku	1,496	0.8	80.6	42	22	20	12.8
SUBTOTAL			82,249	41.8	93.4	2,507	1,299	1,208	-
OTHER									
	-	UDX Special Purpose Company Preferred Securities (Note 6)	14,300	7.3	-	-	-	-	-
SUBTOTAL			14,300	7.3	-	-	-	-	-
TOTAL			196,544	100.0	92.2	5,814	2,832	2,981	8.6

(Note 1) PIC has acquired the assets listed in the table above in the form of either real estate trust beneficial interest 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 evaluating the portfolio PML values, the possibility of interrelated damage to multiple buildings is considered.

In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.

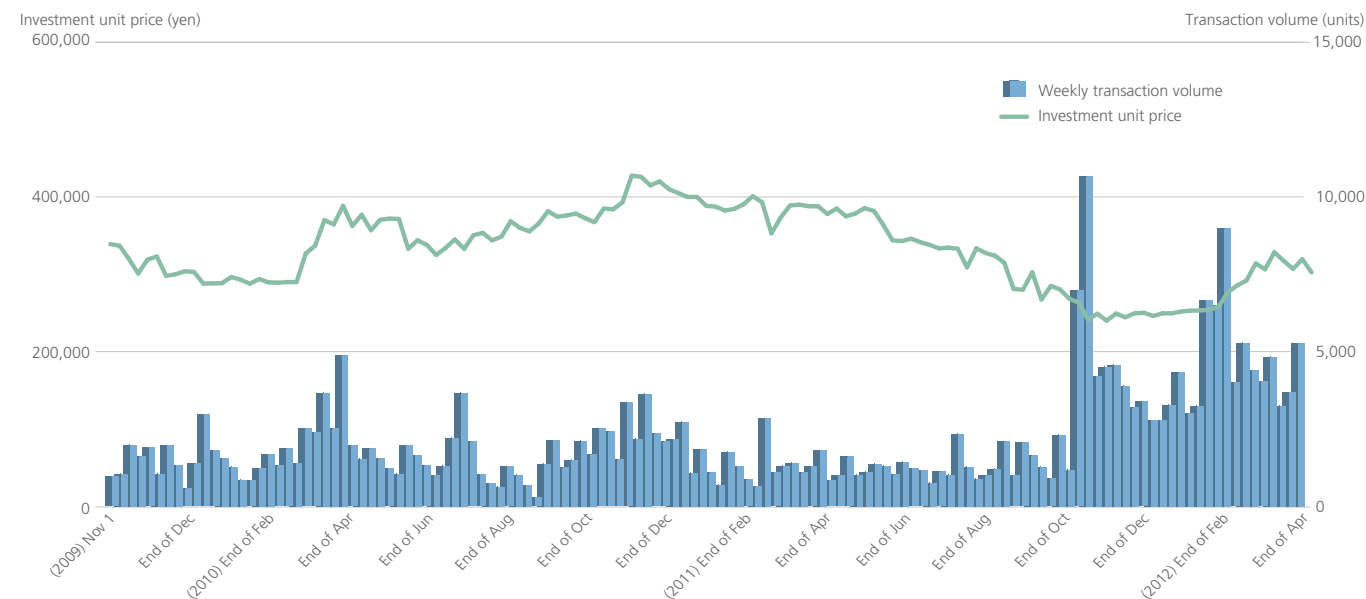
(Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, PIC does not indicate these figures due to this unavoidable reason.

(Note 6) The property 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.

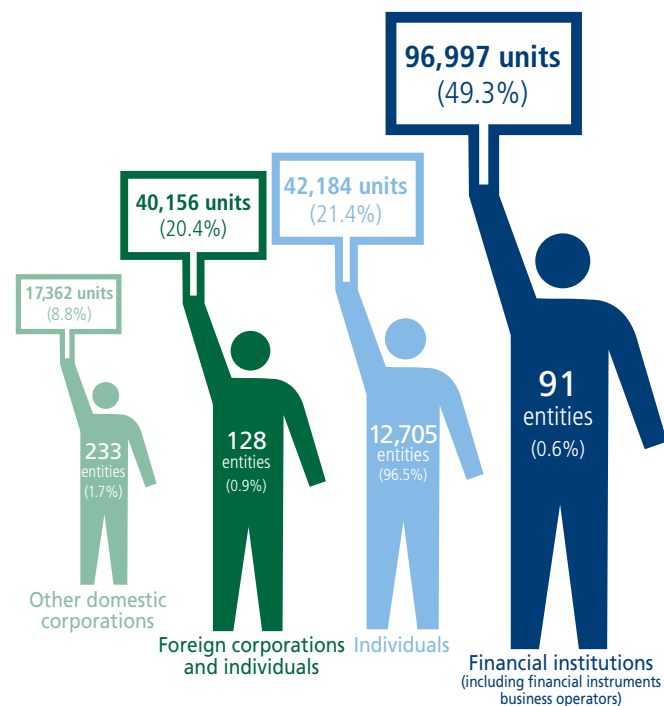
INVESTMENT UNIT STATUS

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 15th fiscal period (November 1, 2009) to the end of the 19th fiscal period (April 30, 2012).



