

**Industrial & Infrastructure Fund Investment Corporation**

**10<sup>th</sup> Asset Management Report**

**(Semi-Annual Report 10<sup>th</sup>)**

**January 1, 2012 – June 30, 2012**

 **Industrial & Infrastructure Fund Investment Corporation**

---

Industrial & Infrastructure Fund Investment Corporation (IIF) invests in social infrastructure as a source of power for the Japanese economy and supports Japan's industrial activities from the perspective of real estate.

Industrial & Infrastructure Fund Investment Corporation (IIF) was established in March 2007 as the only J-REIT specializing in industrial properties and became listed on the REIT securities market of the Tokyo Stock Exchange (securities code: 3249) in October 2007.

IIF aims to **continuously expand unitholder value** by securing **a stable profit** and achieving steady growth of the properties under management. It aims to achieve this by investing in logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term (hereinafter collectively referred to as “industrial properties”).

#### **Mitsubishi Corp. – UBS Realty Inc.**

The investment corporation has signed an asset management agreement with Mitsubishi Corp. – UBS Realty Inc. (hereinafter referred to as the “Asset Manager”) and consigned the asset management business based on its articles of incorporation and investment policy.

The Asset Manager is sponsored by Mitsubishi Corporation, one of the largest general trading companies in Japan, and UBS A.G., the world's leading financial group. It invests in industrial properties with the aim of securing a stable profit and achieving steady growth of the properties under management in the medium and long term.

# Greetings

I greatly appreciate all the unitholders' continued courtesies.

Industrial & Infrastructure Fund Investment Corporation (IIF) raised about 19.6 billion yen by issuing new investment units through a public offering in March 2012. With this and borrowings of 18.0 billion yen, IIF acquired six new properties (for a total acquisition price of 37.2 billion yen). IIF's asset size increased 1.5 times to 154.9 billion yen (based on total assets) compared with the end of the 7<sup>th</sup> Period (Fiscal period ended December 31, 2010) through external growth<sup>1</sup> brought about by a capital increase realized by implementing a public offering for two straight years.

In January 2012, IIF was assigned an "AA-" rating by the Japan Credit Rating Agency, Ltd. (JCR) as an evaluation of its prior efforts for stable asset management and robust portfolio. IIF will strive to expand its asset size further by aiming to increase distribution per unit and NAV<sup>2</sup> through acquiring prime properties.

Having completed the 10<sup>th</sup> Period successfully, I would like to ask for all the unitholders' continued support.

1 External growth means enhancing profitability and stability of the portfolio by expanding asset size through acquiring additional properties.

2 NAV indicates net asset value and is calculated by subtracting debts such as investment corporation bonds and borrowings from the appraisal value of properties. A comparison between NAV per unit and the current investment unit price of the investment corporation will indicate if the investment unit price is undervalued or overvalued relative to the net asset value.

Yasuyuki Kuratsu

Executive Director

Industrial & Infrastructure Fund Investment Corporation

The word “産” *san* (meaning “industry” in Japanese) on the cover of this report is a keyword for IIF. It also indicates industrial properties, which IIF invests in and manages. “産” *san* also means “to produce” and “to establish” and symbolizes IIF's principle of aiming to support Japan's industrial activities from the perspective of real estate and the pioneer spirit of establishing a new J-REIT sector.

Figures in this asset management report are as of June 30, 2012 unless otherwise noted.

# Superiority of IIF

Two capabilities that support IIF

*Growth potential*

Asset size

154.9 billion yen

IIF issued new investment units through a public offering for two consecutive years to finance acquisition of a total of 11 properties with a total acquisition price of 48.6 billion yen. Compared with the 7<sup>th</sup> Period (Fiscal period ended December 31, 2010), which is a period before the public offerings, the number of properties doubled to 22 and the asset size increased about 1.5 times to 154.9 billion yen (based on total assets).

Distribution per unit

13,176 yen

Distribution per unit increased 30% compared with the end of the 7<sup>th</sup> Period, before the public offerings, to 13,176 yen. IIF expects a 41% increase in distribution per unit if the forecast for the 11<sup>th</sup> Period (Fiscal period ended December 31, 2012) is factored in. In addition to this, IIF has continuously achieved growth of NAV per unit, which also has contributed to increases in investment unit price and market capitalization.

Implementation of a CRE strategy

15 properties

IIF has acquired 15 properties by proactively making proposals based on a CRE strategy (see below) by capitalizing on its own know-how and network and through support from a variety of sellers and tenants of properties. IIF has acquired properties through One-on-one negotiations\* by avoiding competition, and this has contributed to increases in unrealized gain and profitability.

\* One-on-one negotiations are a method of buying and selling through negotiations between the parties involved and by bypassing a market. The transaction price is determined by agreement between the participants, and thus is generally lower than the price determined by bidding in which two or more participants participate.

### What is a Corporate Real Estate (CRE) strategy?

A CRE strategy is a corporate strategy to manage and invest in corporate real estate. This strategy aims to maximize corporate value by managing properties optimally and efficiently. By implementing a CRE strategy, both the investment corporation and business corporations create a win-win relationship: Acquisition of properties by the investment corporation brings about separation of ownership and use of properties for business corporations that own the properties, and long-term and stable lease contracts and cash flows for the investment corporation.

### *Stability*

#### Occupancy ratio

100%

The investment corporation has maintained an occupancy ratio of 99.9% since becoming listed. In addition, it renewed a lease contract for one property in the current period. As a result, IIF has been enjoying an occupancy ratio of 100% since July 2012 (please refer to page 6 for details).

#### Average remaining lease term

11.0 years

The average lease term of all the 22 properties is 16.4 years, and the average remaining lease term of these properties is 11.0 years. Compared with REITs that invest in office buildings and residential properties, IIF has established a portfolio with a more stable contract period and rent revenue over a long period of time that generates stable cash flows.

### Rating

AA-

Having been regarded highly for its expanding portfolio and sound financial standing comprehensively, IIF was assigned an “AA-” rating by the Japan Credit Rating Agency, Ltd. (JCR) in January 2012. In addition, IIF’s outlook was revised from “Stable” to “Positive” in August on account of its capital increase through a public offering, which was carried out subsequent to the first rating assignment.

