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

Premier Investment Corporation SEMIANNUAL REPORT 31ST FISCAL PERIOD ENDED APRIL 30, 2018

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)

Premier Investment Corporation

SEMIANNUAL REPORT

31 ST FISCAL PERIOD

ENDED APRIL 30, 2018

INVESTMENT POLICIES OF PREMIER INVESTMENT CORPORATION

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

NTT UD

- 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

Profitability

Exerts strengths when the economy is recovering

Tenant demand and rent trends are prone to be affected by business cycles and other economic trends

Advantages of Managing a Compound Portfolio

- Mitigates the impact of economic fluctuations by combining asset types that have low correlation of fluctuations in market rents with each other
- Diversifies tenants into different types such as corporations and individuals

Stability

Stable demands even in a receding economy

Tenant demand and rent trends are relatively resistant to changes in economic and social conditions

3. **Focused Investment** on Assets in **the Tokyo Economic Bloc**

- Focuses investments in Greater Tokyo, which enjoys an established economic base due to a high concentration of population and industry
- Partially expands the target investment area to Major Regional Cities (strengthening ties with NTTUD)

Potential Tenant Needs

More Efficiency by Concentrating Investment Areas

MESSAGE TO OUR UNITHOLDERS

Tatsuya Takahashi
Executive Director
Premier Investment Corporation

Shigehito Katsuki
President and CEO
Premier REIT Advisors Co., Ltd. (PRA)

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

As of June 23, 2018, Tatsuya Takahashi assumed the office of Executive Director of PIC, concurrently with the assignment of Director of Premier REIT Advisors Co., Ltd. (PRA), the asset management company of PIC, which he has held since July 2016. Moreover, Shigehito Katsuki took office as President and CEO of PRA as of June 22, 2018. Taking this opportunity, we would like to deliver an address to unitholders, representing two corporations.

PIC has continued to grow steadily through close collaboration with NTT Urban Development Corporation (NTTUD), the main sponsor. Furthermore, in the 31st fiscal period ended April 2018, PIC worked on transactions with sources other than our sponsors, selling two office buildings and acquiring two residential properties, in an effort to improve the content of the portfolio.

These transactions brought PIC's owned assets as of April 30, 2018 to 60 properties in total, comprising 27 office buildings and 33 residential properties and an asset size standing at 246.4 billion yen. The occupancy rate of the entire portfolio was 96.9% as of that date.

For the 31st fiscal period, PIC posted operating revenues of 9,154 million yen, an increase of 5.9% from the previous fiscal period, and net income of 3,679 million yen, a period-on-period increase of 10.1%. As for distribution per unit, PIC secured 2,687 yen which surpassed the forecast for the period (2,620 yen) announced in the Financial Report for the Fiscal Period Ended October 31, 2017 dated December 18, 2017.

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

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31ST FISCAL PERIOD PERFORMANCE HIGHLIGHTS

Financial Results Highlights

Distribution per Unit (Note 1)	
30th Fiscal Period (ended October 2017)	¥ 2,537
31st Fiscal Period (ended April 2018)	**¥ 2,687**
32nd Fiscal Period (ending October 2018) (Note 2)	**¥ 2,600** (forecast)

(Note 1) Number of outstanding investment units at end of period:
30th Fiscal Period: 1,316,995 units
31st Fiscal Period: 1,316,995 units
32nd Fiscal Period: 1,316,995 units (forecast)

(Note 2) The figure is based on what was announced in the Financial Report for the 31st Fiscal Period Ended April 30, 2018 (November 1, 2017 – April 30, 2018) dated June 18, 2018.

(mm yen)

		30th Fiscal Period (ended October 2017)	31st Fiscal Period (ended April 2018)
Operating Revenues		8,644	9,154
Operating Income		3,827	4,134
Ordinary Income		3,342	3,680
Net Income		3,341	3,679
Total Assets		251,867	248,262
Net Assets		123,952	124,289
Net Assets Ratio		49.2%	50.1%
Net Assets per Unit		94,117 yen	94,373 yen
LTV (Note)	Unitholders' capital basis	49.5%	48.4%
	Market value basis	44.6%	42.8%

(Note) LTV (Unitholders' capital basis) = interest-bearing liabilities / (interest-bearing liabilities + unitholders' capital) × 100
LTV (Market value basis) = interest-bearing liabilities / appraisal value, etc. of owned assets × 100

Monthly Occupancy Rate for the 31st 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.

Property Transactions in the 31st Fiscal Period

Property Acquisition

March 1, 2018 PIC acquired Premier Stage Azabu-Juban (Minato Ward, Tokyo) and Premier Stage Sasazuka (Shibuya Ward, Tokyo) for 2,500 million yen in total.

Property Transfer

November 9, 2017 PIC sold NU Kannai Building (Yokohama City, Kanagawa) for 3,550 million yen.
February 28, 2018 PIC sold Ougaku Building (Chiyoda Ward, Tokyo) for 1,870 million yen.

Portfolio Status

Portfolio	30th fiscal period (actual) (as of October 31, 2017)	31st fiscal period (actual) (as of April 30, 2018)
No. of properties	60 properties	60 properties
Acquisition price	249.0 billion yen	246.4 billion yen
Average building age	22.0 years	22.2 years
Occupancy rate at end of period	95.6%	96.9%
No. of tenants	3,697	3,796
NOI yield (Note 1)	4.9%	5.1%
Yield after depreciation (Note 2)	3.7%	3.9%

Distribution by asset type

- Office Buildings
- Residential Properties

Distribution by geographical area

- 5 Central Wards of Tokyo
- Other 18 Wards of Tokyo
- Urban Areas Surrounding Tokyo
- Major Regional Cities

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

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

STATUS OF EXTERNAL GROWTH

Growth in Asset Size

PIC has steadily expanded its asset size since it was listed in September 2002.

Status of Property Sellers

PIC has conducted most of its transactions with NTTUD, the main sponsor, since May 2010 when the company participated in PIC's sponsorship.

STATUS OF EXTERNAL GROWTH
(TRANSACTIONS CONDUCTED IN RECENT YEARS)

Transactions with the Main Sponsor (NTTUD)

Endeavoring to reinforce its coordination with the main sponsor, PIC has continuously conducted two-way transactions with NTTUD.

NTT CRED Okayama Building (Note 2)

Office

Building age upon acquisition: 16.2 years

NOI yield: 7.0%

Urbannet Shizuoka Ote-machi Building (Note 3)

Office

Building age upon acquisition: 20.0 years

NOI yield: 7.4%

Urbannet Shizuoka Building (Note 3)

Office

Building age upon acquisition: 24.2 years

NOI yield: 7.6%

Urban Ace Higobashi Building (Note 4)

Office

Building age upon acquisition: 19.7 years

NOI yield: 5.1%

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Sun Palace Minami-Azabu

Residential

Building age upon sale: 25.5 years

NOI yield: 4.2%

Loss on sale: 11 mm yen

Homat Woodville

Residential

Building age upon sale: 26.8 years

NOI yield: 4.0%

Gain on sale: 105 mm yen

Tradepia Yodoyabashi (Land)

Office

NOI yield: 4.0%

Gain on sale: 138 mm yen

(Note 1) NOI yield of acquired properties is calculated on the basis of net operating income indicated in the appraisal report upon acquisition, and NOI yield of transferred properties is calculated on the basis of the rental NOI at end of the fiscal period immediately preceding the fiscal period to which the transfer date belongs.

(Note 2) PIC acquired the quasi co-ownership of beneficiary interest in a trust (ownership ratio: 60%) of real estate as trust property.

(Note 3) PIC acquired the quasi co-ownership of beneficiary interest in a trust (ownership ratio: 40%) of real estate as trust property.

(Note 4) The property is a compartmentalized ownership building, and PIC acquired the exclusive areas for the office sections of the 15-storied building with 2 basement floors.

Transactions with Third Parties Other Than Sponsors

While ties with our sponsors continue to be the central pillar driving external growth, we have also executed transactions with third parties.

