

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

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

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



SEMIANNUAL REPORT

24TH FISCAL PERIOD
ENDED OCTOBER 31, 2014

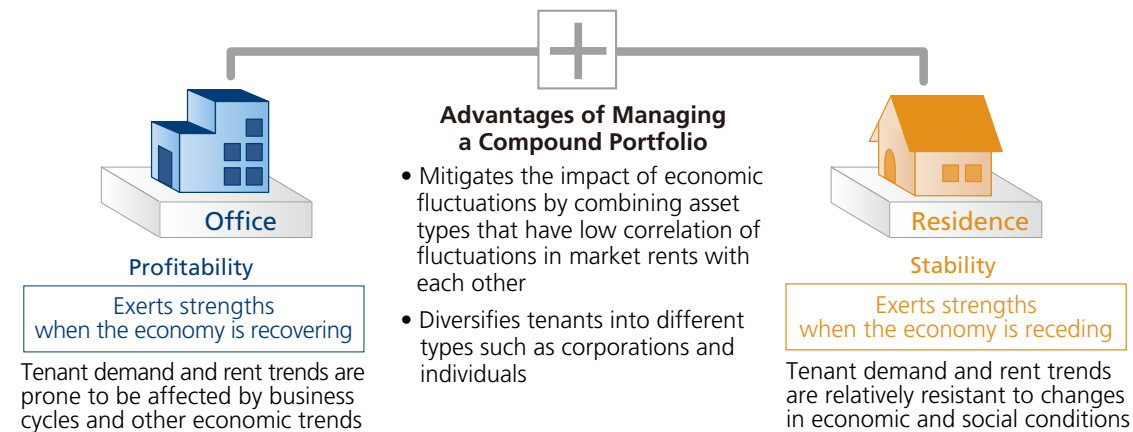
INVESTMENT POLICIES OF PREMIER INVESTMENT CORPORATION

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



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

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

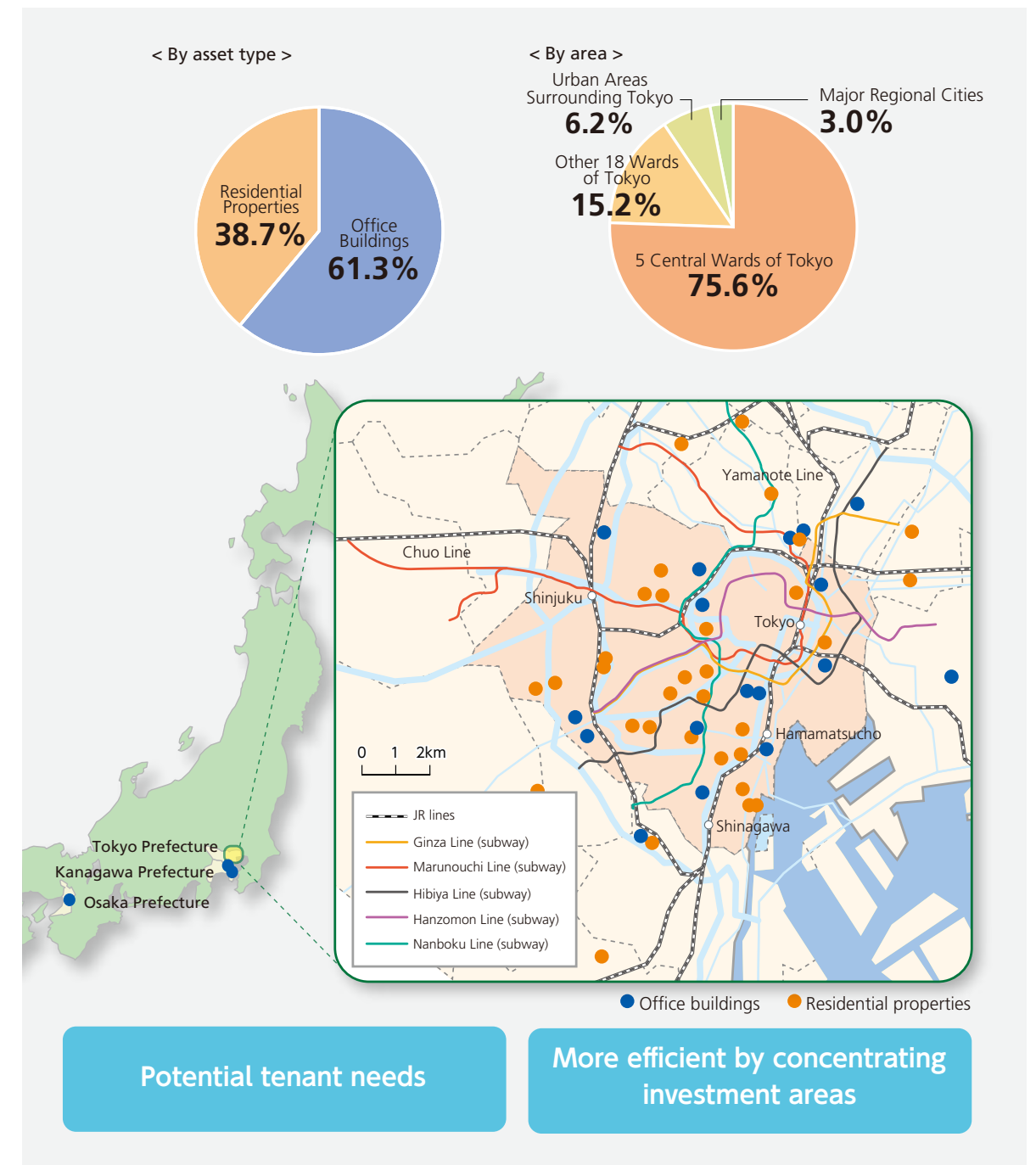


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3. Focused Investment on Assets in the Tokyo Economic Bloc

Investment Ratio of Portfolio and Portfolio Distribution (end of 24th period)

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



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ESSAGE TO OUR UNITHOLDERS



H. Takano

Hiroaki Takano
Executive Director
Premier Investment Corporation



T. Okuda

Takahiro Okuda
President and CEO
Premier REIT Advisors Co., Ltd.
Consolidated subsidiary of NTT Urban
Development Corporation

Dear Investor,

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

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

As of the end of October 2014, PIC's portfolio has 56 properties comprising 23 office buildings (including Akihabara UDX through preferred securities) and 33 residential properties, with an asset size totaling 216.3 billion yen. The occupancy rate of the entire portfolio stood at 94.3%.

In the 24th fiscal period ended October 2014, PIC posted operating revenues of 6,822 million yen, up 2.1% period-on-period, and net income of 2,340 million yen, an increase of 5.7% from the previous fiscal period.

PIC secured distribution per unit of 10,110 yen for the period, surpassing the initial forecast of 9,700 yen announced in the Financial Report for the Fiscal Period Ended April 30, 2014.

In October 2014, Ken Corporation Ltd., the second largest major shareholder of Premier REIT Advisors Co., Ltd. (PRA), sold all of its equity interests in PRA (equivalent to 30.0% of outstanding PRA stocks) to

Kenedix, Inc. (KDX), which has an abundance of experience in real estate management. With this development, PIC expects that KDX will provide PRA with management know-how and offer other support as a new sponsor.

Looking ahead, we will continue our endeavors to increase the occupancy rate of owned properties and enhance our financial standing, as we aim to achieve stable management over the medium to long term. By doing so, we are resolved to meet the expectations of our unitholders. We appreciate and request your continued support and encouragement of PIC.

24TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

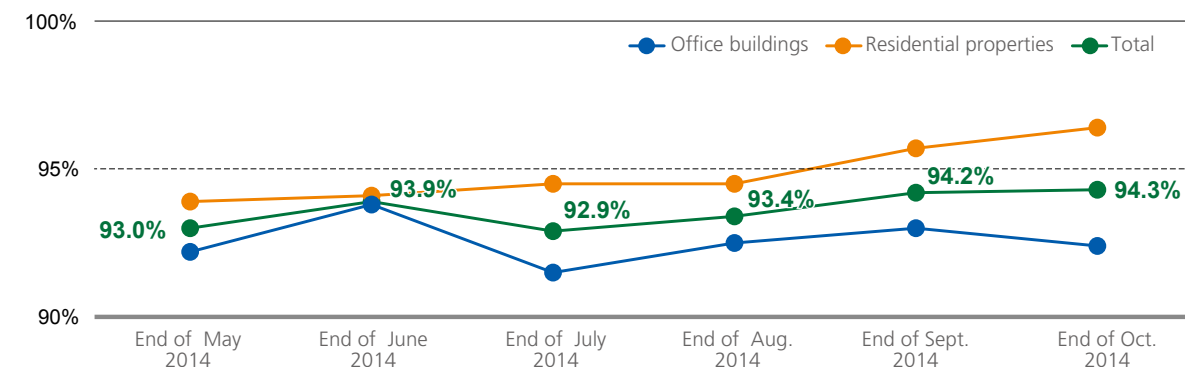
Financial Results Highlights

(Note 1) Distribution per Unit (yen)	23rd Fiscal Period (ended April 2014)	¥ 10,121	(Note 1) Number of outstanding investment units at end of period: 23rd Fiscal Period: 218,699 units 24th Fiscal Period: 218,699 units 25th Fiscal Period: 263,399 units (forecast)
	24th Fiscal Period (ended October 2014)	10,110	
	Forecast for 25th Fiscal Period (ending April 2015) (Note 2)	10,300	

	23rd Fiscal Period (ended April 2014)	24th Fiscal Period (ended October 2014)
Operating Revenues (mm yen)	6,680	6,822
Operating Income (mm yen)	2,934	3,002
Ordinary Income (mm yen)	2,215	2,342
Net Income (mm yen)	2,213	2,340
Total Assets (mm yen)	228,560	218,723
Net Assets (mm yen)	96,274	96,401
Net Assets Ratio (%)	42.1	44.1
Net Assets per Unit (yen) (Note)	440,215	440,796

(Note) The number of outstanding investment units at the end of the 23rd and 24th fiscal periods was 218,699 units and 218,699 units, respectively.

Monthly Occupancy Rate for the 24th Fiscal Period



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

Events Undertaken in the 24th Fiscal Period

[Acquisition of Assets]

PIC made no property acquisition during the 24th fiscal period.

[Sale of Assets]

PIC sold Iwamotocho Building on May 8, 2014 and IPB Ochanomizu Building on May 20, 2014, respectively. (Reference) Entering the 25th fiscal period, PIC sold Kanda Chuodori Building on November 7, 2014.

SPONSOR COLLABORATION

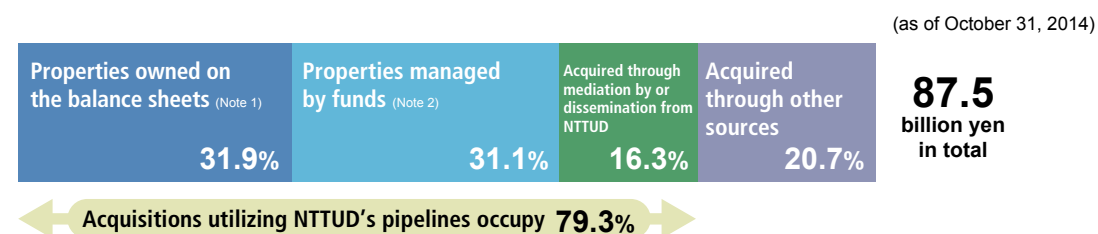
Overview of NTTUD

NTTUD is the sole general real estate company within the NTT (Nippon Telegraph and Telephone Corporation) Group.

Name	NTT Urban Development Corporation	Credit rating	A+ (Rating and Investment Information, Inc.)
Address	4-14-1 Sotokanda, Chiyoda Ward, Tokyo		
Representative	Sadao Maki, President & CEO		
Total assets (consolidated)	985,507 million yen (fiscal year ended March 2014)	Major shareholder	Nippon Telegraph and Telephone Corporation (shareholding ratio: 67.3%) (as of September 30, 2014)
Net sales (consolidated)	189,186 million yen (fiscal year ended March 2014)		

Results of Property Acquisitions through NTTUD's Pipelines

Since May 2010, when NTTUD became its main sponsor, PIC has continuously implemented property acquisitions by way of NTTUD.