## IIF Focus

### Establishing a portfolio that will achieve both growth and stability

IIF has completed settlement of accounts for its 10<sup>th</sup> Period (Fiscal period ended June 30, 2012). In the period under review, IIF obtained its first credit rating and carried out a capital increase through a public offering by issuing new investment units for two consecutive years. As a result, it was able to expand its asset size and further diversify its portfolio. IIF implemented a strategy of continuously enhancing unitholder value while pursuing both growth and stability, and successfully achieved an increase in cash distributions for three consecutive periods.

Takuya Kuga, President & CEO of Mitsubishi Corp. – UBS Realty Inc., IIF's asset manager, would like to explain our activities in the 10<sup>th</sup> Period and future outlook.

#### ➤ **Reinforcing properties under management**

##### **Acquiring six properties which have prime tenants and achieving an occupancy rate of 100%**

IIF acquired a total of six properties for a total acquisition price of 37.2 billion yen, which was financed by a capital increase through a public offering carried out in March 2012. The newly-acquired six properties have prime corporate tenants such as IBM Corporation and JCB Co., Ltd. IIF acquired these properties, mainly through One-on-one negotiations with sellers by avoiding competition, at acquisition prices that will achieve an average NOI yield of 7.1% and average NOI yield after depreciation of 6.2% for these six properties, which are significantly higher than the yields for existing properties. In this way, these properties will help enhance the profitability of the overall portfolio. The average remaining lease term of the newly acquired six properties is long at 7.1 years. Therefore we at IIF simultaneously achieved an expansion of asset size and profitability enhancement, while realizing long-term stability of rent revenue, and we expect this will contribute significantly to stable management of our portfolio.

Looking at existing properties, the lease contract with the tenant of IIF Atsugi Logistics Center expired on June 30, 2012, and IIF successfully invited a new tenant without a vacancy period after the old tenant had vacated the property. IIF also signed a new fixed-term building lease contract for IIF Kobe District Heating and Cooling Center with Osaka Gas Co., Ltd., the then tenant of the property. The new contract includes leasing of additional space that was left vacant in the previous contract. As a result, the occupancy rate of IIF's overall portfolio has been at 100% since July.

#### ➤ **Enhancing financial standing**

##### **Assignment of credit rating, extending the term of borrowings and prepayment of subordinated loans**

In January 2012, IIF was assigned an "AA-" rating for its senior debts by the Japan Credit Rating Agency Ltd. (JCR). An "AA-" rating denotes a very high level of capacity to honor financial commitments to obligations, and IIF was granted this rating on account of its previous efforts for reinforcing the financial base.

In March 2012, IIF newly borrowed 18 billion yen to finance property acquisition following the capital increase through a public offering. IIF worked to diversify the number of financial institutions that lend it money, and was able to obtain a 12-year, long-term loan, which is currently the longest term loan among those extended to J-REITs, for part of

the new borrowings. The average loan period of the new borrowings is 6.9 years, which is almost equivalent to the average remaining lease term of the newly acquired properties of 7.1 years. In addition, the average NOI yield of the newly acquired properties is 7.1% while IIF was able to keep the average borrowing rate low at 1.4%. This will enable the investment corporation to expect stable profit for a long period of time.

In June 2012, IIF obtained a long-term loan of 2 billion yen and repaid part of subordinated loans before maturity. Through such measures, IIF extended the terms of borrowings and reducing the financing cost. In addition, IIF plans to prepay the remaining balance of subordinated loans of 3.9 billion in September 2012.

In August 2012, JCR changed the outlook of its rating on IIF from AA-/Stable to AA-/Positive. This reflects JCR's evaluation that IIF has maintained a stable rental business since the rating assignment in January, expanded earnings bases and improved earnings stability through external growth brought about by the public offering and lowered the LTV level.

### ➤ **Improvement of profit distribution**

#### **Achieving an increase of 6.5% from the previous period to 13,176 yen**

During the period under review, distribution per unit increased 6.5% from the end of the 9<sup>th</sup> Period to 13,176 yen to realize a growth in profit distribution for three consecutive years. This was as a result of measures such as a capital increase through issuance of new investment units through a public offering in March 2012, acquisition of new properties through borrowings and refinancing of subordinated loans in June 2012. In addition, IIF expects an increase in profit distribution per unit for the fourth period running in the 11<sup>th</sup> Period (Fiscal period ended December 31, 2012) to 14,263 yen, an increase of 8.2% from the result of the 10<sup>th</sup> Period. This is because the newly acquired six properties will fully contribute to the 11<sup>th</sup> period's fund performance (for six months) while they contributed only half the time (for three months) for the 10<sup>th</sup> Period.

### ➤ **On completion of the 10<sup>th</sup> Period**

#### **Toward future growth**

IIF, which was listed in October 2007, has ended the 10<sup>th</sup> Period (Fiscal period ended June 30, 2012). During this time, the global financial crisis has had a negative impact on the environment surrounding J-REIT. As a result, we at IIF were obliged to focus our efforts on establishing a system for prioritizing payment of stable distribution rather than growth of asset size and become cautious about acquiring new properties for a long time. Fortunately, we were able to lay the foundations for growth in this period, and it enabled us to successfully implement a capital increase through a public offering for two years in a row in 2011 and 2012. We believe that IIF's achievements were evaluated highly by third-party organizations such as Thomson Reuters Markets. In addition, IIF's previous efforts were acknowledged externally and it was incorporated in a global index (a benchmark that indicates trends in the stock market) of listed real estate companies including REITs (for details, please refer to page 9).

IIF will continue seeking to expand profit by acquiring prime properties to achieve growth of distribution per unit and NAV by capitalizing on its own network and utilizing various methods including proposal-based property acquisition that respond to each company's CRE strategy. I would like to express my deepest gratitude to all the unitholders for

having supported IIF for the past five years since its listing, and ask for their continued understanding and courtesies for its activities.

Takuya Kuga

President & CEO

Mitsubishi Corp. – UBS Realty Inc.