Acquisition Value

15.0 bn yen

Sphere Tower Tennozu (Note 2)

Office

Building age upon acquisition: 24.2 years

NOI yield: 4.3%

Premier Stage Azabu-Juban

Residential

Building age upon acquisition: 13.2 years

NOI yield: 4.4%

1.4 bn yen

Premier Stage Sasazuka

Residential

Building age upon acquisition: 13.1 years

NOI yield: 4.6%

1.0 bn yen

Date: Jun. 2017 / Nov. 2017 / Feb. 2018 / Mar. 2018 / Mar. 2018

Sales Value

3.5 bn yen

NU Kannai Building

Office

Building age upon sale: 30.7 years

NOI yield: 1.1%

Gain on sale: 96 mm yen

1.8 bn yen

Ougaku Building

Office

Building age upon sale: 30.0 years

NOI yield: 5.6%

Gain on sale: 175 mm yen

(Note 1) NOI yield of acquired properties is calculated on the basis of net operating income indicated in the appraisal report upon acquisition, and NOI yield of transferred properties is calculated on the basis of the rental NOI at end of the fiscal period immediately preceding the fiscal period to which the transfer date belongs.

(Note 2) PIC acquired the quasi co-ownership of beneficiary interest in a trust (ownership ratio: 67%) of real estate as trust property.

COLLABORATION WITH THE NTT GROUP

Multi-faceted Collaboration with the NTT Group

PIC works in collaboration with NTTUD and other NTT Group companies.

Top 10 Tenants Occupying PIC's Office Buildings (as of April 30, 2018)

NTT Group

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	NTT Facilities, Inc.	10,681m²	6.2%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	8,773m²	5.1%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m²	4.3%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m²	4.0%	Rokubancho Building
5	SoftBank Corp.	6,293m²	3.6%	Sphere Tower Tennozu (Note 2)
6	NTT DATA Corporation	5,530m²	3.2%	Urbannet Mita Building
7	NTT Finance Corporation	5,417m²	3.1%	Urbannet Ikebukuro Building
8	NTT Learning Systems Corporation	4,801m²	2.8%	Urbannet Azabu Building
9	Japan Display Inc.	4,140m²	2.4%	Landic Shimbashi 2 Building
10	Itoki Corporation	4,037m²	2.3%	Urbannet Irifune Building
Total		64,036m²	36.9%	

(Note 1) The ratio represents the percentage of the leased floor space of the relevant tenants to the gross area under lease of floors practically used for offices.

(Note 2) The leased floor space of Sphere Tower Tennozu indicates the figure corresponding to the substantial ownership ratio of PIC for the building portion of the property.

SUSTAINABILITY INITIATIVES

Sustainability Policy and Acquisition of Environmental Certifications

PRA, the asset management company for PIC, established the Sustainability Policy in November 2015 from the perspective of working to realize sustainable environment and society. Based on this Policy, PRA endeavors to execute a green lease agreement and acquire environmental certifications from external assessment bodies.

Green Lease Agreement

PIC concluded a green lease agreement with a certain tenant housed in Gotanda NT Building, and conducted works to replace the lighting equipment with LED lamps in the areas exclusive for the tenant.

With these arrangements, the tenants can expect a reduction in electricity charges as the building has better environmental performance through more efficient energy use, while PIC as the owner can collect part of the work expenses as green lease charge.

(Illustrative chart of cost reduction at tenants)

GRESB

In the GRESB Real Estate Assessment implemented in 2017, PIC received a "Green Star" rating.

PIC also received "2 starts" in GRESB Rating, which evaluates applicants based on the total score.

DBJ Green Building Certification

The following property has acquired 3 Stars certification.

Property name	Premier Blanc Yoyogikouen
Assessment	Granted 3 Stars in 2017 DBJ Green Building 2017

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate Certifications

PIC has acquired CASBEE Real Estate Rank S and Rank A certifications for 16 properties including the following 2 properties.

Property name	NTT CRED Okayama Building
Assessment	Granted Rank S in 2018

Property name	Gotanda NT Building
Assessment	Granted Rank A in 2018

MANAGEMENT STATUS IN THE 31ST FISCAL PERIOD

Changes in Occupancy Rates

Growth in Asset Size

Changes in NOI and NOI Yields

(Note 1) NOI yield = annualized rental NOI* / investment value**

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

** Investment value = sum total of book value as of the end of each fiscal period of owned properties for each fiscal period

(Note 2) NOI includes dividend income from preferred securities.

Changes in Unrealized Gains or Losses

(Note) Includes UDX Special Purpose Company Preferred Securities (Akihabara UDX). The following formula is used to approximate the period-end appraisal value of Akihabara UDX.
Period-end appraisal value (approximate value) = [{total assets* - total specific assets* + period-end reference survey price for Akihabara UDX - total liabilities*} attributable to UDX SPC] × [PIC's percentage of ownership (19.0%)]

*Uses book value as of end of June or December in each fiscal period.

FINANCIAL STATUS IN THE 31ST FISCAL PERIOD

Status of Interest-Bearing Liabilities

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

[As of April 30, 2018]

Ratios of Fixed and Floating Interest Rate Borrowings

[As of April 30, 2018]

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

Breakdown of Lenders

(Note) As of April 16, 2018, MUFG Bank, Ltd. succeeded the lending operations for corporations of Mitsubishi UFJ Trust and Banking Corporation.

Changes in the Average Interest Rate and Average Remaining Period to Maturity

PIC achieved lower costs of interest-bearing liabilities while working to extend borrowing periods.

(Note) Average interest rate is an average weighted for balances outstanding as of the end of the period for each nominal interest rate.

Repayment and Redemption Schedule of Interest-Bearing Liabilities

PIC works to reduce the refinancing risk by diversifying repayment and redemption dates of interest-bearing liabilities.

Credit Rating Status

PIC was granted an issuer rating of AA- by Japan Credit Rating Agency, Ltd. (JCR).

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

PROPERTY PORTFOLIO

[31st Fiscal Period (as of April 30, 2018)]

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)	
Office Buildings									
A01	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.6	100.0	200	96	103	10.6
A02		Landic Shimbashi 2 Building	7,045	2.9	100.0	223	111	112	12.9
A03		Premier Dogenzaka Building	1,727	0.7	100.0	80	27	53	5.5
A04		KN Shibuya No.3	5,348	2.2	69.4	(Note 5)	(Note 5)	62	10.6
A05		Takadanobaba Center Building	5,118	2.1	100.0	249	101	148	2.0
A06		Rokubancho Building	7,860	3.2	100.0	(Note 5)	(Note 5)	166	10.8
A08		Premier Kaigan Building	5,100	2.1	95.5	136	73	63	10.6
A10		Urbannet Mita Building	10,300	4.2	100.0	305	167	137	7.2
A11		Urbannet Azabu Building	5,000	2.0	100.0	(Note 5)	(Note 5)	88	10.5
A12		Urbannet Ichigaya Building	1,650	0.7	100.0	(Note 5)	(Note 5)	22	7.0
A14		Urbannet Irifune Building	2,900	1.2	100.0	(Note 5)	(Note 5)	95	10.8
A15		Granpark	11,490	4.7	99.7	443	227	215	12.0
A16		Urbannet Kojimachi Building	3,600	1.5	100.0	163	67	95	10.0
B02	Other 18 Wards of Tokyo	Premier Toyocho Building	4,310	1.7	100.0	106	69	36	16.2
B03		Ueno TH Building	4,380	1.8	100.0	115	64	50	12.8
B04		Gotanda NT Building	4,100	1.7	100.0	94	45	49	14.3
B05		Ueno Tosei Building	5,900	2.4	100.0	202	91	110	10.7
B06		Urbannet Ikebukuro Building	13,600	5.5	100.0	736	377	358	13.0
B07		Urbannet Omori Building	4,800	1.9	100.0	250	114	135	6.8
B08		Sphere Tower Tennozu	15,000	6.1	94.8	514	288	226	8.3
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.4	100.0	141	90	51	10.2
C02		The Kanagawa Science Park R&D Building	6,556	2.7	89.6	382	258	123	10.4
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.5	83.8	235	225	10	14.4
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.7	100.0	110	44	65	9.0
G04		Urbannet Shizuoka Building	1,119	0.5	91.4	72	33	39	9.0
G05		Urban Ace Higobashi Building	4,600	1.9	100.0	244	104	139	6.3
		Subtotal 26 properties	**146,630**	**59.5**	**96.4**	**5,835**	**3,070**	**2,765**	**-**