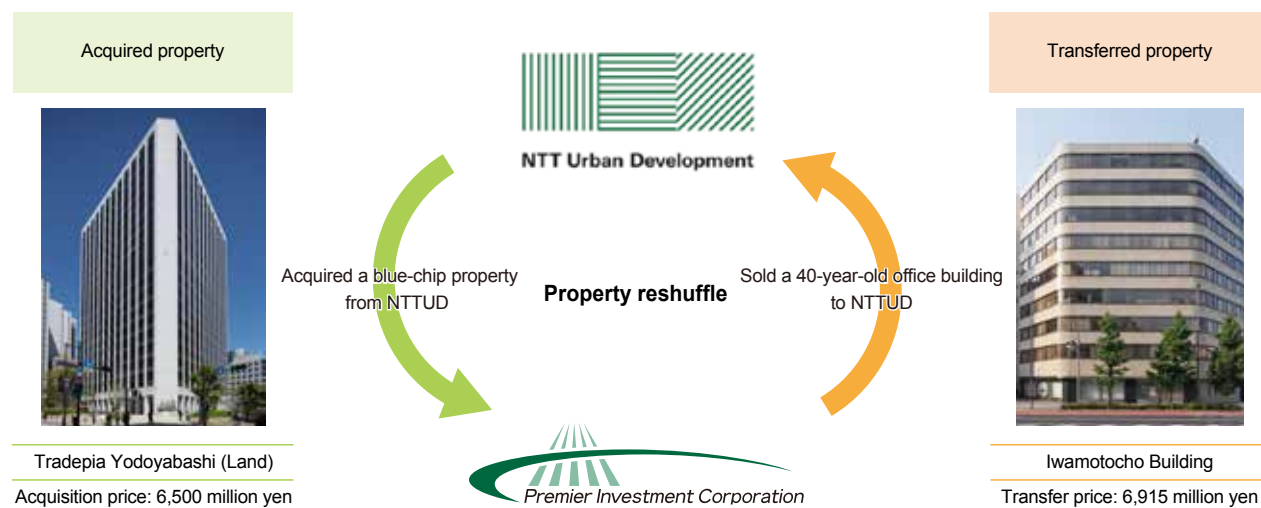


(Note 1) "Properties owned on the balance sheets" represents properties that had been recorded on the balance sheets of NTTUD.

(Note 2) "Properties managed by funds" represents properties that had been owned by private placement funds for which NTTUD provides consigned asset management services as asset manager.

Quality Enhancement of the Portfolio through Property Reshuffle with NTTUD

As part of the reinforced collaboration with NTTUD, PIC conducted a property swap with NTTUD in an effort to achieve quality enhancement of the portfolio.

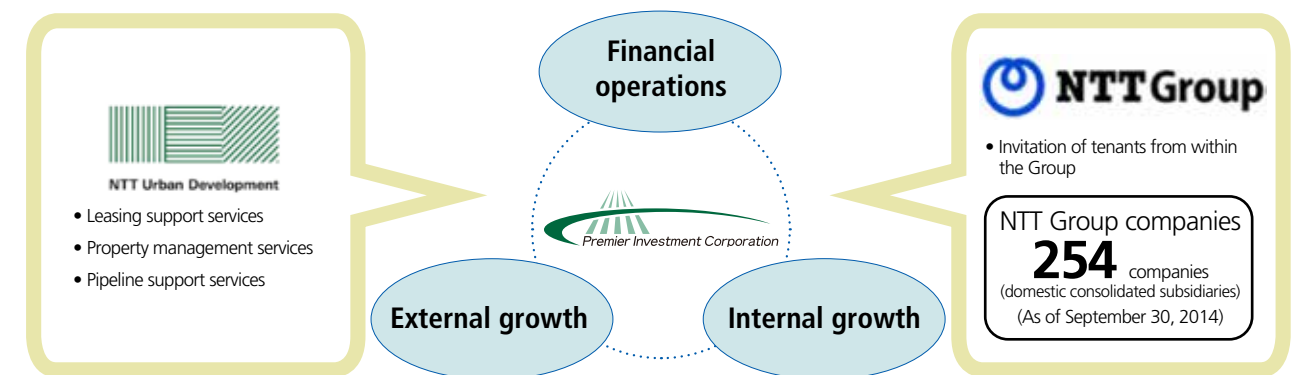


Pursuit of Portfolio Synergy with NTTUD

While concentrating investments in the Tokyo Economic Bloc as a general rule, PIC will expand its target investment areas into major regional cities in order to pursue portfolio synergy with NTTUD, which owns blue-chip properties in such cities.

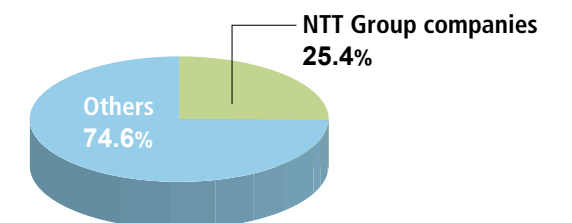
Multi-faceted Support Provided by the NTT Group for Growth

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



Ratio of NTT Group Companies as Tenants of PIC's Office Buildings (as of October 31, 2014)

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



Top 10 Tenants Occupying PIC's Office Buildings (as of October 31, 2014)

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	Sumitomo Osaka Cement Co., Ltd.	6,872 m ²	5.8%	Rokubancho Building
2	NTT Urban Development Corporation	6,731 m ²	5.7%	Tradepia Yodoyabashi (Land) (Note 2) and Granpark (Note 3)
3	NTT DATA Corporation	5,530 m ²	4.7%	Urbannet Mita Building
4	Fields Corporation	4,882 m ²	4.1%	KN Shibuya 3
5	NTT Learning Systems Corporation	4,801 m ²	4.1%	Urbannet Azabu Building
6	Japan Display Inc.	4,140 m ²	3.5%	Landic Shimbashi 2 Building
7	Itoki Corporation	4,037 m ²	3.4%	Urbannet Irifune Building
8	NTT Facilities Inc.	3,458 m ²	2.9%	Urbannet Mita Building and Granpark (Note 3)
9	NTT Communications Corporation	2,642 m ²	2.2%	Granpark (Note 3)
10	Company A (Note 4)	-	2.2%	Urbannet Ichigaya Building

(Note 1) The ratio represents the percentage of the leased floor space of the relevant tenants housed in respective office buildings to the total leasable floor space of PIC's office buildings.

(Note 2) NTTUD is entered as tenant of Tradepia Yodoyabashi (Land), as it is in effect the leaseholder of the relevant land (the beneficiary of the beneficiary interest in real estate trust for the entire building standing on the land as trust property). Furthermore, the leaseholder under the land leasehold establishment agreement is Sumitomo Mitsui Trust Bank, Limited, the trustee.

(Note 3) The leased floor space of Granpark indicates the figure equivalent to the effective equity interest of PIC to the building portion of the property.

(Note 4) Company A is not identified as consent to disclose its name has not been obtained from the company.

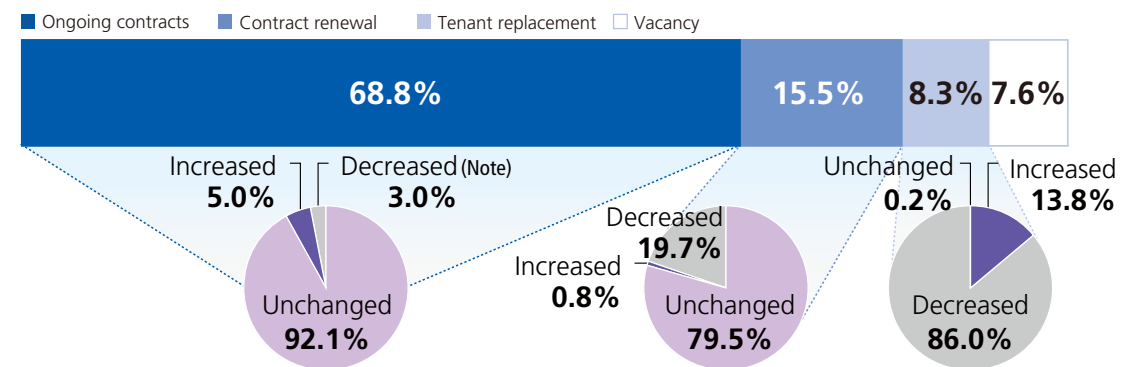
MANAGEMENT STATUS IN THE 24TH FISCAL PERIOD (1)

Rent Trends

Office buildings: Upon tenant replacement, rents increased for 13.8% of new contracts. Upon contract renewal, rents remained unchanged for 79.5% of such contracts

The graphs show how rents changed (increased, remained unchanged or decreased) in the 24th fiscal period by contract status.

Office Buildings

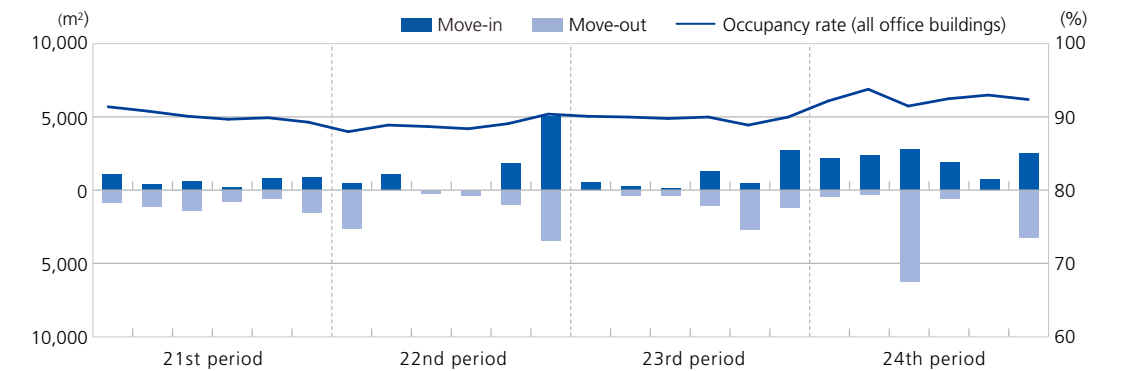


(Note) Rent revisions conducted within the contract period are extremely exceptional.

Occupancy Rates

Office buildings: Period-average occupancy rate recovered to 92.6%, up 2.8% period-on-period

Office Buildings

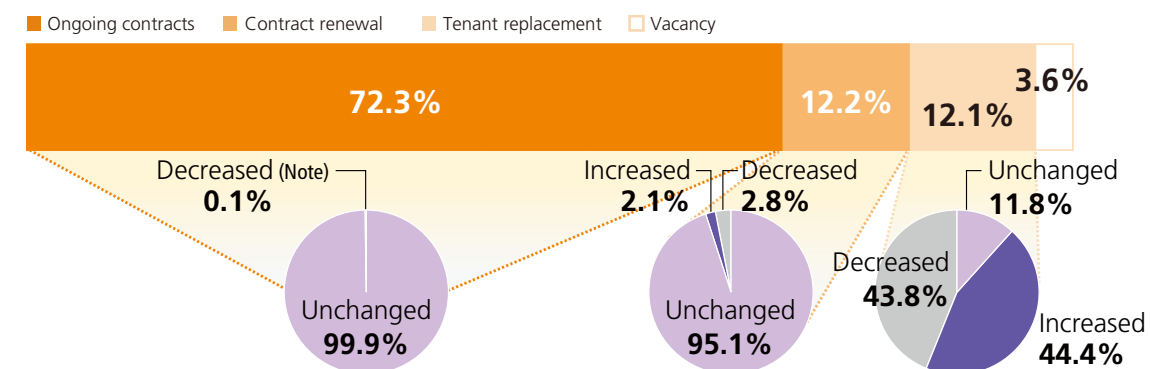


(Note) Move-in and move-out are indicated by square meter (m²), while the occupancy rate is indicated by percentage (%).

Residential properties: upon contract renewal, rents were revised upward for 44.4% of such contracts

The graphs show how rents changed (increased, remained unchanged or decreased) in the 24th fiscal period by contract status.