Breakdown of Unitholders as of April 30, 2012



196,699 units held by 13,157 entities

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

Top 10 Unitholders as of April 30, 2012

	Name of Unitholder	Number of Investment Units Held (units)	Share (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	43,031	21.87
2	Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	13,256	6.73
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	12,549	6.37
4	NTT Urban Development Corporation	8,700	4.42
5	UBS AG HONG KONG	5,998	3.04
6	NOMURA BANK (LUXEMBOURG) S.A.	5,586	2.83
7	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,536	2.81
8	ASAHI FIRE & MARINE INSURANCE	3,000	1.52
9	GOLDMAN SACHS INTERNATIONAL	2,735	1.39
10	Shikoku Railway Company	2,165	1.10
	Total	102,556	52.13

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

2. Portfolio Management Standards Based on Basic Policy

Holding Period

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

Acquisition Standards

A) Acquisition Standards

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

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

B) Use

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

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

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

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

C) Areas

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

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

D) Asset Size per Property

a. Office buildings

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

Use

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

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

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

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

b. Residential properties

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

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

E) Due Diligence [▶see table on page 21](#)

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

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

F) Standards for Tenant Selection

[▶see table below](#)

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

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

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

G) Amount of Investment

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

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

Areas

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

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

Asset Size per Property

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

Standards for Tenant Selection

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

Due Diligence

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

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 Law Concerning Investment Trusts and Investment Corporations. However, this amount shall not exceed the upper limit stipulated in the regulations of the Investment Trusts Association of Japan or other regulations.

■ Method for Paying Distributions

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

■ Matters Concerning Distributions

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

■ Other Matters

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

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

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 April 30, 2012 and October 31, 2011 and the profit and loss statements, statements of changes in unitholders' equity and cash flow statements for each of the six months period then ended, all expressed in Japanese yen, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2012, and October 31, 2011 and its financial performance and cash flows for each of the six months period then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

July 27, 2012

PricewaterhouseCoopers Aarata
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BALANCE SHEETS

AS OF APRIL 30, 2012 AND OCTOBER 31, 2011

	Thousands of yen	
	April 30, 2012	October 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-14)	¥ 1,054,340	¥ 2,326,676
Cash and deposits held in trust (Note-3) (Note-14)	9,450,900	7,076,239
Tenant receivables	89,195	53,676
Prepaid expenses	165,872	137,901
Income taxes refund receivables	57,459	49,653
Consumption taxes refund receivables	261,724	-
Deferred tax assets (Note-10)	2,483	1,308
Other current assets	572	1,190
TOTAL CURRENT ASSETS	11,082,548	9,646,646
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Construction in progress	-	25,513
Buildings held in trust (Note-4)	73,050,985	66,605,511
Structures held in trust (Note-4)	1,582,438	1,490,530
Tools, furniture and fixtures held in trust (Note-4)	187,083	181,293
Less accumulated depreciation	(13,674,125)	(12,903,940)
Land held in trust (Note-4)	113,311,635	88,737,629
Property and equipment, net	174,458,163	144,136,683
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	2,992	3,328
Intangible fixed assets	4,171	5,212
Total intangible fixed assets	1,784,766	1,786,143
Investment and other assets		
Investment securities (Note-14) (Note-15)	14,378,482	14,378,482
Other deposits	10,000	10,000
Long-term prepaid expenses	234,140	162,896
Other deposits held in trust	619,226	619,226
New investment unit issuance costs	24,244	6,368
Corporate bond issuance costs	14,143	19,800
Total investment and other assets	15,280,237	15,196,774
TOTAL LONG-TERM ASSETS	191,523,167	161,119,600
TOTAL ASSETS	¥ 202,605,716	¥ 170,766,247

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

	Thousands of yen	
	April 30, 2012	October 31, 2011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 582,956	¥ 518,308
Other accounts payable	-	25,513
Short-term loan payable (Note-7) (Note-14)	11,900,000	25,500,000
Long-term loan payable due within one year (Note-7) (Note-14)	10,900,000	10,200,000
Corporate bonds payable due within one year (Note-6) (Note-14)	10,000,000	10,000,000
Accrued expenses	239,915	211,691
Distributions payable	10,553	11,869
Income taxes payable	713	560
Consumption taxes payable	-	68,253
Business office taxes payable	6,715	3,327
Rents received in advance	862,875	626,481
Deposits received	32,975	25,893
Total current liabilities	34,536,704	47,191,900
LONG-TERM LIABILITIES		
Corporate bonds (Note-6) (Note-14)	7,000,000	7,000,000
Long-term loan payable (Note-7) (Note-14)	67,487,500	39,062,500
Tenant security deposits held in trust	5,758,038	4,244,657
Total long-term liabilities	80,245,538	50,307,157
TOTAL LIABILITIES	114,782,243	97,499,057
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	85,644,448	71,957,904
Units authorized - 2,000,000 units		
Units issued and outstanding - 196,699 units and 140,100 units as of April 30, 2012 and October 31, 2011		
Retained earnings		
Unappropriated income	2,179,024	1,309,285
Total unitholders' equity	87,823,472	73,267,189
TOTAL NET ASSETS	87,823,472	73,267,189
TOTAL LIABILITIES AND NET ASSETS	¥ 202,605,716	¥ 170,766,247