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No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Residential Properties									
D01	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.1	95.0	156	70	86	7.4
D02		Park Axis Meiji-Jingumae	2,604	1.1	100.0	55	19	35	9.9
D04		Cabin Arena Akasaka	1,330	0.5	100.0	41	15	25	10.1
D05		Cabin Arena Minami-Aoyama	1,070	0.4	100.0	36	18	18	11.2
D06		Bureau Kioicho	1,840	0.7	100.0	37	13	24	11.6
D08		Roppongi Green Terrace	4,678	1.9	100.0	134	59	74	10.3
D09		Premier Stage Shibakoen II	2,181	0.9	98.8	59	27	31	11.5
D11		Langue Tower Kyobashi	927	0.4	98.5	36	17	19	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.6	98.4	52	20	31	14.3
D13		Premier Rosso	1,662	0.7	97.6	57	29	28	14.0
D14		Premier Blanc Yoyogikouen	2,330	0.9	94.9	67	33	34	13.1
D15		Premier Stage Uchikanda	1,723	0.7	100.0	61	27	33	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.6	98.4	45	20	25	13.1
D17		Walk Akasaka	2,043	0.8	100.0	46	38	8	13.9
D18		Premier Stage Shibakoen	1,585	0.6	97.7	45	19	26	16.1
D19		MEW	1,556	0.6	100.0	35	22	13	13.9
D20		Shibaura Island Air Tower	7,590	3.1	98.0	347	245	102	11.2
D21		Storia Akasaka	3,930	1.6	100.0	95	40	55	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	2.6	95.6	176	109	67	7.2
D23		Shibaura Island Bloom Tower	5,500	2.2	97.9	280	168	111	10.0
D24		Questcourt Harajuku	4,500	1.8	100.0	149	54	95	12.7
D25		Urbancourt Ichigaya	1,385	0.6	94.8	55	27	28	12.0
D26		Premier Stage Azabu-Juban (Note 6)	1,420	0.6	97.2	13	4	9	14.6
D27		Premier Stage Sasazuka (Note 6)	1,080	0.4	98.2	10	4	6	10.5
E01	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.4	100.0	29	17	12	12.1
E02		Premier Garden Hongo	975	0.4	100.0	31	10	21	12.1
E03		Premier Grande Magome	1,560	0.6	94.5	42	27	15	15.7
E04		Premier Nozze Yutenji	1,525	0.6	96.7	39	19	20	13.6
E05		Premier Stage Yushima	1,803	0.7	94.4	53	27	25	17.2
E06		Premier Stage Komagome	1,830	0.7	97.4	54	28	25	18.0
E07		Premier Stage Otsuka	1,310	0.5	100.0	42	20	21	22.5
E08		Premier Stage Honjo-Azumabashi	2,640	1.1	97.5	81	39	41	14.7
E09		Premier Stage Ryogoku	1,496	0.6	98.8	47	24	22	12.8
		Subtotal 33 properties	**79,894**	**32.4**	**97.9**	**2,523**	**1,323**	**1,200**	**-**

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(Property Portfolio)

(cont'd)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Preferred Securities (Office Building)									
Z01	5 Central Wards of Tokyo	UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 7)	19,940	8.1	-	-	-	-	-
		Subtotal 1 property	19,940	8.1	-	-	-	-	-
		Total 60 properties	246,464	100.0	96.9	8,359	4,393	3,965	8.4

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

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

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

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

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

(Note 6) Premier Stage Azabu-Juban and Premier Stage Sasazuka were renamed from FORECITY Azabujuban II and FORECITY Sasazuka, respectively, as of April 1, 2018.

(Note 7) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

ORGANIZATION OF PIC

Structure of PIC

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

Overview of Asset Manager (as of April 30, 2018)

Trade name	Premier REIT Advisors Co., Ltd.
Paid-in capital	300 million yen
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (55.1%), Kenedix, Inc. (30.0%), SOHGOH REAL ESTATE CO., LTD. (10.0%) and Sumitomo Mitsui Trust Bank, Limited (4.9%)

INFORMATION FOR UNITHOLDERS

Investment Unit Status

Changes in Investment Unit Price of PIC

(as of April 30, 2018)
Market capitalization: 141,050 million yen
Investment unit price at the end of the 31st fiscal period: 107,100 yen

Number of Investment Units by Unitholders and Number of Unitholders

[As of April 30, 2018]

[As of April 30, 2018]

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

Annual Schedule

KPMG

Independent Auditor's Report

To the Board of Directors of Premier Investment Corporation:

We have audited the accompanying financial statements of Premier Investment Corporation ("the Company"), which comprise the balance sheet as at April 30, 2018, and the profit and loss statement, statement of changes in unitholders' equity and cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2018, 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

We draw attention to Note-19 to the financial statements, which states that subsequent to April 30, 2018, the Company issued corporate bonds and borrowed funds. Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

July 27, 2018
Tokyo, Japan

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

BALANCE SHEETS

AS OF OCTOBER 31, 2017 AND APRIL 30, 2018

		Thousands of yen	
		October 31, 2017	April 30, 2018
ASSETS			
CURRENT ASSETS			
Cash and deposits	(Note-3) (Note-14)	¥ 3,776,872	¥ 3,177,493
Cash and deposits held in trust	(Note-3) (Note-14)	12,290,578	12,440,149
Tenant receivables		126,565	118,566
Prepaid expenses		142,570	157,629
Income taxes refund receivables		90,594	95,610
Consumption taxes refund receivables		152,153	-
Deferred tax assets	(Note-10)	1,765	3,547
Other current assets		5,175	1,771
TOTAL CURRENT ASSETS		16,586,275	15,994,769
LONG-TERM ASSETS			
Property and equipment			
Buildings held in trust	(Note-4)	89,676,580	88,722,551
Structures held in trust	(Note-4)	1,924,545	1,938,930
Tools, furniture and fixtures held in trust	(Note-4)	304,575	334,856
Less accumulated depreciation	(Note-4)	(25,734,259)	(26,579,979)
Land held in trust	(Note-4)	146,251,643	144,997,782
Total property and equipment, net		212,423,086	209,414,141
Intangible fixed assets			
Leasehold held in trust	(Note-4)	1,777,602	1,777,602
Other intangible fixed assets held in trust	(Note-4)	1,265	871
Other intangible fixed assets		9,659	8,224
Total intangible fixed assets		1,788,527	1,786,698
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		384,452	388,693
Other deposits held in trust		623,220	623,220
Total investment and other assets		21,052,847	21,057,088
TOTAL LONG-TERM ASSETS		235,264,461	232,257,928
Deferred assets			
New investment unit issuance costs		1,227	-
Corporate bond issuance costs		15,810	9,477
Total deferred assets		17,038	9,477
TOTAL ASSETS		¥ 251,867,775	¥ 248,262,176