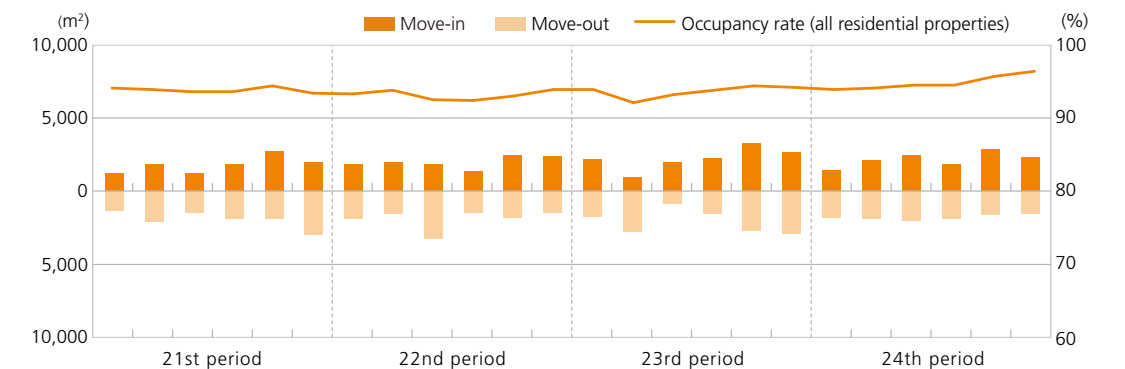
Residential Properties



(Note) Rent revisions conducted within the contract period are extremely exceptional.

Residential properties: Occupancy remained stable, with period-average occupancy rate standing at 94.9%

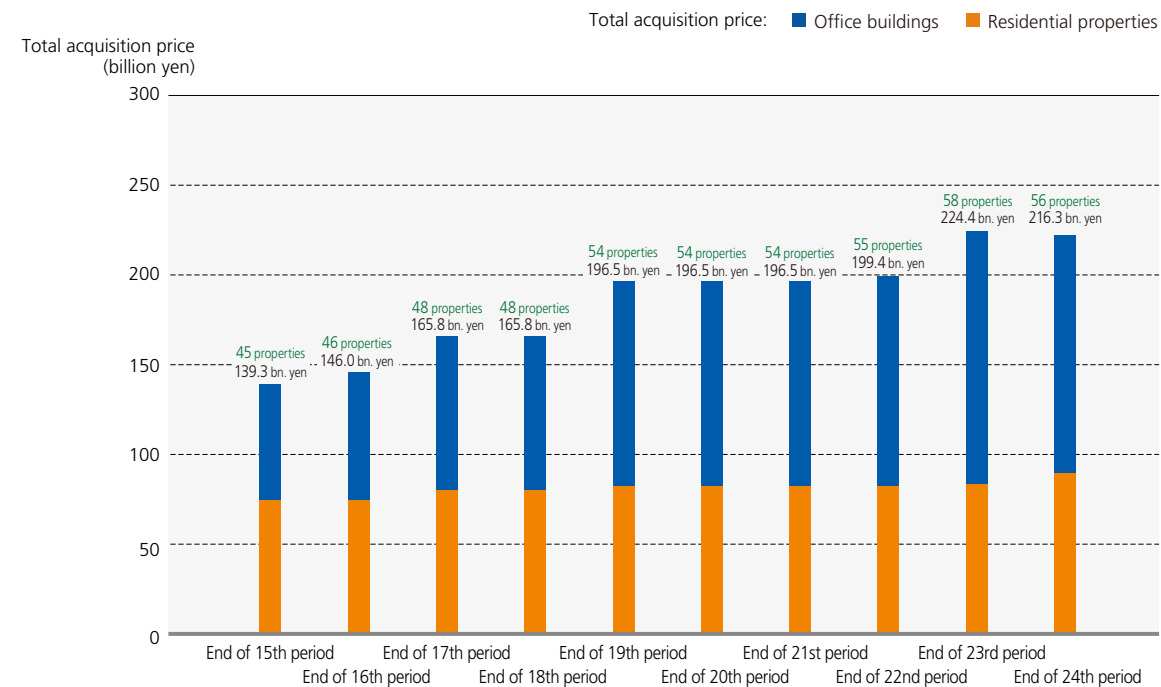
Residential Properties



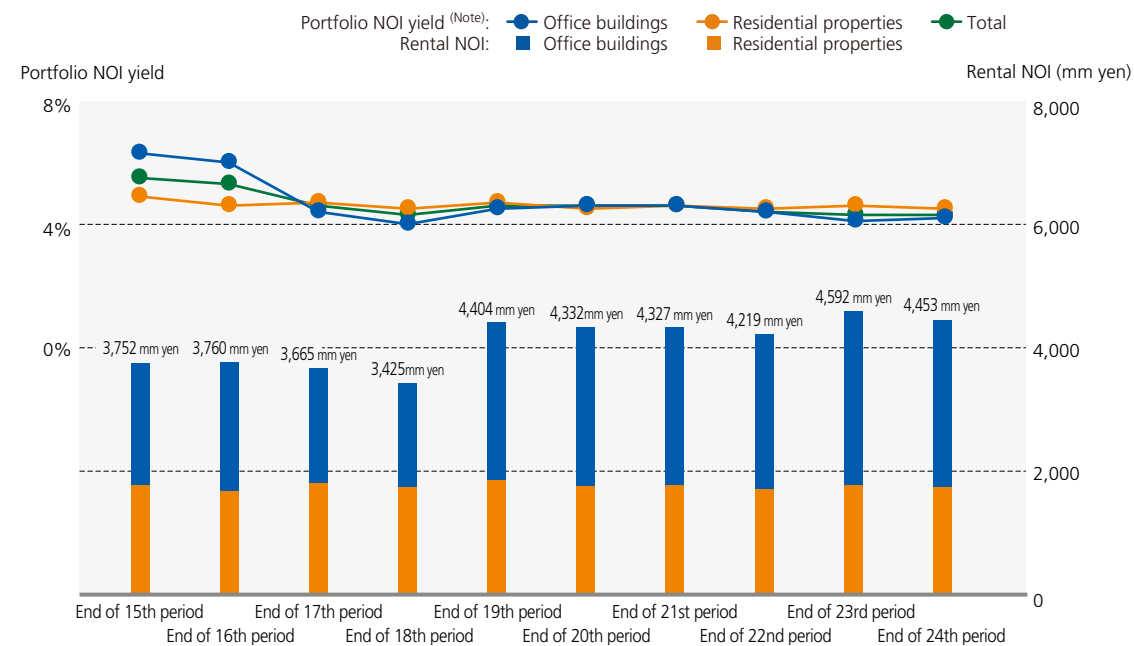
(Note) Move-in and move-out are indicated by square meter (m²), while the occupancy rate is indicated by percentage (%).

MANAGEMENT STATUS IN THE 24TH FISCAL PERIOD (2)

Growth in Asset Size



Changes in Portfolio NOI Yields



(Note) Portfolio NOI yield = [annualized rental NOI (*) / investment value (**)] x 100 of owned properties for each fiscal period by asset type (with Akihabara UDX [preferred securities] included in the office building category) (rounded to the first decimal place)

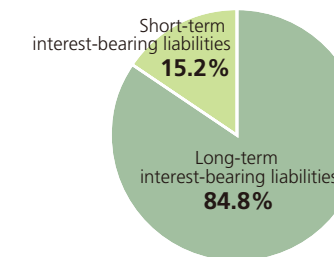
* Annualized rental NOI = sum total of [(real estate rental income + depreciation or dividend income from preferred securities) x 2] of respective owned properties for each fiscal period by asset type

** Investment value = sum total of book value (after depreciation) as of the end of each fiscal period of respective owned properties by asset type

Status of Interest-Bearing Liabilities

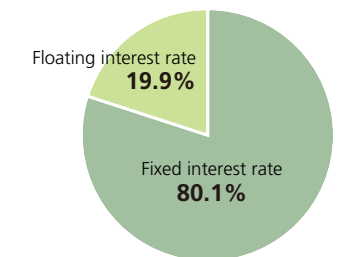
Loan Period (Note)

End of the 24th fiscal period



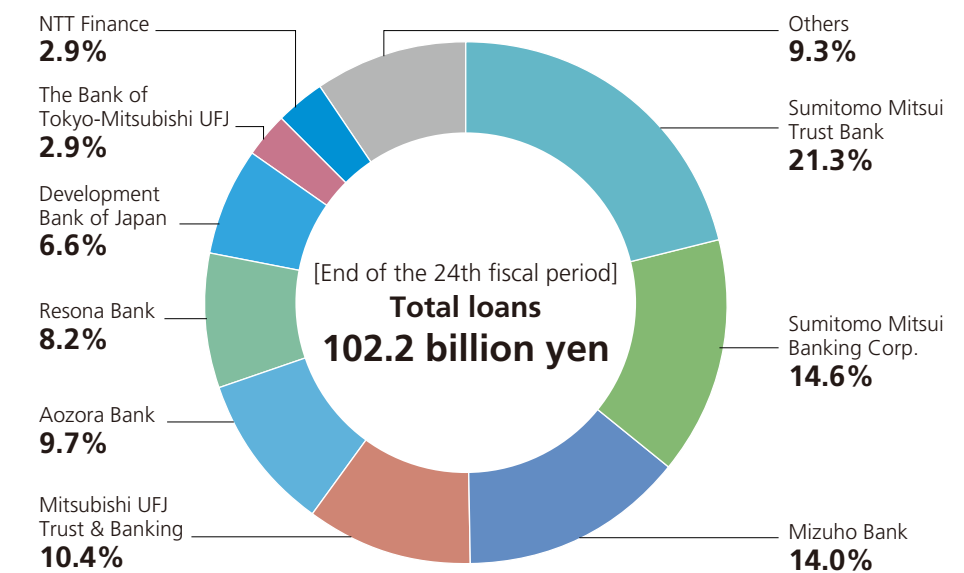
Interest Rate Type

End of the 24th fiscal period



(Note) Loan periods are counted from the drawdown dates for loans and from the issue dates for corporate bonds.

Lender Formation



Changes in LTV (Note)

[End of the 23th fiscal period]

57.0%

[End of the 24th fiscal period]

55.0%

(Note) LTV (interest-bearing liabilities ratio) = interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital) x 100

24th Fiscal Period (as of October 31, 2014)

No.	Area	Property Name <small>(Note 1)</small>	Acquisition Price <small>(mm yen)</small> <small>(Note 2)</small>	Share <small>(%)</small> <small>(Note 3)</small>	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value <small>(%)</small> <small>(Note 4)</small>
						Revenues <small>(mm yen)</small>	Expenses <small>(mm yen)</small>	Income <small>(mm yen)</small>	
Office Buildings									
A1	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.9	100.0	187	80	106	10.6
A2		Landic Shimbashi 2 Building	7,045	3.3	100.0	200	92	107	12.9
A3		Premier Dogenzaka Building	1,727	0.8	100.0	61	25	35	5.5
A4		KN Shibuya No.3	5,348	2.5	100.0	(Note 5)	(Note 5)	105	10.6
A5		Takadanobaba Center Building	5,118	2.4	100.0	226	124	102	2.0
A6		Rokubancho Building	7,860	3.6	100.0	(Note 5)	(Note 5)	133	10.8
A7		Ougaku Building	1,796	0.8	100.0	64	31	33	14.2
A8		YS Kaigan Building	5,100	2.4	81.5	79	74	5	10.6
A10		Urbannet Mita Building	10,300	4.8	100.0	293	142	151	7.2
A11		Urbannet Azabu Building	5,000	2.3	100.0	(Note 5)	(Note 5)	93	10.5
A12		Urbannet Ichigaya Building	1,650	0.8	100.0	(Note 5)	(Note 5)	40	7.0
A13		Kanda Chuodori Building	(Note 6) 2,450	1.1	46.8	54	31	22	14.0
A14		Urbannet Irifune Building	2,900	1.3	100.0	(Note 5)	(Note 5)	92	10.8
A15		Granpark	11,490	5.3	95.8	416	224	192	12.0
B2	Other 18 Wards of Tokyo	Premier Toyochō Building	4,310	2.0	80.4	72	68	4	16.2
B3		Ueno TH Building	4,380	2.0	61.7	89	60	29	12.8
B4		Gotanda NT Building	4,100	1.9	100.0	81	52	28	14.3
B5		Ueno Tosei Building	5,900	2.7	100.0	206	93	112	10.7
C1	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building <small>(Note 7)</small>	3,558	1.6	58.8	93	68	24	10.2
C2		The Kanagawa Science Park R&D Building	6,556	3.0	97.6	417	263	153	10.4
C4		NU Kannai Building	3,300	1.5	77.6	182	96	86	14.3
G1	Major Regional Cities	Tradepia Yodoyabashi (Land)	6,500	3.0	100.0	(Note 5)	(Note 5)	(Note 5)	—
Subtotal			112,729	52.1	92.4	3,725	1,909	1,816	—
Residential Properties									
D1	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.4	98.2	146	84	61	7.4
D2		Park Axis Meiji-Jingumae	2,604	1.2	94.8	55	22	32	9.9
D3		Sun Palace Minami-Azabu	1,150	0.5	100.0	30	20	9	5.3
D4		Cabin Arena Akasaka	1,330	0.6	97.4	38	17	21	10.1
D5		Cabin Arena Minami-Aoyama	1,070	0.5	97.4	35	16	19	11.2
D6		Bureau Kioicho	1,840	0.9	100.0	37	14	23	11.6
D7		Homat Woodville	5,090	2.4	95.9	119	81	38	7.4
D8		Roppongi Green Terrace	4,678	2.2	95.8	119	57	61	10.3
D9		Premier Stage Shibakoen II	2,181	1.0	93.3	55	27	28	11.5
D11		Langue Tower Kyobashi	927	0.4	94.9	35	15	20	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.7	100.0	52	18	34	14.3
D13		Premier Rosso	1,662	0.8	100.0	52	23	28	14.0