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2012 AND OCTOBER 31, 2011

	Thousands of yen	
	April 30, 2012	October 31, 2011
OPERATING INCOME AND EXPENSES		
Operating revenues		
Rental revenue (Note-8)	¥ 5,306,321	¥ 4,236,171
Other revenue (Note-8)	553,692	479,581
Gains from sale of properties (Note-9)	170,045	-
Dividend income	288,644	247,594
Operating expenses		
Property-operating expenses (Note-8)	2,860,979	2,526,964
Asset management fees	245,546	185,295
Directors' compensation	9,000	9,000
Custodian fees	9,604	8,028
Administration fees	69,836	60,172
Audit fees	8,500	8,500
Other expenses	102,150	100,708
Operating income	3,013,088	2,064,677
NON-OPERATING INCOME AND EXPENSES		
Non-operating income		
Interest income	984	895
Return of unclaimed distributions	1,521	2,872
Other non-operating income	157	571
Non-operating expenses		
Interest expense	707,384	643,666
Interest expenses on corporate bonds	104,114	105,009
Amortization of corporate bond issuance costs	5,657	5,657
Public listing related costs of new investment units	12,711	-
Amortization of new investment unit issuance costs	6,122	2,122
Other non-operating expenses	784	1,070
Ordinary income	2,178,976	1,311,489
Income before income taxes	2,178,976	1,311,489
Income taxes (Note-10)		
Current	1,177	605
Deferred	(1,174)	1,651
Net income	2,178,973	1,309,232
Income carried forward	50	52
UNAPPROPRIATED INCOME	¥ 2,179,024	¥ 1,309,285

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED APRIL 30, 2012 AND OCTOBER 31, 2011

	Thousands of yen			
	Unitholders' Equity			Total Net Assets
	Unitholders' Capital	Retained Earnings Unappropriated Income	Total Unitholders' Equity	
BALANCE AT APRIL 30, 2011	¥ 71,957,904	¥ 1,519,577	¥ 73,477,481	¥ 73,477,481
Changes during the period				
Cash distributions paid	-	(1,519,524)	(1,519,524)	(1,519,524)
Net income	-	1,309,232	1,309,232	1,309,232
Total changes during the period	-	(210,292)	(210,292)	(210,292)
BALANCE AT OCTOBER 31, 2011	¥ 71,957,904	¥ 1,309,285	¥ 73,267,189	¥ 73,267,189
Changes during the period				
Issuance of new investment units	13,686,543	-	13,686,543	13,686,543
Cash distributions paid	-	(1,309,234)	(1,309,234)	(1,309,234)
Net income	-	2,178,973	2,178,973	2,178,973
Total changes during the period	13,686,543	869,739	14,556,283	14,556,283
BALANCE AT APRIL 30, 2012	¥ 85,644,448	¥ 2,179,024	¥ 87,823,472	¥ 87,823,472

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2012 AND OCTOBER 31, 2011

	Thousands of yen	
	April 30, 2012	October 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,178,976	¥ 1,311,489
Depreciation	1,117,734	990,062
Amortization of corporate bond issuance costs	5,657	5,657
Amortization of new investment unit issuance costs	6,122	2,122
Interest income	(984)	(895)
Refund of unpaid distributions	(1,521)	(2,872)
Interest expenses	811,499	748,676
Decrease in allowance for disaster loss	-	(10,078)
Increase in tenant receivables	(35,518)	(3,677)
Increase (Decrease) in accounts payable	107,831	(41,482)
(Increase) Decrease in consumption taxes refund receivables	(261,724)	92,587
(Decrease) Increase in consumption taxes payable	(68,253)	68,253
Increase (Decrease) in rent received in advance	236,393	(130,194)
Decrease in carrying amounts of property and equipment due to sale	2,214,242	-
Other	5,621	(3,060)
SUBTOTAL	6,316,077	3,026,588
Interest received	984	895
Interest paid	(876,849)	(760,515)
Income taxes paid	(8,831)	(37,766)
Net cash provided by operating activities	5,431,380	2,229,201
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(33,720,951)	(125,198)
Proceeds from tenant security deposits held in trust	1,882,601	489,523
Payments of tenant security deposits held in trust	(369,220)	(453,003)
Net cash used in investing activities	(32,207,570)	(88,678)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loan payable	7,600,000	5,500,000
Proceeds from long-term loan payable	39,250,000	9,900,000
Repayments of short-term loan payable	(21,200,000)	(2,290,000)
Repayments of long-term loan payable	(10,125,000)	(13,695,000)
Payments of distributions	(1,309,030)	(1,519,015)
Proceeds from issuance of new investment units	13,686,543	-
Payments of new investment unit issuance costs	(23,999)	-
Net cash provided by (used in) financing activities	27,878,514	(2,104,015)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,102,324	36,507
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,402,916	9,366,408
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 10,505,240	¥ 9,402,916