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

		Thousands of yen	
		October 31, 2017	April 30, 2018
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		¥ 1,202,911	¥ 1,649,888
Short-term loans payable	(Note-7) (Note-14)	5,400,000	3,400,000
Long-term loans payable due within one year	(Note-7) (Note-14)	18,900,000	10,850,000
Corporate bonds payable due within one year	(Note-6) (Note-14)	7,500,000	10,000,000
Accrued expenses		142,311	129,988
Distributions payable		10,380	10,035
Income taxes payable		605	1,434
Consumption taxes payable		-	401,679
Business office taxes payable		5,601	10,744
Rents received in advance		1,077,694	1,280,268
Deposits received		82,512	90,563
Total current liabilities		34,322,017	27,824,603
LONG-TERM LIABILITIES			
Long-term loans payable	(Note-7) (Note-14)	81,200,000	86,250,000
Corporate bonds	(Note-6) (Note-14)	5,000,000	2,500,000
Tenant security deposits held in trust		7,393,618	7,397,612
Total long-term liabilities		93,593,618	96,147,612
TOTAL LIABILITIES		127,915,636	123,972,215
NET ASSETS			
UNITHOLDERS' EQUITY	(Note-5)		
Unitholders' capital		120,350,148	120,350,148
Units authorized – 10,000,000 units as of October 31, 2017			
– 10,000,000 units as of April 30, 2018			
Units issued and outstanding – 1,316,995 units as of October 31, 2017			
– 1,316,995 units as of April 30, 2018			
Surplus			
Reserve for reduction entry		260,208	260,208
Unappropriated retained earnings		3,341,782	3,679,603
Total unitholders' equity		123,952,139	124,289,960
TOTAL NET ASSETS		123,952,139	124,289,960
TOTAL LIABILITIES AND NET ASSETS		¥ 251,867,775	¥ 248,262,176

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

PROFIT AND LOSS STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017 AND APRIL 30, 2018

		Thousands of yen	
		October 31, 2017	April 30, 2018
OPERATING REVENUES AND EXPENSES			
Operating revenues			
Rental revenues	(Note-8)	¥ 7,164,842	¥ 7,449,431
Other rental revenues	(Note-8)	1,035,599	958,279
Gains from sale of properties	(Note-9)	-	271,355
Dividend income		443,601	475,667
Operating expenses			
Property operating expenses	(Note-8)	4,256,959	4,430,324
Asset management fees		347,281	366,632
Directors' compensation		4,200	4,200
Custodian fees		11,595	11,521
Administration fees		85,313	86,748
Audit fees		8,500	8,500
Other expenses		102,910	112,304
Operating income		3,827,282	4,134,502
NON-OPERATING REVENUES AND EXPENSES			
Non-operating revenues			
Interest income		73	75
Return of unclaimed distribution		1,687	1,458
Other non-operating revenues		326	829
Non-operating expenses			
Interest expenses		431,739	405,573
Interest expenses on corporate bonds		41,906	41,343
Amortization of corporate bond issuance costs		6,332	6,332
Amortization of new investment unit issuance costs		3,682	1,227
Other non-operating expenses		2,717	2,164
Ordinary income		3,342,989	3,680,222
Income before income taxes		3,342,989	3,680,222
Income taxes	(Note-10)		
Current		605	2,966
Deferred		1,334	(1,782)
Net income		3,341,050	3,679,037
Income carried forward		731	566
UNAPPROPRIATED RETAINED EARNINGS		¥ 3,341,782	¥ 3,679,603

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

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017 AND APRIL 30, 2018

	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	Total Voluntary Retained Earnings				
BALANCE AT APRIL 30, 2017	¥ 120,350,148	¥ 260,208	¥ 260,208	¥ 3,319,559	¥ 3,579,767	¥ 123,929,916	¥ 123,929,916
Changes during the period							
Cash distributions paid				(3,318,827)	(3,318,827)	(3,318,827)	(3,318,827)
Net income				3,341,050	3,341,050	3,341,050	3,341,050
Total changes during the period	-	-	-	22,223	22,223	22,223	22,223
BALANCE AT OCTOBER 31, 2017	¥ 120,350,148	¥ 260,208	¥ 260,208	¥ 3,341,782	¥ 3,601,990	¥ 123,952,139	¥ 123,952,139
Changes during the period							
Cash distributions paid				(3,341,216)	(3,341,216)	(3,341,216)	(3,341,216)
Net income				3,679,037	3,679,037	3,679,037	3,679,037
Total changes during the period	-	-	-	337,821	337,821	337,821	337,821
BALANCE AT APRIL 30, 2018	¥ 120,350,148	¥ 260,208	¥ 260,208	¥ 3,679,603	¥ 3,939,812	¥ 124,289,960	¥ 124,289,960

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

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017 AND APRIL 30, 2018

	Thousands of yen	
	October 31, 2017	April 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 3,342,989	¥ 3,680,222
Depreciation	1,400,032	1,403,579
Amortization of corporate bond issuance costs	6,332	6,332
Amortization of new investment unit issuance costs	3,682	1,227
Interest income	(73)	(75)
Refund of unpaid distributions	(1,687)	(1,458)
Interest expenses	473,646	446,917
Decrease (increase) in tenant receivables	(16,261)	7,998
Increase (decrease) in accounts payable	125,579	215,023
Decrease (increase) in consumption taxes refund receivables	(126,144)	152,153
Increase (decrease) in consumption taxes payable	-	401,679
Increase (decrease) in rents received in advance	98,375	202,574
Increase (decrease) in deposits received	5,851	8,050
Decrease in carrying amounts of property and equipment held in trust due to sale	-	5,058,777
Other	16,710	(524)
SUBTOTAL	5,329,035	11,582,479
Interest received	73	75
Interest paid	(543,666)	(469,500)
Income taxes (paid) refund	(4,928)	(7,153)
Net cash provided by (used in) operating activities	4,780,513	11,105,901
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(15,748,878)	(3,219,599)
Proceeds from tenant security deposits held in trust	813,169	270,256
Payments of tenant security deposits held in trust	(235,717)	(266,263)
Net cash provided by (used in) investing activities	(15,171,426)	(3,215,605)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	5,400,000	-
Proceeds from long-term loans payable	20,000,000	7,900,000
Repayments of short-term loans payable	(5,400,000)	(2,000,000)
Repayments of long-term loans payable	(5,000,000)	(10,900,000)
Payments of distributions	(3,319,292)	(3,340,102)
Net cash provided by (used in) financing activities	11,680,707	(8,340,102)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,289,794	(449,806)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,777,655	16,067,450
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-3)	¥ 16,067,450	¥ 15,617,643

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

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017 AND APRIL 30, 2018

Note-1. Organization and basis of presentation

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

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

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

As of April 30, 2018, PIC had total unitholders' capital of 120,350,148 thousand yen with 1,316,995 units outstanding.

As of April 30, 2018, PIC owned a portfolio of 26 office buildings, 33 residential properties and preferred securities of an SPC (60 properties in total). Total acquisition costs of those properties were 246,464 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 investment securities – Private securities without fair market value are stated at cost being determined by the moving average method.

(c) Depreciation and amortization –

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

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

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

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

Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over useful lives based on the tax law at that time. 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.

Long-term prepaid expenses – Prepaid expenses are amortized using the straight-line method.

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

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

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

(e) Property-related taxes – Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. PIC is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 64,190 thousand yen for the six months ended October 31, 2017 and there were no capitalized property-related taxes for the six months ended April 30, 2018.

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

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

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

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

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

(h) Accounting treatment of beneficiary interest in trust accounts, including real estate – For beneficiary interests in real estate trust, which are commonly utilized in the ownership of commercial properties in Japan and through which PIC holds all of its properties, all accounts of assets and liabilities held in trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and profit and loss statement.
Furthermore, the following material accounts are separately stated on the balance sheet for assets in trust recognized in relevant accounts.
(1) Cash and deposits held in trust
(2) Buildings held in trust, structures held in trust, tools, furniture and fixtures held in trust, and land held in trust
(3) Leasehold held in trust
(4) Other intangible fixed assets held in trust
(5) Other deposits held in trust
(6) Tenant security deposits held in trust

(i) Accounting for consumption taxes – The national and local consumption taxes are excluded from business transaction amounts. However, non-deductible consumption taxes on property acquisitions are capitalized with the acquisition costs of the individual properties.