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
D14	5 Central Wards of Tokyo	Premier Blanc Yoyogikouen	2,330	1.1	95.0	63	31	31	13.1
D15		Premier Stage Uchikanda	1,723	0.8	100.0	50	25	25	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.7	98.2	45	18	26	13.1
D17		Walk Akasaka	2,043	0.9	87.6	46	29	17	13.9
D18		Premier Stage Shibakoen	1,585	0.7	100.0	43	18	25	16.1
D19		MEW	1,556	0.7	100.0	34	21	13	13.9
D20		Shibaura Island Air Tower	7,590	3.5	96.4	326	239	87	11.2
D21		Storia Akasaka	3,930	1.8	96.1	80	43	37	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	3.0	95.7	180	105	74	7.2
D23		Shibaura Island Bloom Tower	5,500	2.5	97.9	268	168	99	10.0
D24		Questcourt Harajuku	4,500	2.1	91.4	117	56	61	12.7
D25		Urbancourt Ichigaya	1,385	0.6	100.0	51	23	27	12.0
E1	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.5	100.0	29	10	18	12.1
E2		Premier Garden Hongo	975	0.5	100.0	28	12	16	12.1
E3		Premier Grande Magome	1,560	0.7	93.9	41	21	19	15.7
E4		Premier Nozze Yutenji	1,525	0.7	93.3	37	17	19	13.6
E5		Premier Stage Yushima	1,803	0.8	95.5	50	28	21	17.2
E6		Premier Stage Komagome	1,830	0.8	93.4	50	28	22	18.0
E7		Premier Stage Otsuka	1,310	0.6	93.5	41	20	21	22.5
E8		Premier Stage Honjo-Azumabashi	2,640	1.2	97.5	77	39	37	14.7
E9		Premier Stage Ryogoku	1,496	0.7	90.8	45	24	21	12.8
Subtotal			83,634	38.7	96.4	2,490	1,385	1,105	—
Preferred Securities (Office Building)									
Z1	—	UDX Special Purpose Company Preferred Securities (Note 8)	19,940	9.2	—	—	—	—	—
Subtotal			19,940	9.2	—	—	—	—	—
Total			216,303	100.0	94.3	6,215	3,294	2,921	8.9

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

(Note 2) The acquisition price indicates the transaction price excluding tax depicted in the sales agreement, etc., or the value that does not include incidental expenses accompanying the acquisition of the relevant owned properties (such as transaction brokerage fees and tax and public dues.)

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

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

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

(Note 6) PIC executed a transfer agreement for Kanda Chuodori Building on September 5, 2014 (the 24th fiscal period), and sold it on November 7, 2014 (the 25th fiscal period).

(Note 7) The property name was changed from Nisso No.3 Building to Premier Yokohama Nishiguchi Building as of July 1, 2014.

(Note 8) 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.

OVERVIEW OF PIC

Features of PIC

Characteristics and Basic Policy of PIC

Integrates Know-How in Real Estate and Finance

PIC conducts asset management that takes advantage of the expertise and experience nourished primarily by NTT Urban Development Corporation, which implements the real estate development and leasing businesses, etc. and serves as the main sponsor of Premier REIT Advisors Co., Ltd., as well as other major sponsors comprising Kenedix, Inc., one of Japan's leading real estate asset management companies, SOHGOH REAL ESTATE Group, which conducts comprehensive real estate businesses including sale of residences, and Sumitomo Mitsui Trust Bank, Limited, which boasts of the first-rate track records in real estate-related businesses in Japan.

Aims to Maximize Real Estate Value

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

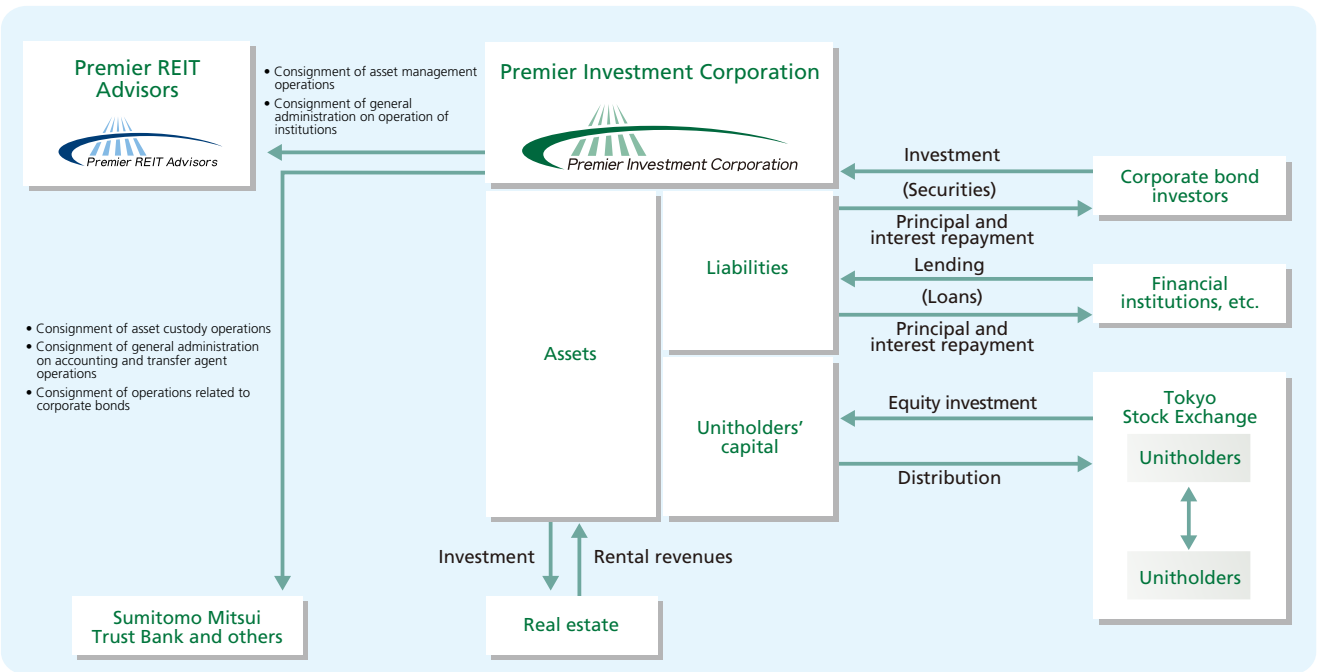
Firmly Holds a Dynamic and Sound Financial Balance

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

Endeavors to Disclose Information in a Timely and Appropriate Manner

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

Structure of PIC



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

OVERVIEW OF ASSET MANAGER

Company Overview

Trade name	Premier REIT Advisors Co., Ltd.
Paid-in capital	300 million yen (as of March 31, 2014)
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (53.1%), Kenedix, Inc. ^(Note) (30.0%), SOHGOH REAL ESTATE CO., LTD. (10.0%), Sumitomo Mitsui Trust Bank, Limited (4.9%) and Nikko Properties Co., Ltd. (2.0%)

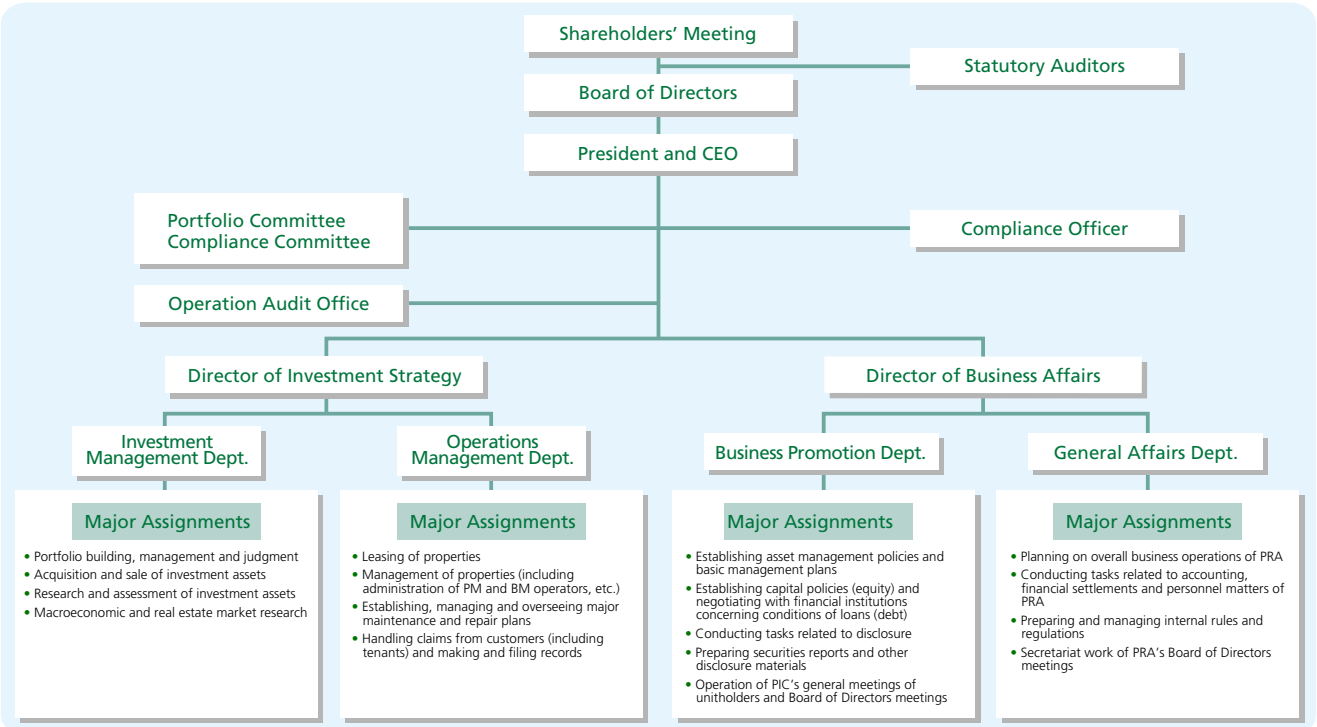
(Note) Kenedix, Inc. became a shareholder of Premier REIT Advisors Co., Ltd. through the transfer of stocks conducted on October 30, 2014.