### **Incorporation in GPR 250 Index / GPR 250 REIT Index\***

IIF was incorporated in GPR 250 Index / GPR 250 REIT Index, which are created and announced by Global Property Research. IIF was ranked fifth among the 191 constituents of the GPR 250 REIT Index for the performance of Q2 2012 (April 1, 2012 – June 30, 2012). This was the only REIT in an Asian country to be ranked in the top 5 in the index, indicating IIF's top performance in the region.

\* GPR 250 Index comprised of 250 constituents which are representative and highly liquid listed real estates in the world. GPR 250 REIT Index is the index which comprised only of REITs who are constituents of GPR 250 Index.

### **Winning the Thomson Reuters DealWatch Awards 2011\***

IIF received the J-REIT of the Year in the Equity Section of the Thomson Reuters DealWatch Awards, which is announced by Thomson Reuters Markets. IIF was highly evaluated by both domestic and foreign investors for increasing its distribution and reducing its LTV through acquiring properties with high profitability and quality based on a CRE strategy.

\* Thomson Reuters DealWatch Awards is an award given to companies that have issued excellent bonds and equities in the domestic capital market, or securities companies that managed such excellent bond or share issue deals.

### **Winning the “Best Deal of 2011 (Real Estate Investment Trusts)”\***

IIF was selected to receive the Best Deal of Capital Eye Awards for two consecutive years. IIF was highly evaluated for acquiring properties for a price about 4.5 billion yen below the appraisal value as a result of implementing a CRE strategy and increasing the unrealized gain of the overall portfolio, while achieving growth of both distribution per unit and NAV per unit despite the size of the capital increase.

\* Capital Eye Awards is selected by Capital Eye Limited through examination based on a questionnaire submitted to underwriting securities companies and institutional investors and given to excellent bond or share issue deals/issuers of the year in the bond issue and equity market.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
As of /for the six months ended			June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Operating revenues	Note 1	(Millions of yen)	3,440	2,962	3,295	3,526	4,458
(Rental revenues)	Note 1	(Millions of yen)	(2,980)	(2,962)	(3,295)	(3,526)	(4,458)
Operating expenses	Note 1	(Millions of yen)	1,576	1,597	1,673	1,691	1,985
(Rental expenses)	Note 1	(Millions of yen)	(1,181)	(1,166)	(1,253)	(1,237)	(1,455)
Operating income		(Millions of yen)	1,863	1,364	1,622	1,834	2,473
Ordinary income		(Millions of yen)	1,284	799	1,038	1,159	1,767
Net income	(a)	(Millions of yen)	1,283	798	1,022	1,158	1,852
Net assets	(b)	(Millions of yen)	37,812	37,327	43,263	43,400	63,734
(Period-on-period change)		(%)	(+1.2)	(-1.3)	(+15.9)	(+0.3)	(+46.9)
Total assets	(c)	(Millions of yen)	104,632	104,060	113,262	112,947	154,937
(Period-on-period change)		(%)	(+0.7)	(-0.5)	(+8.8)	(-0.3)	(+37.2)
Unitholders' capital		(Millions of yen)	36,529	36,529	42,241	42,241	61,881
(Period-on-period change)		(%)	(0.0)	(0.0)	(+15.6)	(0.0)	(+46.5)
Number of units issued and outstanding	(d)	(Units)	79,035	79,035	93,632	93,632	140,632
Net asset value per unit	(b)/(d)	(Yen)	478,427	472,294	462,059	463,517	453,200
Total distributions	(e)	(Millions of yen)	1,283	798	1,022	1,158	1,852
Distribution per unit	(e)/(d)	(Yen)	16,235	10,102	10,919	12,377	13,176
(Profit distribution per unit)		(Yen)	(16,235)	(10,102)	(10,919)	(12,377)	(13,176)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	1.2 (2.5)	0.8 (1.5)	1.0 (1.9)	1.0 (2.0)	1.3 (2.6)
Return on unitholders' equity	Note 3	(%)	3.4 (6.9)	2.1 (4.2)	2.5 (5.1)	2.7 (5.3)	3.5 (6.9)
Ratio of net assets to total assets	(b)/(c)	(%)	36.1	35.9	38.2	38.4	41.1
(Period-on-period change)			(+0.1)	(-0.2)	(+2.3)	(+0.2)	(+2.7)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 3	(Millions of yen)	2,423	2,362	2,617	2,875	3,697
Net profit margin	Note 3	(%)	37.3	27.0	31.0	32.9	41.6
Debt service coverage ratio	Note 3	(Multiple)	5.8	4.4	4.7	5.0	6.5
Funds from operation (FFO) per unit	Note 3	(Yen)	18,311	17,276	17,062	18,636	18,113
FFO multiples	Note 3	(Multiple)	8.6	11.5	11.6	10.3	14.2
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	16,201	10,049	10,655	11,856	12,387
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	18,277	17,223	16,798	18,115	17,325

Note 1 Consumption taxes are not included.

Note 2 Figures less than unit indicated in the above table are rounded down for amounts and rounded for ratio unless otherwise indicated.

Note 3 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181, 184, 181, 184 and 182 days for 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income /Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income/Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues - Rental expenses) + Depreciation
Net profit margin	Net income/Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of investment corporation bond issuance costs and depreciation/Interest expenses
Funds from operation (FFO) per unit	(Net income + Loss on sales of real estate properties - Gain on sales of real estate properties + Depreciation + Other depreciation related property)/Number of units issued and outstanding
FFO multiples	Market price per unit at end of period/Annualized FFO per unit

Note 4 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property, plant and equipment were not capitalized but charged to income in the periods in which were incurred. These figures are unaudited.

## 2. Outline of asset management operation

### (1) Major developments and management performance of IIF

IIF was established on March 26, 2007 and became listed on the REIT securities market of the Tokyo Stock Exchange on October 18, 2007 (securities identification code: 3249).

Based on the principle of aiming to “invest in social infrastructure as a source of power for the Japanese economy and support Japan’s industrial activities from a perspective of real estate,” IIF invests in logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term. As the only listed J-REIT specializing in industrial properties, IIF aims to further improve and stabilize its distribution level by improving and stabilizing profit as a result of property acquisition that leverages an environment with limited competition.