Note-3. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2017 and April 30, 2018 consisted of the following:

	Thousands of yen	
	October 31, 2017	April 30, 2018
Cash and deposits	¥ 3,776,872	¥ 3,177,493
Cash and deposits held in trust	12,290,578	12,440,149
CASH AND CASH EQUIVALENTS	¥ 16,067,450	¥ 15,617,643

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, 2017 and April 30, 2018 consisted of the following:

	Thousands of yen					
	October 31, 2017			April 30, 2018		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 89,676,580	¥ 24,587,208	¥ 65,089,371	¥ 88,722,551	¥ 25,384,288	¥ 63,338,262
Structures	1,924,545	967,418	957,127	1,938,930	1,001,538	937,392
Tools, furniture and fixtures	304,575	179,632	124,943	334,856	194,152	140,703
Land	146,251,643	-	146,251,643	144,997,782	-	144,997,782
SUBTOTAL	238,157,345	25,734,259	212,423,086	235,994,121	26,579,979	209,414,141
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,469	5,204	1,265	6,469	5,598	871
SUBTOTAL	1,784,072	5,204	1,778,867	1,784,072	5,598	1,778,473
TOTAL	¥ 239,941,417	¥ 25,739,463	¥ 214,201,954	¥ 237,778,193	¥ 26,585,578	¥ 211,192,615

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, 2017 and April 30, 2018 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2017 (Amount)	April 30, 2018 (Amount)	
Unsecured bond No.4 (issued on July 25, 2013 and due on July 25, 2018)	¥ 7,500,000	¥ 7,500,000	0.72
Unsecured bond No.5 (issued on March 6, 2014 and due on March 6, 2019)	2,500,000	2,500,000	0.45
Unsecured bond No.6 (issued on March 6, 2014 and due on March 5, 2021)	2,500,000	2,500,000	0.72
TOTAL	¥ 12,500,000	¥ 12,500,000	-

* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning May 1, starting in 2018 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
¥ -	2,500,000	-	-

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

Short-term and long-term loans as of October 31, 2017 and April 30, 2018 consisted of the following:

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Remarks
	October 31, 2017 (Amount)	Increase	Decrease	April 30, 2018 (Amount)			
SHORT-TERM LOANS							
Sumitomo Mitsui Trust Bank, Limited	¥ 1,540,000	¥ -	¥ 570,000	¥ 970,000	0.22975	Jul. 31, 2018	Unsecured and non-guaranteed Floating rate
Mizuho Bank, Ltd.	760,000	-	280,000	480,000			
MUFG Bank, Ltd. *2	545,000	-	200,000	345,000			
Sumitomo Mitsui Banking Corporation	235,000	-	90,000	145,000			
Sumitomo Mitsui Banking Corporation	1,450,000	-	530,000	920,000	0.22975	Sep. 28, 2018	Unsecured and non-guaranteed Floating rate
Resona Bank, Limited.	580,000	-	220,000	360,000			
Mizuho Bank, Ltd.	290,000	-	110,000	180,000			
SUBTOTAL	5,400,000	-	2,000,000	3,400,000			
LONG-TERM LOANS *3 *4							
Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	1.21000	Sep. 5, 2018	Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited.	1,500,000	-	-	1,500,000			
MUFG Bank, Ltd. *2	1,250,000	-	-	1,250,000			
Aozora Bank, Ltd.	750,000	-	-	750,000			
Development Bank of Japan Inc.	750,000	-	750,000	-	0.98250	Nov. 16, 2017	Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	750,000	-	750,000	-			
Sumitomo Mitsui Banking Corporation	750,000	-	750,000	-			
MUFG Bank, Ltd. *2	750,000	-	750,000	-			
Resona Bank, Limited.	1,850,000	-	-	1,850,000	1.02875	Feb. 28, 2019	Unsecured and non-guaranteed Fixed rate
Mitsui Sumitomo Insurance Co., Ltd.	1,000,000	-	-	1,000,000			
Sumitomo Mitsui Trust Bank, Limited	2,600,000	-	2,600,000	-	0.88250	Mar. 27, 2018	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,500,000	-	1,500,000	-			
MUFG Bank, Ltd.	1,500,000	-	1,500,000	-			
Resona Bank, Limited.	1,200,000	-	1,200,000	-			
Aozora Bank, Ltd.	1,100,000	-	1,100,000	-			
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	1.15125	May 22, 2018	Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc.	2,400,000	-	-	2,400,000	0.71625	Sep. 30, 2019	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.71625	Sep. 30, 2019	Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd. *2	2,400,000	-	-	2,400,000	0.71625	Sep. 30, 2019	Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,400,000	-	-	2,400,000	0.91125	Sep. 30, 2021	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.87000	Mar. 31, 2022	Unsecured and non-guaranteed Fixed rate
Aozora Bank, Ltd.	650,000	-	-	650,000	0.69000	Mar. 31, 2020	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.91375	Apr. 28, 2022	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000			
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	-	3,500,000	0.86625	Jul. 29, 2022	Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,800,000	-	-	1,800,000			
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000			
MUFG Bank, Ltd. *2	3,000,000	-	-	3,000,000	0.80125	Aug. 31, 2022	Unsecured and non-guaranteed Fixed rate
The Norinchukin Bank	2,500,000	-	-	2,500,000			
Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000			

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Remarks
	October 31, 2017 (Amount)	Increase	Decrease	April 30, 2018 (Amount)			
Aozora Bank, Ltd.	3,000,000	-	-	3,000,000	0.73875	Nov. 30, 2022	Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	3,000,000	-	-	3,000,000	0.72875	Nov. 30, 2022	Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited.	3,000,000	-	-	3,000,000			
Mitsui Sumitomo Insurance Co., Ltd.	1,000,000	-	-	1,000,000			
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000			
NTT Finance Corporation	2,000,000	-	-	2,000,000	0.41375	Jan. 29, 2021	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.52380	Aug. 30, 2024	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000			
Aozora Bank, Ltd.	700,000	-	-	700,000	0.52380	Aug. 30, 2024	Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,040,000	-	-	2,040,000	0.62380	Oct. 30, 2026	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,140,000	-	-	1,140,000			
MUFG Bank, Ltd. *2	1,220,000	-	-	1,220,000	0.62380	Oct. 30, 2026	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	4,000,000	-	-	4,000,000	0.73500	Nov. 30, 2026	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000			
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000			
Sumitomo Mitsui Banking Corporation	3,200,000	-	-	3,200,000	0.24000	May 31, 2021	Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,800,000	-	-	1,800,000			
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42857	May 31, 2023	Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	4,000,000	-	-	4,000,000	0.53250	May 31, 2024	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	3,300,000	-	-	3,300,000	0.59880	May 30, 2025	Unsecured and non-guaranteed Fixed rate
The Bank of Fukuoka	2,000,000	-	-	2,000,000	0.28875	Aug. 31, 2023	Unsecured and non-guaranteed Fixed rate
The 77 Bank, Ltd.	1,000,000	-	-	1,000,000			
The Nomura Trust and Banking Co., Ltd.	1,000,000	-	-	1,000,000			
HIGASHI-NIPPON BANK, Ltd.	500,000	-	-	500,000			
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000			
Aozora Bank, Ltd.	-	1,100,000	-	1,100,000	0.40005	Mar. 27, 2023	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.54505	Mar. 27, 2025	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	-	2,600,000	-	2,600,000	0.61125	Mar. 27, 2026	Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited.	-	1,200,000	-	1,200,000			
MUFG Bank, Ltd.	-	1,500,000	-	1,500,000	0.61125	Mar. 27, 2026	Unsecured and non-guaranteed Fixed rate
	100,100,000	7,900,000	10,900,000	97,100,000			
TOTAL	¥ 105,500,000	¥ 7,900,000	¥ 12,900,000	¥ 100,500,000			

*1 Floating interest rates in the table above represent the weighted average interest rates for the period. For loans for which PIC conducted interest rate swap transactions in order to reduce the interest rate fluctuation risk, the fixed rate interests obtained by taking into account the effect of the interest rate swaps are indicated.

*2 The lending operations for corporations of Mitsubishi UFJ Trust and Banking Corporation were succeeded by MUFG Bank, Ltd. as of April 16, 2018 through an absorption-type company split.