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2012 AND OCTOBER 31, 2011

Note-1. Organization and basis of presentation

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

On September 10, 2002, PIC issued 59,000 units for proceeds totaling 27,187,200 thousand yen through initial public offering. On November 15, 2003, December 10, 2003, May 31, 2005, November 26, 2007, May 14, 2010, November 14, 2011 and December 12, 2011, PIC issued 18,000 units through public offering, 2,000 units through third-party allotment, 22,000 units through public offering, 30,000 units through public offering, 8,700 units through third-party allotment, 53,000 units through public offering and 3,599 units through third-party allotment, respectively. As of April 30, 2012, PIC had total unitholders’ capital of 85,644,448 thousand yen with 196,699 units outstanding.

As of April 30, 2012, PIC owned a portfolio of 21 office buildings, 32 residential properties and preferred securities of an SPC (54 properties in total). Total acquisition costs of those properties were 196,544,826 thousand yen.

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

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

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

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

Note-2. Summary of significant accounting policies

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

(b) Valuation standard and method for securities –

Available-for-sale securities - 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 23,820 thousand yen and 0 yen for the six months ended April 30, 2012 and October 31, 2011, respectively.

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

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

(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. However, nondeductible consumption taxes on long-term assets are included in the acquisition costs of individual assets.

Note-3. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2012 and October 31, 2011 consisted of the following:

	Thousands of yen	
	April 30, 2012	October 31, 2011
Cash and deposits	¥ 1,054,340	¥ 2,326,676
Cash and deposits held in trust	9,450,900	7,076,239
Cash and cash equivalents	10,505,240	9,402,916

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

Property and equipment and intangible fixed assets held in trust as of April 30, 2012 and October 31, 2011 consisted of the following:

	Thousands of yen					
	April 30, 2012			October 31, 2011		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 73,050,985	¥ 13,010,477	¥ 60,040,508	¥ 66,605,511	¥ 12,285,294	¥ 54,320,216
Structures	1,582,438	525,460	1,056,978	1,490,530	491,814	998,716
Tools, furniture and fixtures	187,083	138,041	49,041	181,293	126,686	54,607
Land	113,311,635	-	113,311,635	88,737,629	-	88,737,629
SUBTOTAL	188,132,143	13,673,980	174,458,163	157,014,964	12,903,795	144,111,169
Intangible fixed assets held in trust						
Leasehold held in trust	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets held in trust	4,462	1,470	2,992	4,497	1,169	3,328
SUBTOTAL	1,782,065	1,470	1,780,594	1,782,100	1,169	1,780,931
TOTAL	¥ 189,914,208	¥ 13,675,450	¥ 176,238,758	¥ 158,797,065	¥ 12,904,964	¥ 145,892,100

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

Note-6. Corporate bonds

Corporate bonds for the six months ended April 30, 2012 and October 31, 2011 were as follows:

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

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

(thousands of yen)		
2013	¥	7,000,000

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

Short-term and long-term loans as of April 30, 2012 and October 31, 2011 consisted of the following:

	April 30, 2012		October 31, 2011	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
SHORT-TERM LOANS				
Unsecured loan due on December 8, 2011 with floating rate	¥ -	-	¥ 20,000,000	1.04
Unsecured loan due on May 18, 2012 with floating rate	2,000,000	1.04	2,000,000	1.06
Unsecured loan due on July 27, 2012 with floating rate	3,500,000	0.94	3,500,000	0.88
Unsecured loan due on November 16, 2012 with floating rate *1	6,400,000	0.89	-	-
SUBTOTAL	11,900,000	-	25,500,000	-
LONG-TERM LOAN PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on February 29, 2012 with fixed rate	-	-	3,650,000	1.83
Unsecured loan due on March 9, 2012 with fixed rate	-	-	5,400,000	1.91
Unsecured loan due on May 22, 2014 with floating rate *2	150,000	1.94	150,000	1.94
Unsecured loan due on March 30, 2012 with floating rate	-	-	1,000,000	1.34
Unsecured loan due on February 28, 2013 with fixed rate	2,850,000	2.08	-	-
Unsecured loan due on March 27, 2013 with fixed rate	7,900,000	1.61	-	-
SUBTOTAL	10,900,000	-	10,200,000	-
LONG-TERM LOANS				
Unsecured loan due on February 28, 2013 with fixed rate	-	-	2,850,000	2.08
Unsecured loan due on July 31, 2013 with fixed rate	1,000,000	2.24	1,000,000	2.24
Unsecured loan due on March 27, 2013 with fixed rate	-	-	7,900,000	1.61
Unsecured loan due on May 22, 2013 with fixed rate	3,000,000	2.08	3,000,000	2.08
Unsecured loan due on May 22, 2014 with floating rate *2 *3	2,437,500	1.94	2,512,500	1.94
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.73	3,900,000	1.73
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14	8,000,000	1.14
Unsecured loan due on May 20, 2014 with fixed rate	3,400,000	1.36	3,400,000	1.36
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39	6,500,000	1.39
Unsecured loan due on November 18, 2014 with fixed rate	12,000,000	1.17	-	-
Unsecured loan due on December 8, 2015 with fixed rate	11,000,000	1.29	-	-
Unsecured loan due on December 8, 2016 with fixed rate	9,000,000	1.43	-	-
Unsecured loan due on August 31, 2016 with fixed rate	2,250,000	1.35	-	-
Unsecured loan due on March 7, 2014 with fixed rate	5,000,000	1.06	-	-
SUBTOTAL	67,487,500	-	39,062,500	-
TOTAL	¥ 90,287,500	-	¥ 74,762,500	-