During the current period, IIF acquired six properties for a total acquisition price of 37,274 million yen through public offering of new investment units and borrowing: IIF Atsugi Logistics Center III (for 2,290 million yen), IIF Mitaka Card Center (for 8,700 million yen), IIF Shinonome R&D Center (for 8,800 million yen), IIF Kamata R&D Center (for 7,200 million yen), IIF Zama IT Solution Center (for 5,384 million yen) and the IIF Shinagawa Data Center (for 4,900 million yen). On the property management front, IIF signed a new contract with a new tenant for IIF Atsugi Logistics Center, for which the existing contract expired on June 30, 2012. The new five-year Fixed-term lease contract takes effect on July 1, 2012. IIF also signed a new 12-year Fixed-term lease contract that provides additional leasable area with Osaka Gas, the present tenant, for the IIF Kobe District Heating and Cooling Center on June 6, 2012.

As a results, the properties IIF owned as of June 30, 2012 consisted of 13 logistics facilities, four infrastructure facilities and five manufacturing and R&D facilities whose total acquisition price amounted to 145,514 million yen. The total leasable area as of June 30, 2012 was 466,479.86 m<sup>2</sup>, and the average occupancy rate remained at 99.9%. The average occupancy rate as of July 1, 2012 came to 100%.

### (2) Funding

IIF’s fundamental policy is to plan and implement a stable and efficient financial strategy to secure a stable profit and achieve sustainable growth of the properties owned.

In March 2012, IIF raised about 19.6 billion yen through public offering of new investment units in order to raise funds for acquiring new properties, aimed at stably increasing NAV per unit and distribution per unit. As a result, total outstanding investment units as of the end of the current period came to 140,632, up 47,000 units.

As regards procurement of funds through interest-bearing debt for the current period, IIF raised a total of 18,000 million yen (9,000 million yen on both March 6, 2012 and March 30, 2012) in order to acquire new properties to coincide with the above-mentioned public offering of new investment units. IIF extended the remaining term of loans payable by means such as taking out a 12-year loan, the longest for J-REIT as of the time the said borrowing was made, with Development Bank of Japan Inc. and signing an interest-rate swap contract to fix borrowing rates at long-term rates to enhance the stability of financial base. In addition, IIF invited Mizuho Corporate Bank, Ltd. as a

new lender in an effort to diversify funding sources.

On June 29, 2012, IIF newly made a long-term loan of 2,000 million yen and redeemed subordinated loan of 2,000 million yen prior to maturity on the same day. IIF thereby has been striving to replace loans with long-term fixed-rate loans to increase its financial stability and reduce financing costs. In addition, IIF invited Nippon Life Insurance Company as a new lender to further diversify funding sources. As a result of the above, interest-bearing debt as of June 30, 2012 increased 18,000 million yen from the end of the previous period, and long-term loans payable including the current portion of long-term loans payable amounted to 80,000 million yen.

IIF was newly assigned the rating of “AA-/Stable” with regards to its long-term senior debts by Japan Credit Rating Agency, Ltd. (JCR) during the current period.

### (3) Overview of financial results and distribution

As a result of the abovementioned management activities, IIF recorded operating revenue of 4,458 million yen, operating income of 2,473 million yen, ordinary income of 1,767 million yen and net income of 1,852 million yen for the current period. For distributions, IIF intended to include profit distributions in deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Measures concerning Taxation and determined to distribute the entire unappropriated retained earnings for the current period excluding fractions (distribution per unit = fractions less than one yen). Therefore, the distribution per unit was 13,176 yen.

## 3. Changes in unitholders' capital

The outline of changes in unitholders' capital for the current and previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3
March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5
March 5, 2012	Public offering	44,762	138,394	18,705	60,946	Note 6
March 26, 2012	Allocation of investment units to a third party	2,238	140,632	935	61,881	Note 7

Note 1 The Investment Corporation was incorporated through private placement at a price of ¥500,000 per unit.

Note 2 New investment units were issued at a price of ¥480,000 per unit (subscription price of ¥462,000 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 3 New investment units were issued at a price of ¥462,000 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 4 New investment units were issued at a price of ¥405,945 per unit (subscription price of ¥391,297 per unit) through a public offering in order to raise funds for acquiring new real property.

- Note 5 New investment units were issued at a price of ¥391,297 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.
- Note 6 New investment units were issued at a price of ¥432,135 per unit (subscription price of ¥417,879 per unit) through a public offering in order to raise funds for acquiring new real property.
- Note 7 New investment units were issued at a price of ¥417,879 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.
- Note 8 All investment units are common investment units.

### Fluctuation in market price of the investment securities:

The market price of the investment securities on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
As of /for the six months ended	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Highest price	383,000	414,000	438,500	435,500	520,000
Lowest price	223,300	300,000	321,000	361,000	370,000
Closing price at end of period	319,000	393,500	399,000	379,500	515,000

## 4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended June 30, 2012 amounted to ¥13,176.

Fiscal period	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
As of /for the six months ended	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Net income (Thousands of yen)	1,283,146	798,412	1,022,368	1,158,903	1,852,958
Retained earnings carried forward (Thousands of yen)	13	15	15	35	27
Total cash distributions (Thousands of yen)	1,283,133	798,411	1,022,367	1,158,883	1,852,967
(Cash distribution per unit) (Yen)	(16,235)	(10,102)	(10,919)	(12,377)	(13,176)
Profit distributions (Thousands of yen)	1,283,133	798,411	1,022,367	1,158,883	1,852,967
(Profit distribution per unit) (Yen)	(16,235)	(10,102)	(10,919)	(12,377)	(13,176)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and issues

### (1) Outlook for the overall management

IIF invests in distribution facilities, plants and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term. IIF will aim to continuously expand unitholder value by securing stable profit and achieving steady growth of the properties owned.