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

*4 The anticipated maturities of long-term loans for the following five years (excluding long-term loans payable due within one year) beginning May 1, starting in 2018 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
¥ 7,850,000	2,000,000	12,350,000	26,600,000

Note-8. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2017 and April 30, 2018 were as follows:

	Thousands of yen	
	October 31, 2017	April 30, 2018
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 5,962,912	¥ 6,232,978
Common area charges	1,201,929	1,216,453
Subtotal	7,164,842	7,449,431
Other rental revenues		
Parking fees	231,972	226,648
Facility fees	62,144	62,705
Incidental revenues	609,512	565,431
Miscellaneous income	131,970	103,493
Subtotal	1,035,599	958,279
TOTAL REAL ESTATE RENTAL REVENUES	8,200,442	8,407,710
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,075,007	1,084,949
Utilities	663,439	625,387
Real estate taxes	569,945	566,005
Insurance	16,116	16,396
Maintenance and repairs	337,077	529,466
Trust fees	35,542	32,245
Depreciation	1,398,583	1,402,143
Miscellaneous expenses	161,247	173,729
TOTAL REAL ESTATE RENTAL EXPENSES	4,256,959	4,430,324
REAL ESTATE RENTAL INCOME	¥ 3,943,482	¥ 3,977,386

Note-9. Gains from sale of properties

Gains from sale of properties for the six months ended October 31, 2017 was not applicable.

Gains from sale of properties for the six months ended April 30, 2018 was as follows:

	Thousands of yen	
	April 30, 2018	
	Ougaku Building	NU Kannai Building
Revenues from sale of properties	¥ 1,870,000	¥ 3,550,000
Cost of properties	1,688,965	3,368,841
Other expenses for sale	5,960	84,876
GAINS FROM SALE OF PROERTIES	¥ 175,073	¥ 96,281

Note-10. Income taxes

Income taxes in Japan applicable to PIC consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended October 31, 2017 and April 30, 2018:

	October 31, 2017	April 30, 2018
Statutory tax rate	31.74%	31.74%
Adjustments		
Deductible cash distributions	(31.65)	(30.52)
Other	(0.03)	(1.19)
EFFECTIVE TAX RATE	0.06%	0.03%

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, 2017 and April 30, 2018 were as follows:

	Thousands of yen	
	October 31, 2017	April 30, 2018
Deferred tax assets		
Enterprise taxes	¥ 1,765	¥ 3,547
Total of deferred tax assets	1,765	3,547
NET DEFERRED TAX ASSETS	¥ 1,765	¥ 3,547

Note-11. Per unit information

The following table summarizes the net assets per unit as of October 31, 2017 and April 30, 2018 and the net income per unit for the six months ended October 31, 2017 and April 30, 2018:

	October 31, 2017	April 30, 2018
Net assets per unit	¥ 94,117	¥ 94,373
Net income per unit	2,536	2,793

*1 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.
Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended October 31, 2017 and April 30, 2018.

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

	Thousands of yen	
	October 31, 2017	April 30, 2018
Net income	¥ 3,341,050	¥ 3,679,037
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	3,341,050	3,679,037
Average number of units during the period	1,316,995 units	1,316,995 units

Note-12. Leases

PIC leases some properties to tenants under non-cancellable operating leases. As of October 31, 2017 and April 30, 2018, the future lease revenues under the non-cancellable operating leases were as follows:

	Thousands of yen	
	October 31, 2017	April 30, 2018
Due within one year	¥ 526,117	¥ 471,730
Due after one year	2,473,539	2,404,439
TOTAL	¥ 2,999,656	¥ 2,876,169

Note-13. Distribution information

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

[October 31, 2017]
In accordance with this policy, PIC declared a total distribution of 3,341,216,315 yen as distribution of income for the 30th fiscal period (payment to start on January 15, 2018), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 30th fiscal period.

[April 30, 2018]
In accordance with this policy, PIC declared a total distribution of 3,538,765,565 yen as distribution of income for the 31st fiscal period (payment to start on July 6, 2018), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, from the unappropriated retained earnings for the 31st fiscal period after deducting the provision of reserve for reduction entry recorded pursuant to the "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" (Article 65-7 of the said Law).

Income carried forward after the distributions for the six months ended October 31, 2017 and April 30, 2018 were as follows:

	October 31, 2017	April 30, 2018
Unappropriated retained earnings	¥ 3,341,782,340	¥ 3,679,603,879
Cash distributions declared	3,341,216,315	3,538,765,565
(Cash distribution declared per unit)	(2,537)	(2,687)
Provision of reserve for reduction entry	-	140,059,069
INCOME CARRIED FORWARD	¥ 566,025	¥ 779,245

Note-14. Financial instruments

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

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

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

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

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

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

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

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

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

(b) Items concerning fair value of financial instruments - The book values recorded on the balance sheet, fair values and their difference as of October 31, 2017 and April 30, 2018 were as follows:

	Thousands of yen					
	October 31, 2017			April 30, 2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference
ASSETS						
(1) Cash and deposits	¥ 3,776,872	¥ 3,776,872	¥ -	¥ 3,177,493	¥ 3,177,493	¥ -
(2) Cash and deposits held in trust	12,290,578	12,290,578	-	12,440,149	12,440,149	-
TOTAL ASSETS	¥ 16,067,450	¥ 16,067,450	¥ -	¥ 15,617,643	¥ 15,617,643	¥ -
LIABILITIES						
(3) Short-term loans payable	¥ 5,400,000	¥ 5,400,000	¥ -	¥ 3,400,000	¥ 3,400,000	¥ -
(4) Long-term loans payable due within one year	18,900,000	19,001,455	101,455	10,850,000	10,903,818	53,818
(5) Corporate bonds payable due within one year	7,500,000	7,531,500	31,500	10,000,000	10,016,000	16,000
(6) Long-term loans payable	81,200,000	81,475,785	275,785	86,250,000	86,403,548	153,548
(7) Corporate bonds	5,000,000	5,038,125	38,125	2,500,000	2,530,650	30,650
TOTAL LIABILITIES	¥ 118,000,000	¥ 118,446,866	¥ 446,866	¥ 113,000,000	¥ 113,254,017	¥ 254,017
(8) Derivative Transactions	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

*1 The following methods are used to estimate the fair value of financial instruments:
(1) Cash and deposits, and (2) cash and deposits held in trust - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) Short-term loans payable - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(4) Long-term loans payable due within one year and (6) long-term loans payable - For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note 16. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that PIC borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that PIC borrows new loans corresponding to the remaining periods.
(5) Corporate bonds payable due within one year and (7) Corporate bonds - Fair values of these instruments are calculated based on their market prices.
(8) Derivative Transactions - Refer to Note 16. Derivative Transactions below.

*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:
Investment securities - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen as of October 31, 2017 and April 30, 2018, 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, 2017 and April 30, 2018 are as follows:

	Thousands of yen					
	October 31, 2017					
	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
Cash and deposits	¥ 3,776,872	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	12,290,578	-	-	-	-	-
TOTAL	¥ 16,067,450	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	April 30, 2018					
	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
Cash and deposits	¥ 3,177,493	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	12,440,149	-	-	-	-	-
TOTAL	¥ 15,617,643	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds as of October 31, 2017 and April 30, 2018 are as follows:

	Thousands of yen					
	October 31, 2017					
	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
Short-term loans payable	¥ 5,400,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	18,900,000	10,050,000	650,000	9,400,000	19,450,000	41,650,000
Corporate bonds	7,500,000	2,500,000	-	2,500,000	-	-
TOTAL	¥ 31,800,000	¥ 12,550,000	¥ 650,000	¥ 11,900,000	¥ 19,450,000	¥ 41,650,000

	Thousands of yen					
	April 30, 2018					
	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
Short-term loans payable	¥ 3,400,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	10,850,000	7,850,000	2,000,000	12,350,000	26,600,000	37,450,000
Corporate bonds	10,000,000	-	2,500,000	-	-	-
TOTAL	¥ 24,250,000	¥ 7,850,000	¥ 4,500,000	¥ 12,350,000	¥ 26,600,000	¥ 37,450,000

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, 2017 and April 30, 2018 respectively.