*1 PIC repaid 1,200 million yen on December 16, 2011, before the maturity date (7,600 million yen in total).

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

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

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

The anticipated maturities of long-term loans for the following 4 years ending April 30, starting in 2013 are as follows:

(thousands of yen)		
2013	¥	9,150,000
2014		17,687,500
2015		29,400,000
2016		11,250,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2012 and October 31, 2011 were as follows:

	Thousands of yen	
	April 30, 2012	October 31, 2011
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,547,702	¥ 3,706,250
Common area charge	758,619	529,920
Subtotal	5,306,321	4,236,171
Other revenue		
Parking fees	151,782	128,871
Facility fees	36,364	27,507
Incidental revenue	277,585	204,221
Miscellaneous income	87,960	118,980
Subtotal	553,692	479,581
TOTAL REAL ESTATE RENTAL REVENUE	5,860,014	4,715,752
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	699,124	588,383
Utilities	324,077	244,015
Real estate taxes	340,092	340,166
Insurance	14,278	12,945
Maintenance and repairs	178,864	170,265
Trust fees	57,582	54,481
Depreciation	1,116,694	989,021
Miscellaneous expenses	130,264	127,686
TOTAL REAL ESTATE RENTAL EXPENSES	2,860,979	2,526,964
REAL ESTATE RENTAL INCOME	¥ 2,999,035	¥ 2,188,787

Note-9. Gains from sale of properties

Gains from sale of properties for the six months ended April 30, 2012 and October 31, 2011 were as follow:

(Premier Stage Nihonbashi Kayabacho)	Thousands of yen	
	April 30, 2012	October 31, 2011
Revenue from sale of properties	¥ 2,400,000	¥ -
Cost of properties	2,214,277	-
Other expenses for sale	15,676	-
GAINS FROM SALE OF PROPERTIES	¥ 170,045	¥ -

Note-10. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2012 and October 31, 2011:

	April 30, 2012	October 31, 2011
Statutory tax rate	36.59%	39.32%
Adjustments		
Deductible cash distributions	(34.90)	(39.21)
Other	(1.69)	0.06
EFFECTIVE TAX RATE	0.00%	0.17%

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 Act to Revise the Income Tax Act, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Act No. 114 of 2011) and the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117 of 2011) were promulgated on December 2, 2011. In accordance with the promulgation, the effective statutory tax rate was changed from 39.32% for the fiscal period ended October 31, 2011 to 36.59% for the fiscal period ended April 30, 2012. As a result of the change, deferred tax assets for the six months ended April 30, 2012 decreased by 185 thousand yen, and income taxes adjustments recorded as expenses for the fiscal period increased by the same amount.

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of April 30, 2012 and October 31, 2011 were as follows:

	Thousands of yen	
	April 30, 2012	October 31, 2011
Deferred tax assets		
Enterprise taxes	¥ 2,483	¥ 1,308
Total of deferred tax assets	2,483	1,308
NET DEFERRED TAX ASSETS	¥ 2,483	¥ 1,308

Note-11. Per unit information

The following table summarizes the net assets per unit as of April 30, 2012 and October 31, 2011 and the net income per unit for the six months ended April 30, 2012 and October 31, 2011:

	April 30, 2012	October 31, 2011
Net assets per unit	¥ 446,486	¥ 522,963
Net income per unit	11,342	9,344

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

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

	Thousands of yen	
	April 30, 2012	October 31, 2011
Net income	¥ 2,178,973	¥ 1,309,232
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,178,973	1,309,232
Average number of units during the period	192,103 units	140,100 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2012 and October 31, 2011.

Note-12. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of April 30, 2012 and October 31, 2011, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	April 30, 2012	October 31, 2011
Due within one year	¥ 492,615	¥ 395,195
Due after one year	2,402,367	2,392,179
TOTAL	¥ 2,894,982	¥ 2,787,374

Note-13. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of PIC’s Article of Incorporation, the maximum distribution amount cannot exceed the unappropriated 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 a total distribution of 2,078,321,634 yen as distribution of income for the 19th fiscal period (payment to start on July 6, 2012). 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 balance of unappropriated retained earnings as of the end of the fiscal period after deducting the reserve for reduction entry, which is defined in Article 66-2 of the Special Taxation Measures Law. For the 18th fiscal period, PIC made cash distribution of 1,309,234,500 yen as distribution of income (payment starting on January 16, 2012), which was the maximum value arrived at when the number of units outstanding (140,100 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the fiscal period. Furthermore, PIC does not make cash distributions in excess of the profit as stipulated in Article 13-2 of its Articles of Incorporation.