Corporate History

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

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

Organization of Premier REIT Advisors (PRA)



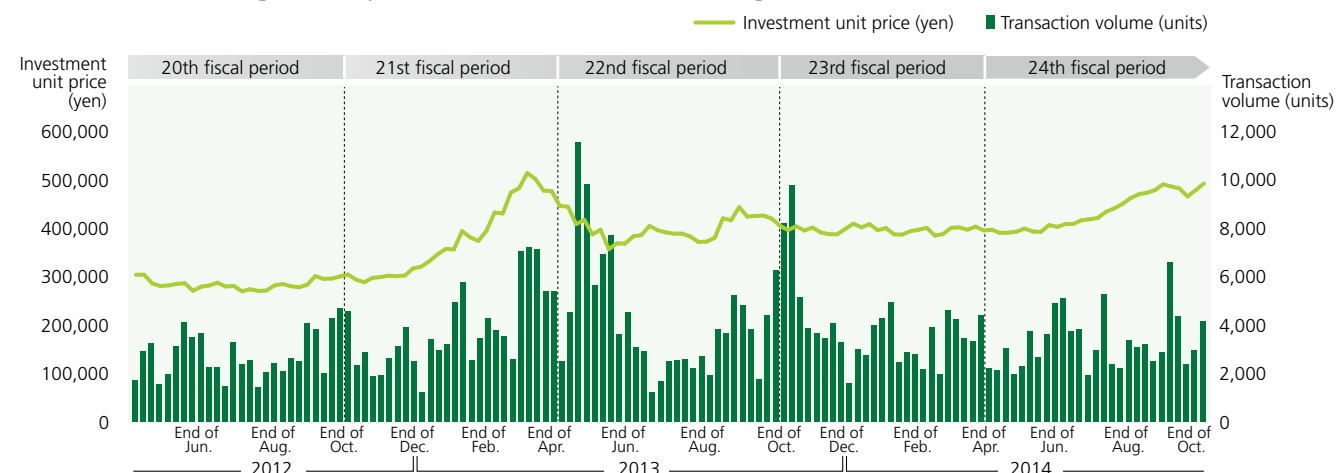
INFORMATION FOR UNITHOLDERS



Investment Unit Status

Change in Investment Unit Price of PIC

The following is the history of investment unit prices (Note) and weekly transaction volumes of PIC on the Tokyo Stock Exchange from the start of the 20th fiscal period (May 1, 2012) to the end of the 24th fiscal period (October 31, 2014).



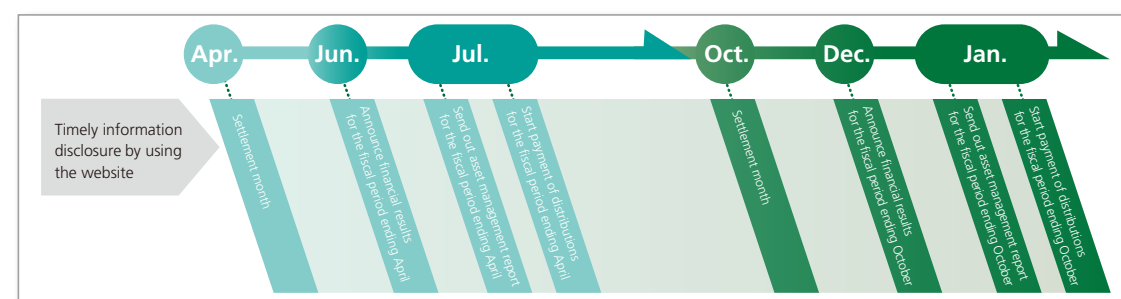
(Note) The investment unit price has been made into a graph based on the closing price of the final trading date at the end of each week.

Number of Investment Units by Unitholders and Number of Unitholders

Number of investment units 218,699 units in total			Number of unitholders 13,423 entities in total		
44,469 units	20.3%	Individuals	96.0%	12,887 entities	
17,128 units	7.8%	Other domestic corporations	1.9%	263 entities	
32,380 units	14.8%	Foreign corporations and individuals	1.3%	178 entities	
124,722 units	57.0%	Financial institutions including financial instruments business operators	0.7%	95 entities	

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

Annual Schedule (planned)



Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation:

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheets as at October 31, 2014, and the profit and loss statements, statements of changes in unitholders' equity and cash flow statements for the six months period then ended, all expressed in Japanese yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2014, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note-18 to the financial statements, which states that the Company sold properties, issued new investment units and acquired new properties.

PricewaterhouseCoopers Aarata
January 28, 2015

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
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BALANCE SHEETS

AS OF OCTOBER 31, 2014 AND APRIL 30, 2014

	Thousands of yen	
	October 31, 2014	April 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-3) (Note-14)	¥ 2,757,601	¥ 2,614,107
Cash and deposits held in trust (Note-3) (Note-14)	8,914,100	9,599,309
Tenant receivables	87,485	80,197
Prepaid expenses	134,540	172,120
Income taxes refund receivables	77,929	69,727
Consumption taxes refund receivables	-	27,364
Deferred tax assets (Note-10)	1,334	2,760
Other current assets	3,494	29,556
TOTAL CURRENT ASSETS	11,976,486	12,595,144
LONG-TERM ASSETS		
Property and equipment		
Tools, furniture and fixtures	145	145
Buildings held in trust (Note-4)	75,839,619	77,630,539
Structures held in trust (Note-4)	1,736,878	1,753,202
Tools, furniture and fixtures held in trust (Note-4)	242,173	229,041
Less accumulated depreciation	(18,935,848)	(18,249,145)
Land held in trust (Note-4)	125,251,793	131,947,130
Property and equipment, net	184,134,761	193,310,913
Intangible fixed assets		
Leasehold held in trust (Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-4)	4,061	4,636
Intangible fixed assets	659	777
Total intangible fixed assets	1,782,323	1,783,017
Investment and other assets		
Investment securities (Note-14) (Note-15)	20,035,175	20,035,175
Other deposits	10,000	10,000
Long-term prepaid expenses	113,344	141,246
Other deposits held in trust	604,402	604,402
New investment unit issuance costs	13,022	20,278
Corporate bond issuance costs	53,808	60,141
Total investment and other assets	20,829,752	20,871,243
TOTAL LONG-TERM ASSETS	206,746,837	215,965,174
TOTAL ASSETS	¥ 218,723,324	¥ 228,560,318

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

	Thousands of yen	
	October 31, 2014	April 30, 2014
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 678,173	¥ 668,898
Short-term loans payable (Note-7) (Note-14)	17,400,000	21,400,000
Long-term loans payable due within one year (Note-7) (Note-14)	30,400,000	17,687,500
Accrued expenses	198,947	209,971
Distributions payable	12,511	13,445
Income taxes payable	549	-
Consumption taxes payable	302,925	-
Business office taxes payable	3,908	7,260
Rents received in advance	1,017,594	1,065,558
Deposits received	105,833	155,851
Total current liabilities	50,120,443	41,208,486
LONG-TERM LIABILITIES		
Long-term loans payable (Note-7) (Note-14)	54,400,000	72,800,000
Corporate bonds (Note-6) (Note-14)	12,500,000	12,500,000
Tenant security deposits held in trust	5,301,025	5,777,035
Total long-term liabilities	72,201,025	91,077,035
TOTAL LIABILITIES	122,321,469	132,285,522
NET ASSETS		
UNITHOLDERS' EQUITY (Note-5)		
Unitholders' capital	94,005,086	94,005,086
Units authorized - 2,000,000 units		
Units issued and outstanding - 218,699 units as of October 31, 2014		
- 218,699 units as of April 30, 2014		
Surplus		
Reserve for reduction entry	56,156	56,156
Unappropriated income	2,340,611	2,213,553
Total unitholders' equity	96,401,854	96,274,796
TOTAL NET ASSETS	96,401,854	96,274,796
TOTAL LIABILITIES AND NET ASSETS	¥ 218,723,324	¥ 228,560,318

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

P

ROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014 AND APRIL 30, 2014

		Thousands of yen	
		October 31, 2014	April 30, 2014
OPERATING INCOME AND EXPENSES			
Operating revenues			
Rental revenue	(Note-8)	¥ 5,547,647	¥ 5,638,757
Other revenue	(Note-8)	679,007	664,869
Gains from sale of properties	(Note-9)	214,708	-
Dividend income		380,794	376,767
Operating expenses			
Property-operating expenses	(Note-8)	3,309,559	3,280,567
Asset management fees		262,346	261,286
Directors' compensation		9,000	9,000
Custodian fees		10,316	10,555
Administration fees		81,992	81,277
Audit fees		8,700	8,600
Other expenses		138,241	94,917
Operating income		3,002,000	2,934,190
NON-OPERATING INCOME AND EXPENSES			
Non-operating income			
Interest income		1,139	1,073
Return of unclaimed distribution		946	1,128
Other non-operating income		245	309
Non-operating expenses			
Interest expense		603,933	664,031
Interest expenses on corporate bonds		41,827	31,095
Amortization of corporate bond issuance costs		6,332	4,695
Amortization of new investment unit issuance costs		7,255	7,255
Public listing related costs of new investment units		-	7,767
Other non-operating expenses		2,441	6,331
Ordinary income		2,342,542	2,215,525
Income before income taxes		2,342,542	2,215,525
Income taxes	(Note-10)		
Current		605	3,283
Deferred		1,426	(1,310)
Net income		2,340,510	2,213,553
Income carried forward		100	-
UNAPPROPRIATED INCOME		¥ 2,340,611	¥ 2,213,553

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

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TATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014 AND APRIL 30, 2014

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus			Total Unitholders' Equity		
		Voluntary Retained Earnings		Unappropriated Retained Earnings		Total Surplus	
	Reserve for Reduction Entry (Note-13)	Total Voluntary Retained Earnings					
BALANCE AT OCT. 31, 2013	¥ 85,644,448	¥ 100,653	¥ 100,653	¥ 1,922,492	¥ 2,023,146	¥ 87,667,594	¥ 87,667,594
Changes during the period							
Issuance of new investment units	8,360,638					8,360,638	8,360,638
Reversal of reserve for reduction entry		(44,497)	(44,497)	44,497	-	-	-
Cash distributions paid				(1,966,990)	(1,966,990)	(1,966,990)	(1,966,990)
Net income				2,213,553	2,213,553	2,213,553	2,213,553
Total changes during the period	8,360,638	(44,497)	(44,497)	291,060	246,563	8,607,201	8,607,201
BALANCE AT APR. 30, 2014	¥ 94,005,086	¥ 56,156	¥ 56,156	¥ 2,213,553	¥ 2,269,709	¥ 96,274,796	¥ 96,274,796
Changes during the period							
Cash distributions paid				(2,213,452)	(2,213,452)	(2,213,452)	(2,213,452)
Net income				2,340,510	2,340,510	2,340,510	2,340,510
Total changes during the period	-	-	-	127,058	127,058	127,058	127,058
BALANCE AT OCT. 31, 2014	¥ 94,005,086	¥ 56,156	¥ 56,156	¥ 2,340,611	¥ 2,396,768	¥ 96,401,854	¥ 96,401,854

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014 AND APRIL 30, 2014

	Thousands of yen	
	October 31, 2014	April 30, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,342,542	¥ 2,215,525
Depreciation	1,155,800	1,194,315
Amortization of corporate bond issuance costs	6,332	4,695
Amortization of new investment unit issuance costs	7,255	7,255
Interest income	(1,139)	(1,073)
Refund of unpaid distributions	(946)	(1,128)
Interest expenses	645,760	695,126
Increase in tenant receivables	(7,288)	(5,607)
(Decrease) Increase in accounts payable	(2,930)	94,809
Decrease (Increase) in consumption taxes refund receivables	27,364	(8,401)
Increase in consumption taxes payable	302,925	-
(Decrease) Increase in rent received in advance	(47,963)	308,537
(Decrease) Increase in deposits received	(50,018)	20,714
Decrease in carrying amounts of property and equipment due to sale	8,216,638	-
Other	27,493	(45,077)
SUBTOTAL	12,621,827	4,479,692
Interest received	1,139	1,073
Interest paid	(596,057)	(642,890)
Income taxes paid	(8,257)	(13,121)
Net cash provided by operating activities	12,018,650	3,824,753
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(183,145)	(19,871,170)
Payments for purchases of investment securities	-	(5,656,693)
Payments for purchases of Intangible fixed assets	-	(195)
Payments for purchases of intangible fixed assets held in trust	(270)	(581)
Proceeds from tenant security deposits held in trust	459,946	297,629
Payments of tenant security deposits held in trust	(935,956)	(339,049)
Net cash used in investing activities	(659,425)	(25,570,061)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	10,900,000	11,500,000
Proceeds from long-term loans payable	-	5,400,000
Repayments of short-term loans payable	(14,900,000)	(600,000)
Repayments of long-term loans payable	(5,687,500)	(5,075,000)
Proceeds from issuance of corporate bonds	-	5,000,000
Payments of corporate bond issuance costs	-	(28,649)
Payments of distributions	(2,213,439)	(1,965,987)
Proceeds from issuance of new investment units	-	8,360,638
Payments of new investment unit issuance costs	-	(19,533)
Net cash (used in) provided by financing activities	(11,900,939)	22,571,467
NET CHANGE IN CASH AND CASH EQUIVALENTS	(541,714)	826,160
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,213,416	11,387,256
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 11,671,702	¥ 12,213,416