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

Note-16. Derivative transactions

(a) Derivatives to which hedge accounting is not applied - Not applicable for the six months ended October 31, 2017 and April 30, 2018.

(b) Derivatives to which hedge accounting is applied - For the six months ended October 31, 2017 and April 30, 2018, the following table shows the contract amount or amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2017			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 60,980,000	¥ 60,980,000	*	-

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			April 30, 2018			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 66,280,000	¥ 66,280,000	*	-

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

Note-17. Rental property

PIC owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of October 31, 2017 and April 30, 2018, the changes during the fiscal period and their fair values are as follows:

	Thousands of yen							
	October 31, 2017				April 30, 2018			
	Book value at May 1, 2017 *1	Increase and Decrease during the period *2	Book value at October 31, 2017 *1	Fair value at October 31, 2017 *3	Book value at November 1, 2017 *1	Increase and Decrease during the period *2	Book value at April 30, 2018 *1	Fair value at April 30, 2018 *3
Office buildings	¥ 131,378,777	¥ 14,927,956	¥ 146,306,734	¥ 161,538,000	¥ 146,306,734	¥ (5,033,692)	¥ 141,273,041	¥ 158,144,000
Residential properties	68,350,018	(454,798)	67,895,220	73,946,000	67,895,220	2,024,353	69,919,573	76,732,000
TOTAL	¥ 199,728,796	¥ 14,473,157	¥ 214,201,954	¥ 235,484,000	¥ 214,201,954	¥ (3,009,338)	¥ 211,192,615	¥ 234,876,000

*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisitions).

*2 Of the increases and decreases in rental properties during the period, major increases in the fiscal period ended October 31, 2017 are due to the acquisition of Sphere Tower Tennozu (15,286,342 thousand yen) and the capital expenditures (585,399 thousand yen), and major decreases are due to the depreciation (1,398,583 thousand yen). Major increases in the fiscal period ended April 30, 2018 are due to the acquisition of Premier Stage Azabu-Juban (1,451,128 thousand yen) and Premier Stage Sasazuka (1,098,892 thousand yen) and the capital expenditures (901,531 thousand yen), and major decreases are due to the sale of Ougaku Building (1,688,965 thousand yen) and NU Kannai Building (3,368,841 thousand yen) and the depreciation (1,402,143 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, 2017 and April 30, 2018 are as follows:

	Thousands of yen					
	October 31, 2017			April 30, 2018		
	Real estate rental revenues	Real estate rental expenses	Real estate rental income	Real estate rental revenues	Real estate rental expenses	Real estate rental income
Office buildings	¥ 5,733,771	¥ 2,940,802	¥ 2,792,968	¥ 5,884,369	¥ 3,107,023	¥ 2,777,345
Residential properties	2,466,671	1,316,156	1,150,514	2,523,341	1,323,300	1,200,040
TOTAL	¥ 8,200,442	¥ 4,256,959	¥ 3,943,482	¥ 8,407,710	¥ 4,430,324	¥ 3,977,386

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

Note-18. Segment information

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

(b) Related information -

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

(ii) Information on geographical area -

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

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

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

Note-19. Subsequent events

(a) Issuance of corporate bonds - PIC issued the following Corporate bonds on July 24, 2018, in order to partially fund redemption of Premier Investment Corporation No.4 Unsecured Corporate Bonds (7,500 million yen), whose maturity date was July 25, 2018.

	Premier Investment Corporation No.7 Unsecured Corporate Bond (subject to a limited pari passu clause between specified corporate bond)	Premier Investment Corporation No.8 Unsecured Corporate Bond (subject to a limited pari passu clause between specified corporate bond)
Total issue price	2,000 million yen	4,000 million yen
Issue price	100 yen per 100 yen of each corporate bond	
Redemption price	100 yen per 100 yen of each corporate bond	
Method of offering	Public offering	
Payment date (Issue date)	July 24, 2018	
Maturity	July 24, 2023 (5 years)	July 24, 2028 (10 years)
Interest rate	0.25% per annum	0.58% per annum
Interest payment dates	January 24 and July 24 of each year	
Collateral / Guarantee	Unsecured and unguaranteed	

(b) Borrowing of funds - PIC borrowed the following long-term loans on July 24, 2018, in order to partially fund redemption of Premier Investment Corporation No.4 Unsecured Corporate Bonds (7,500 million yen),whose maturity date was July 25, 2018.

Lenders	Mizuho Bank, Ltd.	Sumitomo Mitsui Trust Bank, Limited
Amount of debt finance	1,000 million yen	500 million yen
Drawdown date	July 24, 2018	
Repayment date	July 24, 2028	
Repayment method	Lump-sum repayment upon maturity	
Interest rate (p.a.), etc.	Fixed rate: 0.76755%*	Fixed rate: 0.76755%*
Collateral / Guarantee	Unsecured and unguaranteed	

* The interest rate fluctuation risk is reduced by conducting interest rate swap transactions for the loan balances. The fixed interest rate is presented by taking into account the effect of the interest rate swap.

OTHER INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017 AND APRIL 30, 2018

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 31st Fiscal Period	Amount Paid before the 31st Fiscal Period
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of sanitary facilities	March 2018 – October 2020	1,022,336	-	-
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of air conditioning systems	December 2017– April 2020	1,017,664	372,347	372,347
Urbannet Omori Building	Ota Ward, Tokyo	Renovation of air conditioning systems	June 2016 – April 2019	99,543	-	32,324
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of elevator	July 2018 – December 2018	75,000	-	-
Urbannet Shizuoka Ote-machi Building	Shizuoka City, Shizuoka	Renovation of sanitary facilities	May 2017 – January 2019	70,784	15,510	28,548
Ueno TH Building	Bunkyo Ward, Tokyo	Renovation of elevator	April 2018 – May 2018	23,000	-	-
Granpark	Minato Ward, Tokyo	Renovation of emergency power supply	April 2018 – December 2018	21,406	-	-

2. Capital Expenditures during the 31st Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 31st fiscal period (November 1, 2017 – April 30, 2018) for the portfolio owned by PIC. Capital expenditures during the period totaled 901,531 thousand yen. This amount, combined with maintenance and repair expenditures of 529,466 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,430,997 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of air conditioning systems	December 2017 – April 2018	372,347
The Kanagawa Science Park R&D Building	Kawasaki City, Kanagawa	Renovation of air conditioning systems, etc.	December 2017 – February 2018	231,349
NTT CRED Okayama Building	Okayama City, Okayama	Renovation of security systems	November 2017 – March 2018	57,564
Premier Kaigan Building	Minato Ward, Tokyo	Renovation of disaster prevention system	March 2018 – March 2018	24,581
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of air conditioning systems	March 2018 – April 2018	17,650
Urbannet Shizuoka Ote-machi Building	Shizuoka City, Shizuoka	Renovation of sanitary facilities	August 2017 – December 2018	15,510
Other construction	-	-	-	182,529
Total				901,531

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

Item / Fiscal Period	Thousands of yen	
	30th Fiscal Period (May 1, 2017 – October 31, 2017)	31st Fiscal Period (November 1, 2017 – April 30, 2018)
Deposits at end of the preceding period	503,457	562,862
Deposits made during the period	63,868	20,123
Amounts used from deposits during the period	4,462	4,513
Deposits carried forward to the next period	562,862	578,472

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, Etc.

(1) PIC repaid the 5,000 million yen in long-term and short-term loans by using the proceeds from sale of NU Kannai Building, which was transferred on November 9, 2017, as well as cash on hand.

- Repayment as scheduled of the 3,000 million yen in a long-term loan borrowed on November 16, 2012 (repayment date: November 16, 2017)
- Partial early repayment of 1,140 million yen for the 3,080 million yen in a short-term loan borrowed on July 31, 2017 (repayment date: November 30, 2017)
- Partial early repayment of 860 million yen for the 2,320 million yen in a short-term loan borrowed on September 29, 2017 (repayment date: November 30, 2017)

(2) PIC refinanced the 7,900 million yen in a long-term loan borrowed on March 27, 2013 into a long-term loan on March 27, 2018. The following table shows the breakdown, including the lenders, of the 7,900 million yen in the long-term loan.