#### a. Maintenance of buildings

IIF will prepare management plans for maintaining and improving the functionality, safety and comfort of buildings and implement daily management based on such plans. IIF will formulate and implement a medium- and long-term repair plan in order to improve the functionality of buildings and deal with aged deterioration.

#### b. Relationship-building with tenants

IIF will aim to secure profit in the medium and long term by having continuous and close communication with tenants, accurately understanding the trend and needs of tenants, making proposals to tenants and increasing tenants' satisfaction. Therefore, based on a fundamental policy to conclude medium- and long-term lease contracts, IIF will set various terms such as an adequate level of rent and a contract period based on credit status of tenants when revising lease contracts, considering contract terms of the overall portfolio.

#### c. Diversification of tenants

IIF will assess various lease terms such as creditworthiness of tenants, tenants' competitiveness and positions in the market, prospect for continuous use and rent level and diversify tenants. For lease contracts with tenants, although IIF

focuses on medium- and long-term contracts, IIF will also consider incorporating a variable rent (e.g. GDP-linked rent).

d. Floor expansion, extension and renovation

IIF will work on formulating and implementing plans for floor expansion and extension of properties with excess floor area ratio in order to improve value of properties held and plans for renovation for improvement of long-term profitability.

(2) Issues to be solved

Since the distribution facilities IIF owns have high versatility and are in excellent locations, their usage in the medium and long term is expected as an important base of tenants. For the R&D facilities IIF owns, stable and long-term usage can be expected, supported by long-term lease contracts. Moreover, infrastructure facilities are used stably as an industrial base and expected to be used in the long term as a facility essential to local communities and business activities of tenants. IIF continues to aim for sustainable growth of dividend, maintenance of stable rent revenue, promotion of external growth and continuous reinforcement of the financial strength.

## 6. Subsequent events

None

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
As of	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Number of units authorized (Units)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Number of units issued and outstanding (Units)	79,035	79,035	93,632	93,632	140,632
Number of unitholders (People)	4,830	4,398	4,926	4,728	5,333

## 2. Unitholders

Major unitholders as of June 30, 2012 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	21,945	15.60
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	9,844	6.99
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,600	6.82
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	9,196	6.53
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	5,988	4.25
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	5,200	3.69
Development Bank of Japan Inc.	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	3.55
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	3,956	2.81
The Joyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	3,469	2.46
North Pacific Bank, Ltd.	7, Odori-nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido	2,235	1.58
Total		76,433	54.34

Note 1 Ratio of number of units owned to total number of units issued is calculated by rounding down to second decimal place.

### 3. Officers

#### (1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2012 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 30,000

Note 1 There is no investment unit of the Investment Corporation held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and the Investment Corporation.

Note 2 The independent auditor's fees include fees for issuance of a comfort letter with respect to the public offering of new investment units in March 2012.

#### (2) Changes in officers

None

#### (3) Policy for dismissal of independent auditor

The Board of Directors shall decide taking various factors into consideration.

### 4. Name of asset manager and other administrator

Classification	Name
Asset manager	Mitsubishi Corp.-UBS Realty Inc.
Custodian	Sumitomo Mitsui Trust Bank, Limited (Note 1)
Agency for unit investment securities transference and special account administrator	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding book keeping)	Sumitomo Mitsui Trust Bank, Limited (Note 1)
General administrator (regarding income and other taxes)	Ernst & Young Shinnihon Tax

Note 1 The company name was changed from The Sumitomo Trust and Banking Co., Ltd. by merger with The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited on April 1, 2012.

# Condition of investment assets

## 1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of December 31, 2011		As of June 30, 2012	
				Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)	Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)
Real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	5,697	5.1	5,681	3.7
			Osaka and Nagoya metropolitan areas	1,102	1.0	1,099	0.7
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	41,118	36.4	46,093	29.7
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Trust beneficial interest in real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	40,710	36.0	68,742	44.4
			Osaka and Nagoya metropolitan areas	1,257	1.1	1,245	0.8
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	—	—	5,543	3.6
			Osaka and Nagoya metropolitan areas	17,705	15.7	17,580	11.3
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				107,591	95.3	145,987	94.2
Bank deposits and other assets				5,355	4.7	8,950	5.8
Total assets				112,947	100.0	154,937	100.0

Note 1 “Location category” is classified as bellow.

Location category	Description
Urban and suburban properties	Properties located in Japan's three major urban areas <sup>(i)</sup> , cities designated by government ordinance, or similar areas
Industrial-area properties	Generally, properties located in industrial zones <sup>(ii)</sup> that generate more than ¥1 trillion in manufactured product shipments
Other properties	Properties that do not fall within either of the above categories but have an expected risk/return profile suitable for investment

(i) Japan's three major urban areas are the greater Tokyo, Osaka and Nagoya areas. The greater Tokyo area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the greater Osaka area consists of Shiga, Kyoto, Osaka, Hyogo, Nara and Wakayama prefectures; and the greater Nagoya area consists of Aichi, Mie and Gifu prefectures.

(ii) Industrial zones means industrial zones as defined in the Report on Industry Statistics issued by Ministry of Economy, Trade and Industry of Japan.

Note 2 “Composition ratio” is calculated by rounding to the nearest first decimal place.

## 2. Major property

The principal properties (top ten properties in net book value) as of June 30, 2012 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	40,897	81,995.81	81,995.81	100.0	30.6	Infrastructure facility
IIF Kobe District Heating and Cooling Center (Note 4)	17,580	11,275.39	10,995.26	97.5	8.3	Infrastructure facility
IIF Shinonome Logistics Center (Note 5)	13,446	27,493.29	27,493.29	100.0	8.9	Logistics facility
IIF Mitaka Card Center	9,305	21,615.01	21,615.01	100.0	4.0	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 6)	8,910	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 6)	7,573	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center	6,013	38,828.10	38,828.10	100.0	5.4	Logistics facility
IIF Zama IT Solution Center (Note 6)	5,543	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Shinsuna Logistics Center	5,311	5,741.75	5,741.75	100.0	3.8	Logistics facility
IIF Shinagawa Data Center (Note 6)	5,196	19,547.11	19,547.11	100.0	—	Infrastructure facility
Total	119,778	256,370.21	256,090.08	99.9	77.8	

Note 1 “Leasable area” means the leasable area of the building or land of each property indicated in the lease agreement, except for IIF Shinsuna Logistics Center of which leasable area shows a total area of the building indicated in the registry book.