Income carried forward after the distributions for the six months ended April 30, 2012 and October 31, 2011 were as follows:

	April 30, 2012	October 31, 2011
Unappropriated income	¥ 2,179,024,633	¥ 1,309,285,328
Cash distributions declared	2,078,321,634	1,309,234,500
(Cash distribution declared per unit)	(10,566)	(9,345)
Reserve for advanced depreciation	100,653,294	-
INCOME CARRIED FORWARD	¥ 49,705	¥ 50,828

Note-14. Financial instruments

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

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

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

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

As for derivative transactions, PIC may use them 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 sheet, fair values and their difference as of April 30, 2012 and October 31, 2011 were as follows:

	Thousands of yen					
	April 30, 2012			October 31, 2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 1,054,340	¥ 1,054,340	¥ -	¥ 2,326,676	¥ 2,326,676	¥ -
(2) Cash and deposits held in trust	9,450,900	9,450,900	-	7,076,239	7,076,239	-
TOTAL ASSETS	¥ 10,505,240	¥ 10,505,240	¥ -	¥ 9,402,916	¥ 9,402,916	¥ -
Liabilities						
(3) Short-term loans	¥ 11,900,000	¥ 11,900,000	¥ -	¥ 25,500,000	¥ 25,500,000	¥ -
(4) Long-term loans payable due within one year	10,900,000	10,997,864	97,864	10,200,000	10,252,662	52,662
(5) Corporate bonds payable due within one year	10,000,000	10,030,900	30,900	10,000,000	10,061,100	61,100
(6) Long-term loans	67,487,500	67,634,090	146,590	39,062,500	39,282,651	220,151
(7) Corporate bonds	7,000,000	7,023,100	23,100	7,000,000	7,024,920	24,920
TOTAL LIABILITIES	¥ 107,287,500	¥ 107,585,955	¥ 298,455	¥ 91,762,500	¥ 92,121,333	¥ 358,833

*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 April 30, 2012 and October 31, 2011, are as follows:

	Thousands of yen					
	April 30, 2012					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(1) Cash and deposits	¥ 1,054,340	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,450,900	-	-	-	-	-
TOTAL	¥ 10,505,240	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	October 31, 2011					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(1) Cash and deposits	¥ 2,326,676	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	7,076,239	-	-	-	-	-
TOTAL	¥ 9,402,916	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds for the following five years as of April 30, 2012 and October 31, 2011, are as follows:

	Thousands of yen					
	April 30, 2012					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans	¥ 11,900,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	10,900,000	-	-	-	-	-
(5) Corporate bonds payable due within one year	10,000,000	-	-	-	-	-
(6) Long-term loans	-	9,150,000	17,687,500	29,400,000	11,250,000	-
(7) Corporate bonds	-	7,000,000	-	-	-	-
TOTAL	¥ 32,800,000	¥ 16,150,000	¥ 17,687,500	¥ 29,400,000	¥ 11,250,000	¥ -

	Thousands of yen					
	October 31, 2011					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans	¥ 25,500,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	10,200,000	-	-	-	-	-
(5) Corporate bonds payable due within one year	10,000,000	-	-	-	-	-
(6) Long-term loans	-	14,900,000	5,762,500	18,400,000	-	-
(7) Corporate bonds	-	7,000,000	-	-	-	-
TOTAL	¥ 45,700,000	¥ 21,900,000	¥ 5,762,500	¥ 18,400,000	¥ -	¥ -

Note-15. Investment securities

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

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

Note-16. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheet as of April 30, 2012 and October 31, 2011, the variations during the fiscal period and their fair values are as follows:

	Thousands of yen							
	April 30, 2012				October 31, 2011			
	Book value *1 at November 1, 2011	Increase and Decrease during the period *2	Book value *1 at April 30, 2012	Fair value *3 at April 30, 2012	Book value *1 at May 1, 2011	Increase and Decrease during the period *2	Book value *1 at October 31, 2011	Fair value *3 at October 31, 2011
Office buildings	¥ 69,146,477	¥ 28,633,247	¥ 97,779,724	¥ 95,440,000	¥ 69,369,436	¥ (222,958)	¥ 69,146,477	¥ 67,150,000
Residential properties	76,742,294	1,713,692	78,455,986	68,054,000	77,336,690	(594,396)	76,742,294	66,072,000
TOTAL	¥ 145,888,772	¥ 30,346,939	¥ 176,235,711	¥ 163,494,000	¥ 146,706,126	¥ (817,354)	¥ 145,888,772	¥ 133,222,000

*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisition). Other intangible fixed assets held in trust (totaling 2,992 thousand yen and 3,328 thousand yen as of April 30, 2012 and October 31, 2011) are not included.