Lenders	Aozora Bank, Ltd.	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Trust Bank, Limited	Resona Bank, Ltd.	MUFG Bank, Ltd.
Amount of Debt Finance	1,100 million yen	1,500 million yen	2,600 million yen	1,200 million yen	1,500 million yen
Drawdown Date	March 27, 2018				
Repayment Date	March 27, 2023	March 27, 2025	March 27, 2026		March 27, 2026
Repayment Method	Lump-sum repayment upon maturity				
Interest Rate (p.a.), etc.	Fixed rate: 0.40005%	Fixed rate: 0.54505% *	Fixed rate: 0.61125% *		Fixed rate: 0.61125%
Collateral/Guarantee	Unsecured and non-guaranteed				

* The interest rate fluctuation risk is reduced by conducting interest rate swap transactions for the loan balances.
The fixed interest rate is presented by taking into account the effect of the interest rate swap.

As a result of the above, PIC's interest-bearing liabilities totaled 113,000 million yen as of April 30, 2018. The breakdown is as follows:

3,400 million yen in short-term loans, 97,100 million yen in long-term loans (including long-term loans due within one year) and 12,500 million yen in corporate bonds (including corporate bonds due within one year). Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 97.0%.

2. Credit Ratings

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

Rating Agency	Rating	
	Issuer rating (Rating outlook)	Bond rating
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)	AA- *1
Rating and Investment Information, Inc. (R&I)	A+ (Stable)	A+ *2

*1 The bond credit rating has been granted to the Unsecured bond No. 7 (subject to a limited pari passu clause between specified corporate bonds; total issue price: 2,000 million yen) and the Unsecured bond No. 8 (subject to a limited pari passu clause between specified corporate bonds; total issue price: 4,000 million yen) PIC issued as of July 24, 2018.
*2 The bond credit rating has been granted to the Unsecured bonds No. 5 and 6.

STRATEGIC POLICIES

I. INVESTMENT POLICY

1. Basic Policy

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

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

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

2. Portfolio Management Standards Based on Basic Policy

1. Holding Period

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

2. Acquisition Standards

A) Acquisition Standards

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

B) Use see table on page 42

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 42, PIC works to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings, aiming to minimize the adverse effects of changes in economic and social conditions on PIC's earnings and ensure creation of stable cash flow over the medium to long term.

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

C) Areas see table on page 43

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 43 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	**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. **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. **c.** PIC will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.
Residential Properties	**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. **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. **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. **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.
(Classification by type of residential properties) **Wide**	**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. **b.** Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in a. above, these tenants have higher creditworthiness than those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants appears to be low. **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.
Family	**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. **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.
DINKs	**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.") **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.
Single	**a.** This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles. **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. **c.** Since the 5 Central Wards of Tokyo (Note 2), 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.

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

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

D) Asset Size by Property

see table below

a. Office buildings

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

b. Residential properties

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

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

E) Due Diligence see table on page 44

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

F) Standards for Tenant Selection

see table below

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

Area	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Urban Areas Surrounding Tokyo (Note 1)	Major Regional Cities (Note 2)
Office buildings	50% or more	0% - 20%	0% - 40%	0% - 20%
Residential properties	50% or more	0% - 40%	0% - 20%	0% - 20%

(Note 1) Urban Areas Surrounding Tokyo refers to Tokyo Prefecture excluding the 23 wards of Tokyo, Kanagawa Prefecture (Yokohama City, Kawasaki City and other cities), Saitama Prefecture (Saitama City and other cities) and Chiba Prefecture (Chiba City and other cities) (hereinafter the same).

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

(Note 3) Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although PIC makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring the investment assets.

Asset Size per Property

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

Standards for Tenant Selection

Classification	Check Items (Details)
Corporations	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.

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 incompletion of the perfection of a leasehold interest and review of other interests or rights superseding the leasehold interest 2. Existence or non-existence of registration of rights for a site where the building is located, existence or non-existence of (i) restrictions on separate disposition of a building and the right for a site where a property is located and (ii) registrations thereof, and (iii) proportions of ownership shares 3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term maintenance and repair plans 4. Existence or non-existence of (i) special agreements prohibiting separation of co-ownership interest and (ii) registration thereof, appropriate measures concerning such matters as requests for separation of co-ownership interest and sales of said co-ownership interests, and obligations and rights between such owners 5. Compartmentability of compartmentalized ownership 6. Status of collateral established before acquisition of the property by PIC, terms of such collateral agreement, and whether any such collateral agreement is to be succeeded 7. Terms of agreements, special agreements, etc. which are executed with lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (including whether they are corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
	Property line inspection	1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
	Tenant attributes	1. Purpose of use by tenants, and formats of agreements with tenants 2. Existence or non-existence of any disputes with tenants

G) Amount of Investment

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

b. On the other hand, the maximum ratio of the investment amount of a single investment asset will, in principle, be 25% of the total amount invested in the investment assets after investing in that single asset, and an investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

3. Sales Standards

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

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

a. Strategic classifications

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

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

b. Specific cases where sale will be considered

1) When a strategic sale would contribute to earnings of PIC:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
2) When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
3) When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not be achieved even with additional allocation of capital.
[Example 2] When another investment asset with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the asset to lose importance in the portfolio structure.
4) When the property is sold from a financial viewpoint:
[Example] When a reduction in the interest-bearing liabilities ratio is intended.

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

4. Policy for Investment in Development Projects

PIC shall, in principle, acquire investment assets that provide or promise stable rental income or similar earnings. PIC does not intend to acquire undeveloped land and construct buildings thereon. However, with regard to an investment 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 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

A) In managing real estate, PIC intends to maintain and enhance the value and competitiveness of its 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).

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

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

C) 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.

D) 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.

E) 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 shall make efforts to provide appropriate information for making investment decisions at all times by disclosing, to the greatest extent possible, information that is considered useful for unitholders/investors to understand PIC.

B) PIC shall make efforts to establish a system which enables prompt transmission of accurate and unbiased information to unitholders/investors.

C) PIC shall disclose information in accordance with the contents and the formats required by the Act on Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange, The Investment Trusts Association, Japan, etc.

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

In principle, PIC shall make distributions based on the following policies:

1) Of the total cash amount to be distributed to unitholders, profits (the amount obtained by subtracting the sum total of unitholders' capital and surplus from the net assets amount appearing on the balance sheet of PIC; hereinafter the same) shall be calculated based on the Investment Trusts Act, corporate accounting standards generally accepted in Japan and other corporate accounting practices.
2) Where it is approved by tax-related laws and regulations in Japan to include the cash distributions to unitholders of PIC in deductible expenses under certain conditions, PIC must make cash distributions to its unitholders in a way that meets the requirements provided by the tax-related laws and regulations in Japan for approving the inclusion in deductible expenses.

2. Distributions in Excess of Earnings

When it is possible to reduce imposition of corporate tax and other taxes for PIC or is otherwise determined by the Board of Directors as appropriate, PIC shall be able to make cash distributions in excess of earnings based on the Statements of Cash Distributions approved by the Board of Directors, pursuant to the provisions of the Investment Trusts Act, on the condition that, however, the distribution amount shall not exceed the amount designated by the rules of The Investment Trusts Association, Japan, etc.

3. Distribution Method

Distributions provided in 1. and 2. above shall be paid in cash and, in principle, distributed within three months from the settlement date to the unitholders or registered investment unit pledgees who are listed or registered or recorded in the latest unitholders registry as of the settlement date, in accordance with the number of investment units held by the unitholders or the number of investment units subject to the registered pledges of investment units.

4. Limitation on Cash Distributions

If the distributions specified in 1. and 2. above are unclaimed for a period of three full years after the date on which such distributions first became payable, PIC shall be discharged from its payment obligation thereof. Furthermore, any distributions remaining unpaid shall bear no interest.

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

MEMO

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