Note 2 “Leased area” means the leased area of the building or land of each property indicated in the lease agreement, except for IIF Shinsuna Logistics Center of which leased area shows a total area of the building indicated in the registry book.

Note 3 “Occupancy ratio” (percentage of leased area against the leasable area at the end of accounting period) and “Ratio of rental revenue to total rental revenues” are calculated by rounding to the nearest first decimal place.

Note 4 The Investment Corporation entered into the lease agreement of IIF Kobe District Heating and Cooling Center with Osaka Gas Co., Ltd. on June 6, 2012 and a vacant area (280.13m<sup>2</sup>, approximately 2.5% of the leasable area) of the property is leased starting on or after July 1, 2012 under the lease agreement. The occupancy ratio of the property as of July 1, 2012 is 100%.

Note 5 The Investment Corporation owns 53% of the trust beneficial interest in the property. The leasable area and leased area of the property show 53% of the total leasable area or leased area as the share of quasi-co-ownership.

Note 6 “Ratio of rental revenue to total rental revenues” is undisclosed because the consent from the tenant has not been acquired.

### 3. Details of property

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of June 30, 2012 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	13-32, Shinonome 2-chome, Koto-ku, Tokyo	Trust beneficial interest	27,493.29	14,600	13,446
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	6,880	6,013
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	5,810	5,311
IIF Atsugi Logistics Center	19, Aza Ikoda, Hase 6-chome, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	1,870	1,876
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,290	1,972
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,490	1,245
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,040	1,223
IIF Narashino Logistics Center II (land with leasehold interest)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	58,070.00	3,970	3,435
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,300	3,272
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,690	2,421
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,730	1,532
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,130	1,099
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,560	2,390
IIF Totsuka Technology Center (land with leasehold interest)	334-1, Uchikune, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	31,442.47	4,760	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,250	1,185
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,160	9,305
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	10,700	8,910
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	7,510	7,573
IIF Kobe District Heating and Cooling Center	8-2, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,275.39	14,700	17,580
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	39,500	40,897
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,600	5,543

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,300	5,196
Total			466,479.86	149,840	145,987

Note 1 “Location” means the residence indication or the location indicated in the land registry book.

Note 2 “Leasable area” means the leasable area of the building or land of each property indicated in the lease agreement, except for IIF Shinsuna Logistics Center of which leasable area shows a total area of the building indicated in the registry book.

Note 3 “Appraisal value at end of period” shows the value appraised or researched by the real estate appraiser in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4 The Investment Corporation owns 53% of the trust beneficial interest in the property. The leasable area of the property shows 53% of the total leasable area as the share of quasi-co-ownership.

Operating results of each property for the six months ended December 31, 2011 and June 30, 2012 were as follows:

Name of property	For the six months ended							
	December 31, 2011				June 30, 2012			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Shinonome Logistics Center	1	100.0	397	11.3	1	100.0	397	8.9
IIF Noda Logistics Center	2	100.0	240	6.8	2	100.0	240	5.4
IIF Shinsuna Logistics Center	1	100.0	168	4.8	1	100.0	168	3.8
IIF Atsugi Logistics Center (Note 3)	1	100.0	149	4.2	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	2.1	1	100.0	75	1.7
IIF Nishinomiya Logistics Center	1	100.0	59	1.7	1	100.0	59	1.3
IIF Narashino Logistics Center (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Narashino Logistics Center II (land with leasehold interest)	1	100.0	115	3.3	1	100.0	115	2.6
IIF Atsugi Logistics Center II (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Yokohama Tsuzuki Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Saitama Logistics Center	1	100.0	66	1.9	1	100.0	66	1.5
IIF Nagoya Logistics Center	1	100.0	48	1.4	1	100.0	48	1.1
IIF Atsugi Logistics Center III (Note 3)	—	—	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	155	4.4	1	100.0	154	3.5
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	1.6	1	100.0	57	1.3
IIF Mitaka Card Center	—	—	—	—	1	100.0	180	4.0
IIF Shinonome R&D Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Kamata R&D Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center (Note 4)	1	97.5	378	10.7	1	97.5	371	8.3

Name of property	For the six months ended							
	December 31, 2011				June 30, 2012			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Haneda Airport Maintenance Center	1	100.0	1,345	38.2	1	100.0	1,363	30.6
IIF Zama IT Solution Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Shinagawa Data Center (Note 3)	—	—	—	—	1	100.0	—	—
Total (Note 5)	17	99.9	3,526	100.0	23	99.9	4,458	100.0

Note 1 “Number of tenants” shows the number of lessee for the properties. The total column of “Number of tenants” shows the simple sum for the number of lessee.

Note 2 “Occupancy ratio” (percentage of leased area against the leasable area at the end of accounting period) and “Ratio of rental revenue to total rental revenues” are calculated by rounding to the nearest first decimal place.

Note 3 “Ratio of rental revenue to total rental revenues” is undisclosed because the consent from the tenant has not been acquired.

Note 4 The Investment Corporation entered into the lease agreement of IIF Kobe District Heating and Cooling Center with Osaka Gas Co., Ltd. on June 6, 2012 and a vacant area (280.13m<sup>2</sup>, approximately 2.5% of the leasable area) of the property is leased starting on or after July 1, 2012 under the lease agreement. The occupancy ratio of the property as of July 1, 2012 is 100%.

Note 5 The total column of “Occupancy ratio” shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.

#### 4. Details of specified transaction

The details of specified transaction as of June 30, 2012 were as follows:

Classification	Transaction	Notional contract amount (Millions of yen)		Fair value (Note 1) (Millions of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	38,100	38,100	(527)
Total		38,100	38,100	(527)

Note 1 The fair value is estimated by a counter party of the interest rate swap contracts using market interest rates and other assumptions.

Note 2 The interest rate swaps are not measured at fair value in the balance sheets because all interest rate swaps qualify for hedging accounting and meet specific criteria in accordance with the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008.