*2 Major increases in the fiscal period ended April 30, 2012 are due to the acquisition of Urbannet Mita Building and 6 other properties (33,458,394 thousand yen) and the capital expenditures (219,374 thousand yen), and major decreases are due to transfer of Premier Stage Nihonbashi Kayabacho (2,214,296 thousand yen) and depreciation (1,116,393 thousand yen). Major increases in the fiscal period ended October 31, 2011 are due to the capital expenditures (171,365 thousand yen) for installing OA-compatible floors and other works at The Kanagawa Science Park R&D Building, and major decreases are due to depreciation (989,021 thousand yen).

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

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended April 30, 2012 and October 31, 2011 are as follows:

	Thousands of yen					
	November 1, 2011 to April 30, 2012			May 1, 2011 to October 31, 2011		
	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	¥ 3,307,066	¥ 1,533,712	¥ 1,773,353	¥ 2,251,713	¥ 1,178,455	¥ 1,073,258
Residential properties	2,552,948	1,327,266	1,225,681	2,464,038	1,348,508	1,115,529
TOTAL	¥ 5,860,014	¥ 2,860,979	¥ 2,999,035	¥ 4,715,752	¥ 2,526,964	¥ 2,188,787

* 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-17. 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.

CAPITAL EXPENDITURES

1. Capital Expenditures

PIC plans to incur capital expenditures for scheduled renovations, etc. of the portfolio it owns, including the following material expenditures.

Name	Address	Purpose	Scheduled Period	Planned Construction Expenditures (thousands of yen)		
				Total	Amount Paid during the 19th Fiscal Period	Amount Paid before the 19th Fiscal Period
YS Kaigan Building	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2011 – December 2012	143,789	107,949	-
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2007 – October 2013	129,041	-	80,550
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 – April 2015	33,750	1,268	10,943
Fuji Building No.37	Shibuya Ward, Tokyo	Renovation of air conditioning systems	April 2012 – November 2012	26,164	-	-
Nisso No.3 Building	Yokohama City, Kanagawa	Renovation of mechanical parking system	August 2012 – September 2012	21,471	-	-
Gotanda NT Building	Shinagawa Ward, Tokyo	Renovation of air conditioning systems	March 2012 - May 2012	13,929	-	-

2. Capital Expenditures during the 19th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 19th fiscal period (November 1, 2011 – April 30, 2012) for the portfolio owned by PIC. Capital expenditures during the period totaled 219,374 thousand yen. This, combined with maintenance and repair expenditures of 178,864 thousand yen that were classified as operating expenses for the period, means a total of 398,238 thousand yen was spent on construction.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
YS Kaigan Building	Minato Ward, Tokyo	Renovation of air conditioning systems	October 2011 - January 2012	107,949
Other construction	-	-	-	111,424
Total				219,374

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

(thousands of yen)					
Fiscal Period	15th Fiscal Period (November 1, 2009 – April 30, 2010)	16th Fiscal Period (May 1, 2010 – October 31, 2010)	17th Fiscal Period (November 1, 2010 – April 30, 2011)	18th Fiscal Period (May 1, 2011 – October 31, 2011)	19th Fiscal Period (November 1, 2011 – April 30, 2012)
Deposits at end of the preceding period	285,945	291,695	297,445	345,941	360,264
Deposits made during the period	5,750	5,750	48,496	14,323	15,983
Amounts used from deposits during the period	-	-	-	-	330
Deposits carried forward to the next period	291,695	297,445	345,941	360,264	375,917

OVERVIEW OF FUND PROCUREMENT

1. Issuance of New Investment Units

- (i) On November 14, 2011, PIC issued new investment units (53,000 units) through public offering, and received proceeds totaling approximately 12,816 million yen. The procured funds, combined with the long-term loans and short-term loans in 2. below, were used to partly finance the acquisition of new properties (Urbannet Mita building and six other properties).
- (ii) On December 12, 2011, PIC issued new investment units (3,599 units) through third-party allotment (allottee: SMBC Nikko Securities Inc.) by the exercise of the green shoe option, and received proceeds of approximately 870 million yen. The procured funds, combined with cash on hand, were used to partly repay the short-term loans (1,200 million yen) in 2. below.

2. New Borrowings

PIC borrowed 19,600 million yen on November 18, 2011 in order to partly fund the acquisition of the real estate trust beneficial interest in Urbannet Mita building and six other properties that were acquired as of the same date, in combination with the proceeds of 12,816 million received from the issuance of new investment units through public offering (refer to 1. above).