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014 AND APRIL 30, 2014

Note-1. Organization and basis of presentation

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

Status of equity financing is as follows:

Date	Description	Total Number of Investment Units Issued and Outstanding		Unitholders' Capital (millions of yen)	
		Increase (Decrease)	Balance	Increase (Decrease)	Balance
May 2, 2002	Incorporation through private placement	400 units	400 units	200	200
September 10, 2002	Capital increase through public offering	59,000 units	59,400 units	27,187	27,387
November 15, 2003	Capital increase through public offering	18,000 units	77,400 units	8,699	36,087
December 10, 2003	Capital increase through third-party allotment	2,000 units	79,400 units	966	37,053
May 31, 2005	Capital increase through public offering	22,000 units	101,400 units	14,381	51,434
November 26, 2007	Capital increase through public offering	30,000 units	131,400 units	17,510	68,945
May 14, 2010	Capital increase through third-party allotment	8,700 units	140,100 units	3,012	71,957
November 14, 2011	Capital increase through public offering	53,000 units	193,100 units	12,816	84,774
December 12, 2011	Capital increase through third-party allotment	3,599 units	196,699 units	870	85,644
November 7, 2013	Capital increase through public offering	20,900 units	217,599 units	7,942	93,587
December 4, 2013	Capital increase through third-party allotment	1,100 units	218,699 units	418	94,005

As of October 31, 2014, PIC had total unitholders' capital of 94,005,086 thousand yen with 218,699 units outstanding.

As of October 31, 2014, PIC owned a portfolio of 22 office buildings, 33 residential properties and preferred securities of an SPC (56 properties in total). Total acquisition costs of those properties were 216,303 million yen.

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

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

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

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

Note-2. Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. There were no capitalized property-related taxes for the six months ended October 31, 2014.

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

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

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

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2014 and April 30, 2014 consisted of the following:

	Thousands of yen	
	October 31, 2014	April 30, 2014
Cash and deposits	¥ 2,757,601	¥ 2,614,107
Cash and deposits held in trust	8,914,100	9,599,309
CASH AND CASH EQUIVALENTS	¥ 11,671,702	¥ 12,213,416

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2014 and April 30, 2014 consisted of the following:

	Thousands of yen					
	October 31, 2014			April 30, 2014		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 75,839,619	¥ 18,038,707	¥ 57,800,912	¥ 77,630,539	¥ 17,393,768	¥ 60,236,770
Structures	1,736,878	713,504	1,023,373	1,753,202	678,316	1,074,886
Tools, furniture and fixtures	242,173	183,490	58,682	229,041	176,915	52,126
Land	125,251,793	-	125,251,793	131,947,130	-	131,947,130
SUBTOTAL	203,070,464	18,935,703	184,134,761	211,559,913	18,249,000	193,310,913
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,664	2,603	4,061	6,693	2,056	4,636
SUBTOTAL	1,784,267	2,603	1,781,663	1,784,296	2,056	1,782,239
TOTAL	¥ 204,854,731	¥ 18,938,306	¥ 185,916,425	¥ 213,344,209	¥ 18,251,057	¥ 195,093,152

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

Note-5. Unitholders’ equity

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

Note-6. Corporate bonds

Corporate bonds for the six months ended October 31, 2014 and April 30, 2014 were as follows:

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

* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning November 1, starting in 2014 are as follows:			
(thousands of yen)			
More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥ -	-	7,500,000	2,500,000

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

Short-term and long-term loans as of October 31, 2014 and April 30, 2014 consisted of the following:

	October 31, 2014		April 30, 2014	
	Amount (Thousands of yen)	Average interest rate *1 (%)	Amount (Thousands of yen)	Average interest rate *1 (%)
SHORT-TERM LOANS				
Unsecured loan due on May 9, 2014 with floating rate	¥ -	-	¥ 1,500,000	0.59547
Unsecured loan due on May 16, 2014 with floating rate	-	-	2,000,000	0.60858
Unsecured loan due on July 31, 2014 with floating rate	-	-	7,000,000	0.52411
Unsecured loan due on October 31, 2014 with floating rate	-	-	4,400,000	0.45560
Unsecured loan due on March 31, 2015 with floating rate	6,500,000	0.45511	6,500,000	0.43000
Unsecured loan due on July 31, 2015 with floating rate	6,500,000	0.38947	-	-
Unsecured loan due on September 30, 2015 with floating rate	4,400,000	0.34000	-	-
SUBTOTAL	17,400,000	-	21,400,000	-
LONG-TERM LOANS PAYABLE DUE WITHIN ONE YEAR				
Unsecured loan due on May 22, 2014 with floating rate	-	-	2,287,500	1.81930
Unsecured loan due on May 14, 2015 with fixed rate	3,900,000	1.72750	-	-
Unsecured loan due on September 4, 2015 with fixed rate	8,000,000	1.14250	-	-
Unsecured loan due on May 20, 2014 with fixed rate	-	-	3,400,000	1.36125
Unsecured loan due on July 29, 2015 with fixed rate	6,500,000	1.39250	-	-
Unsecured loan due on November 18, 2014 with fixed rate	12,000,000	1.16500	12,000,000	1.16500
SUBTOTAL	30,400,000	-	17,687,500	-
LONG-TERM LOANS				
Unsecured loan due on May 14, 2015 with fixed rate	-	-	3,900,000	1.72750
Unsecured loan due on September 4, 2015 with fixed rate	-	-	8,000,000	1.14250
Unsecured loan due on July 29, 2015 with fixed rate	-	-	6,500,000	1.39250
Unsecured loan due on December 8, 2015 with fixed rate	11,000,000	1.29375	11,000,000	1.29375
Unsecured loan due on December 8, 2016 with fixed rate	9,000,000	1.43375	9,000,000	1.43375
Unsecured loan due on August 31, 2016 with fixed rate	2,250,000	1.34525	2,250,000	1.34525
Unsecured loan due on September 5, 2018 with fixed rate	5,000,000	1.21000	5,000,000	1.21000
Unsecured loan due on September 5, 2017 with fixed rate	5,000,000	0.95375	5,000,000	0.95375
Unsecured loan due on November 16, 2017 with fixed rate	3,000,000	0.98250	3,000,000	0.98250
Unsecured loan due on February 28, 2019 with fixed rate	2,850,000	1.02875	2,850,000	1.02875
Unsecured loan due on March 27, 2018 with fixed rate	7,900,000	0.88250	7,900,000	0.88250
Unsecured loan due on May 22, 2018 with fixed rate	3,000,000	1.15125	3,000,000	1.15125
Unsecured loan due on October 31, 2016 with floating rate	5,400,000	0.46030	5,400,000	0.48721
SUBTOTAL	54,400,000	-	72,800,000	-
TOTAL	¥ 102,200,000	-	¥ 111,887,500	-

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

*2 The anticipated maturities of long-term loans for the following five years (excluding long-term loans payable due within one year) beginning November 1, starting in 2014 are as follows:

(thousands of yen)				
	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥	18,650,000	14,000,000	18,900,000	2,850,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2014 and April 30, 2014 were as follows:

	Thousands of yen	
	October 31, 2014	April 30, 2014
REAL ESTATE RENTAL REVENUE		
Rental revenue		
Rents	¥ 4,672,987	¥ 4,714,290
Common area charge	874,660	924,467
Subtotal	5,547,647	5,638,757
Other revenue		
Parking fees	155,271	165,901
Facility fees	47,423	50,451
Incidental revenue	380,468	335,599
Miscellaneous income	95,843	112,917
Subtotal	679,007	664,869
TOTAL REAL ESTATE RENTAL REVENUE	6,226,655	6,303,627
REAL ESTATE RENTAL EXPENSES		
Property-operating expenses		
Property management fees	762,142	789,271
Utilities	458,487	422,075
Real estate taxes	476,794	419,784
Insurance	13,967	14,643
Maintenance and repairs	266,605	261,512
Trust fees	39,045	42,440
Depreciation	1,155,681	1,193,164
Miscellaneous expenses	136,833	137,674
TOTAL REAL ESTATE RENTAL EXPENSES	3,309,559	3,280,567
REAL ESTATE RENTAL INCOME	¥ 2,917,096	¥ 3,023,060

Note-9. Gains from sale of properties

Gains from sale of properties for the six months ended October 31, 2014 were as follows:

	Thousands of yen	
	Iwamotocho Building	IPB Ochanomizu Building
Revenue from sale of properties	¥ 6,915,000	¥ 1,570,000
Cost of properties	6,903,526	1,313,139
Other expenses for sale	3,050	50,575
GAINS FROM SALE OF PROPERTIES	¥ 8,432	¥ 206,285

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 rates in Japan and the effective tax rates reflected in the accompanying financial statements for the six months ended October 31, 2014 and April 30, 2014:

	October 31, 2014	April 30, 2014
Statutory tax rate	34.16%	36.59%
Adjustments		
Deductible cash distributions	(32.21)	(36.56)
Other	(1.86)	0.06
EFFECTIVE TAX RATE	0.09%	0.09%

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

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of October 31, 2014 and April 30, 2014 were as follows:

	Thousands of yen	
	October 31, 2014	April 30, 2014
Deferred tax assets		
Enterprise taxes	¥ 1,334	¥ 2,760
Total of deferred tax assets	1,334	2,760
NET DEFERRED TAX ASSETS	¥ 1,334	¥ 2,760

Note-11. Per unit information

The following table summarizes the net assets per unit as of October 31, 2014 and April 30, 2014 and the net income per unit for the six months ended October 31, 2014 and April 30, 2014:

	October 31, 2014	April 30, 2014
Net assets per unit	¥ 440,796	¥ 440,215
Net income per unit	10,701	10,162

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

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

	Thousands of yen	
	October 31, 2014	April 30, 2014
Net income	¥ 2,340,510	¥ 2,213,553
Amount not available to ordinary unitholders	-	-
Net income related to ordinary unitholders	2,340,510	2,213,553
Average number of units during the period	218,699 units	217,806 units

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2014 and April 30, 2014.