#### 5. Other assets

Real property and trust beneficial interests in real property are included the above table in "3. Details of property."

There was no other significant specified asset as of June 30, 2012.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2012 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2012	Total of advanced payment
IIF Kobe District Heating and Cooling Center	Kobe-shi, Hyogo	Repair of rest room	August 2012 to December 2012	48	—	—
IIF Atsugi Logistics Center II	Atsugi-shi, Kanagawa	Renewal of air conditioning system	July 2012 to December 2012	113	—	—
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Renewal of air conditioning system	October 2012 to December 2012	37	—	—

### 2. Capital expenditures for the six months ended June 30, 2012

Maintenance expenditures on property for the six months ended June 30, 2012 were totaling to ¥119 million consisting of ¥84 million of capital expenditures stated as below and ¥34 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
IIF Atsugi Logistics Center	Atsugi-shi, Kanagawa	Construction of berth area	May 2012 to June 2012	49
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of automatic fire alarm system	April 2012 to May 2012	17
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal construction of suction pump at M1 building	April 2012	5
Other	—	—	—	12
Total				84

### 3. Reserved funds for long-term maintenance plan

The Investment Corporation has reserved funds as below to appropriate for future expenditures on large-scale maintenance based on a long-term maintenance plan.

(Millions of yen)					
Fiscal period	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
As of /for the six months ended	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Reserved funds at beginning of period	224	249	305	523	629
Increase	80	227	265	265	331
Decrease	55	172	47	159	134
Reserved funds at end of period	249	305	523	629	826

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	9 <sup>th</sup>	10 <sup>th</sup>
Item	For the six months ended December 31, 2011	For the six months ended June 30, 2012
(a) Asset management fee	342,103	443,470
(b) Asset custody fee	5,648	5,126
(c) Administrative service fees	22,302	24,853
(d) Directors' compensation	5,820	5,820
(e) Other operating expenses	78,681	50,258
Total	454,555	529,527

### 2. Loans payable

Loans payable as of June 30, 2012 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			December 31, 2011 (Millions of yen)	June 30, 2012 (Millions of yen)					
Long-term loans payable (Note 2)	MetLife Alico (Note 3)	December 25, 2009	2,000	2,000	1.7	December 25, 2014	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	3,765	3,765	1.1	February 28, 2013	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,471	3,471					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)		2,764	2,764					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)	September 30, 2010	2,500	2,500	0.9	September 30, 2013	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.		2,000	2,000					
	Resona Bank, Limited.		2,000	2,000					
	The Yamaguchi Bank, Ltd.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2010	3,900	3,900	0.9	October 18, 2013	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2010	2,000	2,000	1.0	December 30, 2014	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 5)	March 9, 2018	Lump sum (Note 6)	Notes 9 and 10	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,950	2,950					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)		2,350	2,350					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2011	3,440	2,274	1.7	August 31, 2016	Notes 6, 7 and 8	Note 11	Unsecured and unguaranteed Subordinated loan
	Sumitomo Mitsui Banking Corporation		2,460	1,626					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2011	2,000	2,000	1.2 (Note 5)	August 31, 2016	Lump sum (Note 6)	Note 11	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 5)	September 29, 2017	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	—	2,823	0.9 (Note 5)	March 6, 2017	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	2,603					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)		—	2,074					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	—	1,500	0.9 (Note 5)	March 6, 2017	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	—	565	0.9 (Note 5)	March 29, 2019	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	520					
	Sumitomo Mitsui Trust Bank, Limited (Note 4)		—	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	—	1,000	1.1 (Note 5)	March 30, 2022	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	March 30, 2012	—	1,500	1.0 (Note 5)	March 31, 2020	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			December 31, 2011 (Millions of yen)	June 30 2012 (Millions of yen)					
	Development Bank of Japan Inc.	March 30, 2012	—	1,000	2.2	March 29, 2024	Lump sum	Note 10	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	—	2,000	1.9	March 29, 2022	Lump sum	Note 10	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	—	500	1.1 (Note 5)	March 31, 2022	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	—	1,500	0.9 (Note 5)	March 29, 2019	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	—	1,000	1.4	June 30, 2020	Lump sum	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	—	583	1.2 (Note 5)	June 28, 2019	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	—	417	1.2 (Note 5)	June 28, 2019	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
Total			62,000	80,000					

Note 1 The average interest rate indicates a weighted average interest rates for the period, rounded to the first decimal place.

Note 2 Long-term loans payable include current portion.

Note 3 The loan payable was sold to MetLife Alico from American Life Insurance Company on May 31, 2012.

Note 4 The company name was changed from The Sumitomo Trust and Banking Co., Ltd. by merger with The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited on April 1, 2012.

Note 5 These long-term loans payable were hedged by interest rate swap contracts. The average interest rates reflect the effectiveness of those hedging instruments.

Note 6 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 7 A portion of the principal in the amount of ¥70 million is repaid on each interest payment date from March 31, 2014 and the remaining balance (¥3,200 million) is to be repaid on the due date.

Note 8 The Investment Corporation had made a partial repayment amounting to ¥2,000 million on June 29, 2012 in advance of the due date.

Note 9 The funds were appropriated to repayment of outstanding loans payable.

Note 10 The funds were mainly appropriated to purchasing real property, etc.

Note 11 The funds were appropriated to redemption of outstanding investment corporation bond.

### 3. Investment corporation bonds

None

### 4. Short-term investment corporation bonds

None

## Condition of investment transactions

### 1. Transactions of property and asset-backed securities, etc.

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note 1)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Atsugi Logistics Center III	March 7, 2012	2,290	—	—	—	—
IIF Shinonome R&D Center		8,800	—	—	—	—
IIF Kamata R&D Center		7,200	—	—	—	—
IIF Zama IT Solution Center		5,384	—	—	—	—
IIF Shinagawa Data Center		4,900	—	—	—	—
IIF Mitaka Card Center	April 2, 2012	8,700	—	—	—	—
Total	—	37,274	—	—	—	—

Note 1 “Acquisition cost” indicates contracted amount of property in purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

### 2. Transactions of other assets

Other assets than property or asset-backed securities, etc. are bank deposits and bank deposits in trust.