3. Refinance and Repayment of Borrowings

- (i) Of the short-term loans in 2. above (initial loan amount of 7,600 million yen), PIC repaid 1,200 million yen on December 16, 2011, before maturity, by using funds received from the issuance of new investment units through third-party allotment (refer to 1. above).
- (ii) On December 8, 2011, PIC refinanced 20,000 million yen in a short-term loan borrowed on December 8, 2010 into long-term loans.
- (iii) On February 29, 2012, PIC refinanced 2,250 million yen in long-term loans of the 3,650 million yen in long-term loans borrowed on February 28, 2007, and repaid the remaining 1,400 million yen by using part of the proceeds received from the sale of a residential property (Premier Stage Nihonbashi Kayabacho), which was transferred as of February 1, 2012.
- (iv) On February 29, 2012, PIC made a lump-sum repayment of 1,000 million yen in long-term loans before maturity (initial principal repayment date: March 30, 2012) by using part of the proceeds received from the sale of a residential property (Premier Stage Nihonbashi Kayabacho), which was transferred as of February 1, 2012.
- (v) On March 9, 2012, PIC refinanced 5,000 million yen into long-term loans of the 5,400 million yen in long-term loans borrowed on September 9, 2008, and repaid the remaining 400 million yen by using cash on hand.

4. Other Repayments

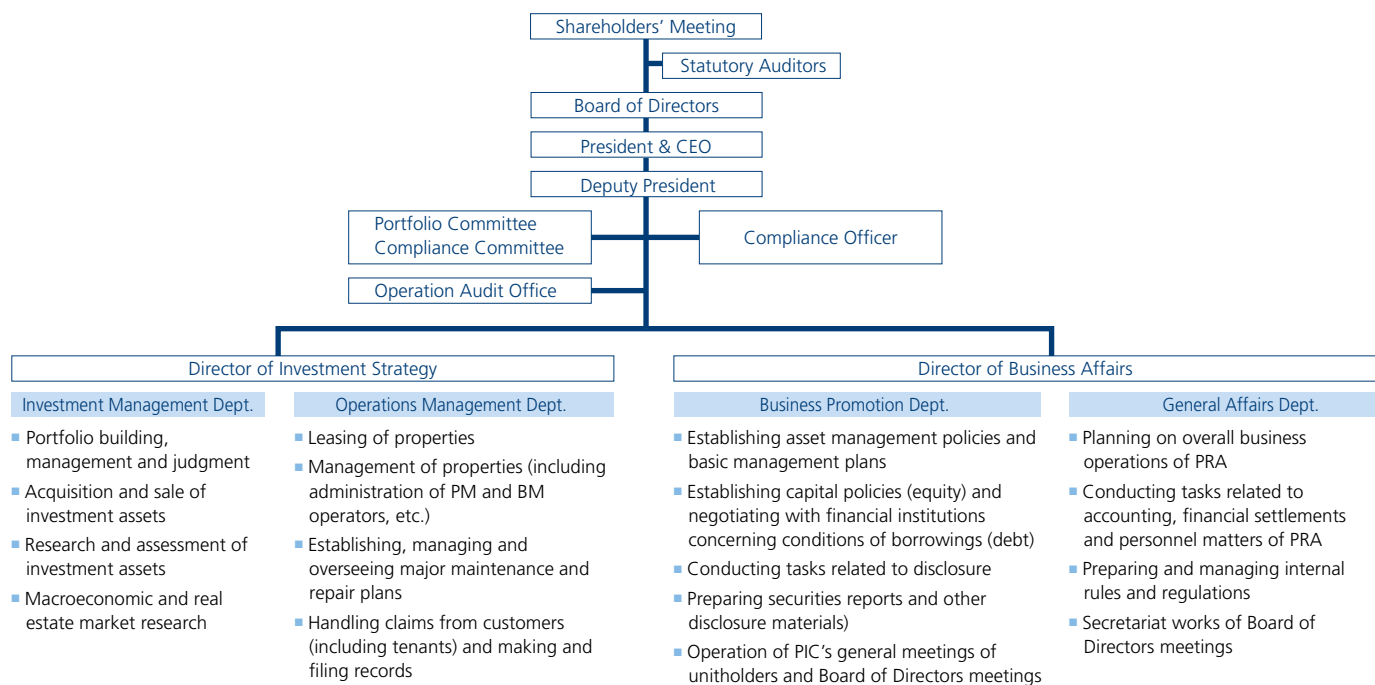
On November 30, 2011 and February 29, 2012, PIC respectively repaid 37.5 million yen in long-term loans (divided repayments as agreed of a long-term loans borrowed from Development Bank of Japan Inc. on May 22, 2009) by using cash on hand.

As a result of the above, PIC’s interest-bearing liabilities totaled 107,287.5 million yen as of April 30, 2012. The breakdown is as follows: 11,900 million yen in short-term loans, 78,387.5 million yen in long-term loans (including long-term loans due within one year) and 17,000 million yen in corporate bonds (including corporate bonds due within one year). Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 88.9%.

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	Kimito Muragishi
Establishment	July 17, 2001
Address	8-4-14 Akasaka, Minato Ward, Tokyo
Paid-in capital	300 million yen (as of March 31, 2012)
Major shareholders and their shareholdings	<div><div>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.</div><div>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.</div><div>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.</div><div>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.</div></div>

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



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