Note-12. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of October 31, 2014 and April 30, 2014, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2014	April 30, 2014
Due within one year	¥ 345,291	¥ 364,218
Due after one year	1,917,409	2,029,072
TOTAL	¥ 2,262,701	¥ 2,393,291

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 on a total distribution of 2,211,046,890 yen as distribution of income for the 24th fiscal period (payment to start on January 19, 2015). This is the maximum value arrived at when the number of units outstanding (218,699 units) is multiplied by an integer, within the limit of the unappropriated retained earnings for the 24th fiscal period after adding the reversal of the existing reserve for reduction entry, which is defined in Article 66-2 of the Special Taxation Measures Law, and deducting the provision of the newly recorded reserve for reduction entry. And PIC declared on a total distribution of 2,213,452,579 yen as distribution of income for the 23rd fiscal period (payment to start on July 8, 2014), which was the maximum value arrived at when the number of units outstanding (218,699 units) was multiplied by an integer, within the limit of the unappropriated retained earnings as of the end of the 23rd 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 October 31, 2014 and April 30, 2014 were as follows:

	October 31, 2014	April 30, 2014
Unappropriated income	¥ 2,340,611,918	¥ 2,213,553,550
Reversal of reserve for reduction entry	56,156,181	-
Cash distributions declared	2,211,046,890	2,213,452,579
(Cash distribution declared per unit)	(10,110)	(10,121)
Provision of reserve for reduction entry	185,554,064	-
INCOME CARRIED FORWARD	¥ 167,145	¥ 100,971

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 loans 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 loans 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 October 31, 2014 and April 30, 2014 were as follows:

	Thousands of yen					
	October 31, 2014			April 30, 2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 2,757,601	¥ 2,757,601	¥ -	¥ 2,614,107	¥ 2,614,107	¥ -
(2) Cash and deposits held in trust	8,914,100	8,914,100	-	9,599,309	9,599,309	-
TOTAL ASSETS	¥ 11,671,702	¥ 11,671,702	¥ -	¥ 12,213,416	¥ 12,213,416	¥ -
Liabilities						
(3) Short-term loans payable	¥ 17,400,000	¥ 17,400,000	¥ -	¥ 21,400,000	¥ 21,400,000	¥ -
(4) Long-term loans payable due within one year	30,400,000	30,577,254	177,254	17,687,500	17,758,057	70,557
(5) Long-term loans payable	54,400,000	55,080,171	680,171	72,800,000	73,491,747	691,747
(6) Corporate bonds	12,500,000	12,629,000	129,000	12,500,000	12,567,350	67,350
TOTAL LIABILITIES	¥ 114,700,000	¥ 115,686,426	¥ 986,426	¥ 124,387,500	¥ 125,217,154	¥ 829,654

*1 The following methods are used to estimate the fair value of financial instruments:
(1) **Cash and deposits, and (2) cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) **Short-term loans payable** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(4) **Long-term loans payable due within one year and (5) long-term loans payable** - 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 loans corresponding to the remaining periods.
(6) **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 20,035,175 thousand yen as of October 31, 2014 and April 30, 2014, respectively) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.

*3 Planned redemption amount of monetary claims as of October 31, 2014 and April 30, 2014, are as follows:

	Thousands of yen					
	October 31, 2014					
	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	¥ 2,757,601	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	8,914,100	-	-	-	-	-
TOTAL	¥ 11,671,702	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	April 30, 2014					
	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	¥ 2,614,107	¥ -	¥ -	¥ -	¥ -	¥ -
(2) Cash and deposits held in trust	9,599,309	-	-	-	-	-
TOTAL	¥ 12,213,416	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds as of October 31, 2014 and April 30, 2014, are as follows:

	Thousands of yen					
	October 31, 2014					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans payable	¥ 17,400,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	30,400,000	-	-	-	-	-
(5) Long-term loans payable	-	18,650,000	14,000,000	18,900,000	2,850,000	-
(6) Corporate bonds	-	-	-	7,500,000	2,500,000	2,500,000
TOTAL	¥ 47,800,000	¥ 18,650,000	¥ 14,000,000	¥ 26,400,000	¥ 5,350,000	¥ 2,500,000

	Thousands of yen					
	April 30, 2014					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
(3) Short-term loans payable	¥ 21,400,000	¥ -	¥ -	¥ -	¥ -	¥ -
(4) Long-term loans payable due within one year	17,687,500	-	-	-	-	-
(5) Long-term loans payable	-	29,400,000	16,650,000	15,900,000	10,850,000	-
(6) Corporate bonds	-	-	-	-	10,000,000	2,500,000
TOTAL	¥ 39,087,500	¥ 29,400,000	¥ 16,650,000	¥ 15,900,000	¥ 20,850,000	¥ 2,500,000

Note-15. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flows from Real Estate Property managed by UDX Special Purpose Company. PIC owns 53,580 units (19.0% equity of) the preferred securities (282,000 units in total) as of October 31, 2014 and April 30, 2014, respectively.

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

Note-16. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of October 31, 2014 and April 30, 2014, the variations during the fiscal periods and their fair values are as follows:

	Thousands of yen							
	October 31, 2014				April 30, 2014			
	Book value at May 1, 2014	Increase and Decrease during the period ^{*2}	Book value at October 31, 2014	Fair value at October 31, 2014 ^{*3}	Book value at November 1, 2013 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at April 30, 2014 ^{*1}	Fair value at April 30, 2014 ^{*3}
Office buildings	¥ 117,610,379	¥ (8,572,055)	¥ 109,038,324	¥ 107,450,000	¥ 99,833,614	¥ 17,776,765	¥ 117,610,379	¥ 114,780,000
Residential properties	77,478,135	(600,035)	76,878,100	72,634,000	76,667,541	810,594	77,478,135	70,880,000
TOTAL	¥ 195,088,515	¥ (9,172,090)	¥ 185,916,425	¥ 180,084,000	¥ 176,501,155	¥ 18,587,360	¥ 195,088,515	¥ 185,660,000

*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 4,636 thousand yen as of April 30, 2014) are not included.

*2 Major increases in the fiscal period ended October 31, 2014 are due to the capital expenditures (195,621 thousand yen), and major decreases are due to the sale of Iwamotocho Building and IPB Ochanomizu Building (8,216,666 thousand yen) and the depreciation (1,155,681 thousand yen). Major increases in the fiscal period ended April 30, 2014 are due to the acquisition of Granpark, Urbancourt Ichigaya and Tradepia Yodoyabashi (Land) (19,513,807 thousand yen in total) and the capital expenditures (266,239 thousand yen), and major decreases are due to depreciation (1,192,679 thousand yen).

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

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended October 31, 2014 and April 30, 2014 are as follows:

	Thousands of yen					
	May 1, 2014 to October 31, 2014			November 1, 2013 to April 30, 2014		
	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	¥ 3,736,524	¥ 1,924,533	¥ 1,811,991	¥ 3,795,525	¥ 1,911,938	¥ 1,883,586
Residential properties	2,490,130	1,385,026	1,105,104	2,508,102	1,368,628	1,139,473
TOTAL	¥ 6,226,655	¥ 3,309,559	¥ 2,917,096	¥ 6,303,627	¥ 3,280,567	¥ 3,023,060

* 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 the operating revenues from a single external customer accounts for less than 10% of the operating revenues on the profit and loss statements.

Note-18. Subsequent events

(a) Sale of property -

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

	Kanda Chuodori Building
OVERVIEW OF THE PROPERTY SOLD	
Type of property	Beneficially interest in trust (real estate)
Sale price	2,778 million yen
Book value	2,440 million yen (as of October 31, 2014)
Difference between sale price and book value	337 million yen
Appraisal value	2,620 million yen (as of August 21, 2014)
Appraisal method	Appraised by Aoyama Realty Advisors, Inc.
Transfer date	November 7, 2014
OVERVIEW OF THE PROPERTY HELD IN TRUST	
Location (residential indication)	2-3-3 Kajicho, Chiyoda Ward, Tokyo
Use of building	Office and store
Area	Land: 484.74 m ² , Total floor space: 3,214.44 m ²
Leasable floor space	2,670.19 m ²
Construction complete	January 1989

(b) Issuance of new investment units -

Issuance of new investment units through public offering		Issuance of new investment units through third-party allotment	
At the board of directors’ meetings held on January 5, 2015 and January 14, 2015, PIC resolved on the issuance of new investment units as described below, in order to use the proceeds for acquiring new properties, etc. Payment for the investment units issued through public offering was completed on January 21, 2015. As a result, unitholders’ capital increased to 119,053,523 thousand yen as of January 21, 2015, with the number of investment units issued and outstanding totaling 261,199 units.		At the board of directors’ meetings held on January 5, 2015 and January 14, 2015, PIC resolved on the issuance of new investment units as described below, in order to use the proceeds for partial repayment of loans. Payment for the investment units issued through third-party allotment is scheduled to take place on February 18, 2015.	
Number of new investment units	42,500 units	Number of new investment units	2,200 units (maximum)
Offer price	609,375 yen per unit	Allottee	SMBC Nikko Securities Inc. (number of units to be allotted 2,200 units)
Paid amount (issue price)	589,375 yen per unit	Paid amount (issue price)	589,375 yen per unit
Payment date	January 21, 2015	Application period (application date)	February 17, 2015
Total paid amount (issue price)	25,048,437,500 yen	Payment date	February 18, 2015
Starting date for calculating dividends	November 1, 2014	Total paid amount (issue price)	1,296,625,000 yen (maximum)
Use of funds	To partially fund acquisitions of properties (refer to (c) below) and repayment of loans	Starting date for calculating dividends	November 1, 2014
		Use of funds*	To partially fund repayment of loans

* There may be cases where no application is made by the above-mentioned allottee (SMBC Nikko Securities Inc.) for the investment units offered in the third-party allotment, in whole or in part, and consequently the final number of investment units placed by the third-party allotment may possibly decrease to that extent due to forfeiture, or such allotment itself may possibly not take place at all.

(c) Acquisition of properties -

Pursuant to the basic policy and other policies on asset management stipulated in the Articles of Incorporation, PIC acquired the following properties on January 22, 2015, using proceeds obtained from the issuance of new investment units through public offering (refer to (b) above).

	Urbannet Kojimachi Building	Urbannet Ikebukuro Building	Urbannet Omori Building
OVERVIEW OF THE PROPERTY ACQUISITIONS			
Type of property	Beneficial interest in trust (real estate)	Beneficial interest in trust (real estate)	Beneficial interest in trust (real estate)
Acquisition price	3,600 million yen	13,600 million yen	4,800 million yen
OVERVIEW OF THE PROPERTY HELD IN TRUST			
Location (residential indication)	1-6-2 Kojimachi, Chiyoda Ward, Tokyo	3-16-3 Higashi Ikebukuro, Toshima Ward, Tokyo	2-1-1 Omorikita, Ota Ward, Tokyo
Use of building	Office	Office	Office
Area	Land: 839.00 m ² Total floor space: 6,231.10 m ²	Land: 4,090.23 m ² Total floor space: 25,050.26 m ²	Land: 2,126.47 m ² Total floor space: 11,937.25 m ²
Leasable floor space	4,262.82 m ²	17,036.34 m ²	8,524.54 m ²
Structure of building	Steel-framed reinforced concrete structure with a flat-topped roof, 8 stories with 2 basement stories	Steel-framed, steel-framed reinforced concrete structure with a flat-topped roof, 16 stories with a basement story	Steel-flamed with a flat-topped roof, 10 stories
Construction complete	May 1987	September 1988	July 1992

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 24th Fiscal Period (May 1, 2014 - October 31, 2014)	Amount Paid before the 24th Fiscal Period
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	October 2013 – January 2015	163,061	65,142	71,458
Homat Woodville	Minato Ward, Tokyo	Renovation of air conditioning systems, etc.	October 2007 – October 2016	129,041	-	80,550
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of Outer wall	November 2014 – March 2015	93,500	-	-
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Change of residential unit specifications	April 2010 – April 2015	33,750	384	15,022
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Renovation of common spaces	November 2014 – February 2015	32,688	-	-
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of automatic fire alarm systems	December 2014 - March 2015	25,350	-	-

2. Capital Expenditures during the 24th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 24th fiscal period (May 1, 2014 – October 31, 2014) for the portfolio owned by PIC. Capital expenditures during the period totaled 195,621 thousand yen. This, combined with maintenance and repair expenditures of 266,605 thousand yen were classified as operating expenses for the period, aggregating a total of 462,226 thousand yen represented renovation expenditure.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of air conditioning systems	April 2014 - September 2014	65,142
Premier Yokohama Nishiguchi Building	Yokohama City, Kanagawa	Installation of OA-compatible floors, etc.	May 2014 - June 2014	31,284
Other construction	-	-	-	99,194
Total				195,621

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

Item \ Fiscal Period	Thousands of yen	
	23rd Fiscal Period November 1, 2013 – April 30, 2014	24th Fiscal Period May 1, 2014 – October 31, 2014
Deposits at end of the preceding period	418,886	494,209
Deposits made during the period	111,323	14,323
Amounts used from deposits during the period	36,000	62,500
Deposits carried forward to the next period	494,209	446,032

OVERVIEW OF FUND PROCUREMENT

1. Repayment of Loans

- (i) PIC repaid the following loans (6,900 million yen in total) on the repayment dates, respectively, using part of the proceeds from the sale of an office building (Iwamotocho Building) that was sold on May 8, 2014.
- On May 9, 2014, PIC repaid 1,500 million yen in a short-term loan borrowed on May 10, 2013.
 - On May 16, 2014, PIC repaid 2,000 million yen in a short-term loan borrowed on May 17, 2013.
 - On May 20, 2014, PIC repaid 3,400 million yen in a long-term loan borrowed on May 20, 2011.
- (ii) PIC repaid 2,287.5 million yen in a long-term loan borrowed on May 22, 2009 on the repayment date (May 22, 2014) using the proceeds from the sale of an office building (IPB Ochanomizu Building) that was sold on May 20, 2014 and cash on hand.

2. Refinance of Loans

- (i) Of the 7,000 million yen in a short-term loan borrowed on August 14, 2013, PIC refinanced 6,500 million yen into a short-term loan on July 31, 2014 while repaying the remaining 500 million yen using cash on hand.
- (ii) On October 31, 2014, PIC refinanced 4,400 million yen, the remaining amount of a short-term loan borrowed on November 8, 2013, into a short-term loan for the same amount.

As a result of the above, PIC’s interest-bearing liabilities totaled 114,700 million yen as of October 31, 2014. The breakdown is as follows: 17,400 million yen in short-term loans, 84,800 million yen in long-term loans (including long-term loans due within one year) and 12,500 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 84.8%.

I. INVESTMENT POLICY

1. Basic Policy

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

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

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

2. Portfolio Management Standards Based on Basic Policy

1. Holding Period

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

2. Acquisition Standards

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

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

A) Use see table on page 36

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

b. In consideration of the characteristics of each real estate use indicated in the table on page 36, PIC works to ensure diversification of property uses by investing primarily in both office buildings and residential proper-

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

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

B) Areas see table on page 37

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

b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, PIC seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, PIC diversifies its investment targeting to achieve a geographical split as indicated in the table on page 37 for both office buildings and residential properties (each of which is set at 100% in the table).

Use

Use	Key Investment Points (Note 1)
Office Buildings	<div>a. In the real estate market of Japan, office buildings are relatively less individualized and are available in a greater stock compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, PIC has positioned office buildings as its primary investment target.</div> <div>b. Demand from tenants (lessees) for office buildings may fluctuate, impacted by business cycles and other economic trends. This might adversely affect PIC's profitability with regard to its office buildings. However, compared to real estate for other uses, office buildings are generally expected to provide relatively higher levels of profitability.</div> <div>c. PIC will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.</div>
Residential Properties	<div>a. PIC invests in Japanese rental residential properties commanding relatively high quality in terms of designs of exteriors, entrances and other areas, specifications of story height, exterior walls and other items, total floor space, floor plans and other aspects.</div> <div>b. Rental residential properties are relatively resistant to the adverse effects of changes in economic and social conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. Due to such characteristics, PIC has positioned rental residential properties as part of the main investment target for the purpose of stabilizing cash flow and diversifying investment assets.</div> <div>c. As of the date of this document, PRA expects that the market for rental residential properties in the Tokyo Economic Bloc will expand and diversify over the medium to long term due to the effects of the recent demand for returning to city centers and lifestyle changes. However, if PRA determines that the aforementioned characteristics have been damaged due to changes in the market or other reasons, different investment decisions may be made.</div> <div>d. Since tenants of rental residential properties are particularly selective about geographical areas, and different markets are formed for different types of residential properties, PIC invests in said properties based on the following analyses and understandings of the future supply and demand trends and other factors in accordance with the characteristics of respective property types.</div>
(Classification by type of residential properties)	<div>a. This type refers to residential properties specially planned and designed for expatriates (i.e., persons dispatched or set off from abroad to offices established in the Tokyo Economic Bloc by Western and multinational companies) under limited location conditions in accordance with their lifestyles.</div> <div>b. Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in b. above, these tenants have higher creditworthiness than those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants appears to be low.</div>
Wide	<div>c. Because the properties with this type of units are in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected due to its scarcity and other features. Also, depending on the quality of management performance, differences in profitability may arise regarding investments in these properties.</div>
Family	<div>a. 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>b. Generally, these families tend to place emphasis on neighborhood scenes and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.</div>
DINKs	<div>a. 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>b. Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties appear to be in short supply in such areas and said households of DINKs earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.</div>
Single	<div>a. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div> <div>b. Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties are expected to continue yielding stable profitability going forward.</div> <div>c. Since the 5 Central Wards of Tokyo, especially Minato, Shinjuku and Shibuya Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.</div>

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

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

C) Asset Size by Property

▶see table below

- a. Office buildings
- In principle, office buildings with leasable floor space of approximately 2,000m² or more, and standard floor sizes of approximately 300m² or more, are the investment targets.
- b. Residential properties
- In principle, residential properties of the sizes indicated in the table below are the investment targets (in accordance with the classifications by unit type).

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

D) Due Diligence ▶see table on page 38

PIC decides on whether or not it will acquire investment assets in a comprehensive manner after conducting economic, physical and legal inspections of the assets. The table on page 38

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

E) Standards for Tenant Selection

▶see table below

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

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

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

Areas

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

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

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

Standards for Tenant Selection

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

Asset Size per Property

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

Due Diligence

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

F) Amount of Investment

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

3. Sales Standards

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

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

a. Strategic classifications

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

- 1) The targets of the investment assets classified by PIC as active assets are as follows:
The amount of investment per investment asset is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.
- 2) The upper limit on active assets as a proportion of the portfolio shall be 20% as a rule.
- b. Specific cases where sale will be considered
- 1) When a strategic sale would contribute to earnings of PIC:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
- 2) When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- 3) When the property has lost strategic importance:
[Example1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not

be achieved even with additional allocation of capital.

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

4) When the property is sold from a financial viewpoint:
[Example] When a reduction in the interest-bearing liabilities ratio is intended.

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

4. Policy for Investment in Development Projects

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

5. Investment Policy for Real Estate Backed Securities, etc

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

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

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

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

6. Insurance Policy

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

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

7. Financial Policy

A) Loans and Corporate Bonds

- a. In order to contribute to the steady growth of investment assets and efficient and stable operation of investments, PIC may borrow funds (including loans via the call market) or issue corporate bonds, by which funds will be raised to acquire or repair assets, pay distributions, fund PIC's operation, or repay debts (including repayment of deposit money, loans and obligations of its corporate bonds (including short-term corporate bonds; hereinafter referred to as "Corporate Bonds)). However, the respective maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000) and the combined amount shall not exceed one trillion yen (¥1,000,000,000,000) (Articles 14-1 and 14-3 of the Articles of Incorporation).
- b. In the case of borrowing funds in accordance with above a), PIC shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover, in order to flexibly respond to the capital needs for the acquisition of new investment assets, repayment of security deposits or other monies in custody for tenants, or other events, PIC may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or PIC may conclude agreements on the reservation of loans at any time it requires.
- c. When borrowing funds in accordance with above a), the said funds shall only be borrowed from qualified institutional investors designated by the Financial Instruments and Exchange Act (hereinafter referred to as "FIEA") (on the condition, however, that they are the institutional investors designated in the "Special Tax Measures for an Investment Corporation" under the Act on Special Measures Concerning Taxation).

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

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

B) Issuance of Investment Units for Subscription

- a. To raise funds, PIC may, upon approval of the Board of Directors, issue investment units for subscription.
- b. Issuance of investment units for subscription shall be determined by considering PIC's financial situation, including the loan-to-value ratio, and the dilution of the investment units.

3. Property Management Policy

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

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

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

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

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

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

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

4. Disclosure Policy

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

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

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

II. DISTRIBUTION POLICY

1. Distribution of Profits

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

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

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

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

2. Cash Distributions in Excess of Profits

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

3. Method for Paying Distributions

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

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

4. Statute of Limitations on Distributions

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

5. Other Matters

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

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

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

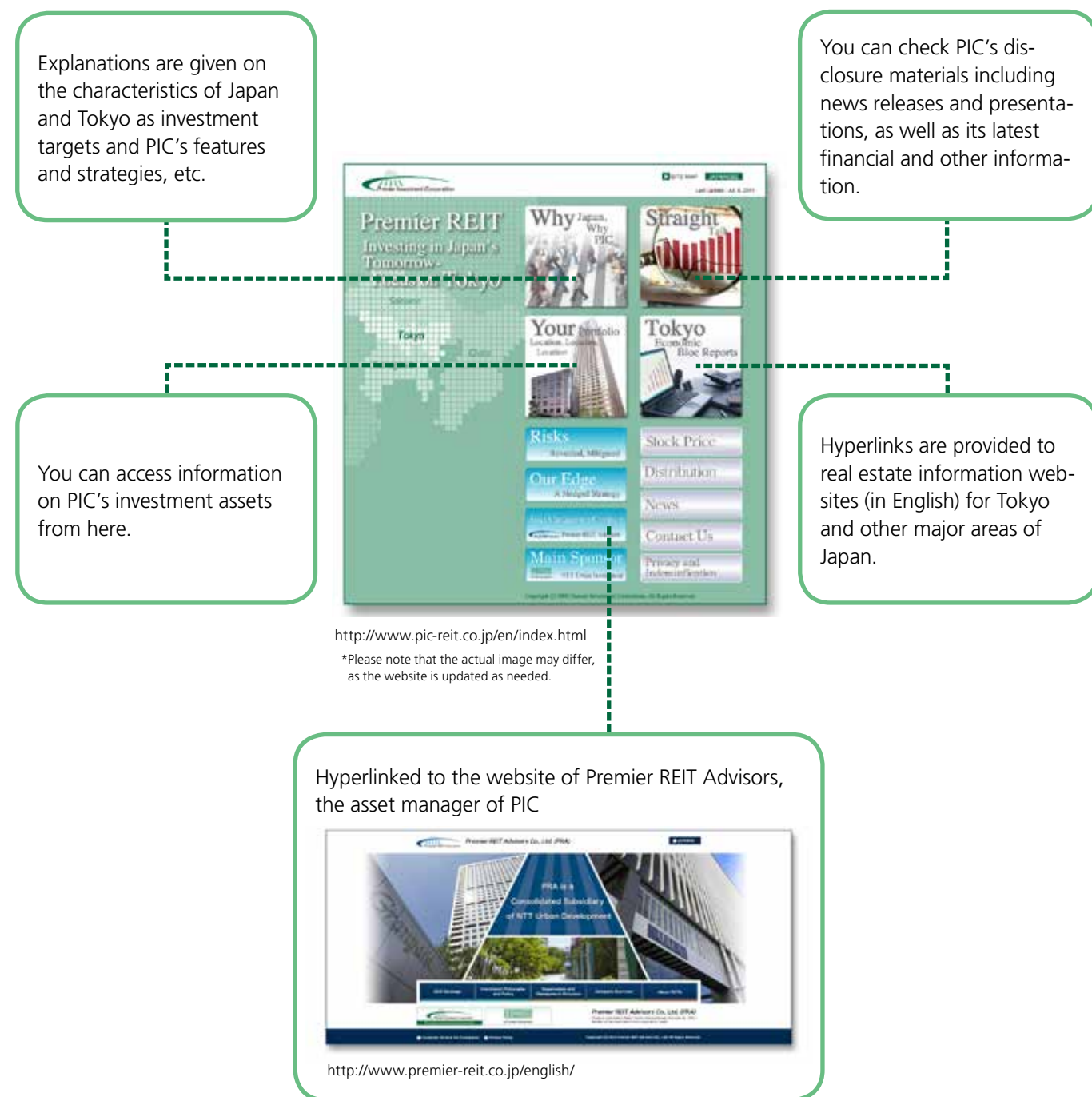
b. When the Board of Directors of PIC has determined that the payment of cash distributions in excess of profits is accepted as an appropriate practice (e.g., because tax laws and regulations have been changed to make it an ordinary practice for individual unitholders to declare the gains/losses from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

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

Standards for Selection of Property Manager

Item	Details
Details and achievements of business	1. Experience and achievements as a property manager 2. Reputation in the industry and consistency of management policies 3. Soundness of company finances
Capabilities and corporate system	1. Depth of 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

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