### 3. Research for specified assets value, etc.

#### (1) Property

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	IIF Atsugi Logistics Center III	March 7, 2012	2,290	2,540	Japan Real Estate Institute	January 10, 2012
Acquisition	IIF Shinonome R&D Center	March 7, 2012	8,800	10,700	Japan Real Estate Institute	January 10, 2012
Acquisition	IIF Kamata R&D Center	March 7, 2012	7,200	7,510	Japan Real Estate Institute	January 10, 2012
Acquisition	IIF Zama IT Solution Center	March 7, 2012	5,384	5,600	Japan Real Estate Institute	January 10, 2012
Acquisition	IIF Shinagawa Data Center	March 7, 2012	4,900	6,300	Japan Real Estate Institute	January 10, 2012
Acquisition	IIF Mitaka Card Center	April 2, 2012	8,700	9,110	Japan Real Estate Institute	January 10, 2012

Note 1 “Acquisition cost / Disposal amount” indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, taxes, etc.).

#### (2) Other transaction

For the six months ended June 30, 2012, the Investment Corporation entered into nine interest rate swap contracts which were subject to the research in accordance with Article 201 of the Act on Investment Trusts and Investment

Corporation of Japan. Terms and conditions of the interest rate swap contracts, such as name of counter party, contracted amounts and term, etc., were researched and reported by Ernst & Young ShinNihon LLC.

#### 4. Transactions with interested parties or major shareholders

##### (1) Outline of specified assets transactions

None

##### (2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	35,867	NIKKEN CORPORATION	1,986	5.5

Note “Interested parties” means the interested parties related with the asset management company of the Investment Corporation as prescribed under Article 123 of the Enforcement Ordinances of the Act on Investment Trusts and Investment Corporations of Japan and Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan. “Major shareholders” means the major shareholders of the asset management company as defined in Article 29-4, Paragraph 2 of the Financial Instrument and Exchange Act.

#### 5. Transactions with asset manager relating to other business than asset management

None

## **Financial information**

### **1. Financial position and operating results**

Please refer to the accompanying balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions.

### **2. Changes in depreciation method**

None

### **3. Changes in valuation method of real property**

None

## Other information

### 1. Investment units held by the asset manager

Investment units held by the asset manager (Mitsubishi Corp.-UBS Realty Inc.) were as follows:

#### (1) Transactions of investment units held by the asset manager

Date	Number of units purchased (Units)	Number of units sold (Units)	Number of units held (Units)
March 26, 2007	400	—	400
October 17, 2007	200	—	600
Accumulated number	600	—	600

#### (2) Number of investment units held by the asset manager

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note 1) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 1 <sup>st</sup> fiscal period (March 26, 2007 to December 31, 2007)	600	276,600	0.8%
The 2 <sup>nd</sup> fiscal period (January 1, 2008 to June 30, 2008)	600	199,200	0.8%
The 3 <sup>rd</sup> fiscal period (July 1, 2008 to December 31, 2008)	600	168,540	0.8%
The 4 <sup>th</sup> fiscal period (January 1, 2009 to June 30, 2009)	600	159,000	0.8%
The 5 <sup>th</sup> fiscal period (July 1, 2009 to December 31, 2009)	600	147,240	0.8%
The 6 <sup>th</sup> fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 <sup>th</sup> fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%
The 8 <sup>th</sup> fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%
The 9 <sup>th</sup> fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 <sup>th</sup> fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%

Note 1 “Aggregated value of units held at end of period” is calculated by market price of the investment securities on Tokyo Stock Exchange REIT Market at end of period.

### 2. Notice

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended June 30, 2012, was as follows:

Approval day	Item	Summary
February 15, 2012	Underwriting agreements of new investment units in connection with the public offering	In connection with the public offering of new investment units, the Board of Directors of the Investment Corporation approved entering into the underwriting agreements with Nomura Securities Co., Ltd., SMBC Nikko Securities Inc. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited, Nomura International plc and UBS Limited as international joint lead managers.

### 3. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation.

## II. Balance sheets

(Thousands of yen)

	As of	
	December 31, 2011	June 30, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits.....	2,955,105	4,364,730
Cash and bank deposits in trust .....	1,403,403	1,967,342
Rental receivables.....	3,536	36,519
Prepaid expenses .....	315,500	794,579
Deferred tax assets.....	19	17
Consumption taxes refundable .....	—	740,243
Other.....	121	5,700
<b>Total current assets.....</b>	<b>4,677,686</b>	<b>7,909,133</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost.....	25,238,297	27,273,859
Less: Accumulated depreciation .....	(2,031,468)	(2,299,718)
Buildings, net.....	23,206,828	24,974,141
Structures, at cost.....	26,882	26,882
Less: Accumulated depreciation .....	(90)	(536)
Structures, net.....	26,792	26,346
Tools, furniture and fixtures, at cost.....	388	388
Less: Accumulated depreciation .....	(4)	(17)
Tools, furniture and fixtures, net.....	383	370
Land.....	4,850,847	7,841,536
Construction in progress .....	—	198,423
Buildings in trust, at cost .....	22,892,201	36,265,894
Less: Accumulated depreciation .....	(2,457,295)	(2,861,389)
Buildings in trust, net.....	20,434,905	33,404,505
Structures in trust, at cost.....	379,815	379,815
Less: Accumulated depreciation .....	(170,690)	(191,818)
Structures in trust, net.....	209,124	187,996
Tools, furniture and fixtures in trust, at cost.....	3,306	3,306
Less: Accumulated depreciation .....	(931)	(1,367)
Tools, furniture and fixtures in trust, net.....	2,374	1,938
Land in trust.....	39,026,479	59,517,963
<b>Total net property, plant and equipment.....</b>	<b>87,757,736</b>	<b>126,153,221</b>
<b>Intangible assets:</b>		
Leasehold right (Note 2) .....	19,833,966	19,833,966
<b>Total intangible assets.....</b>	<b>19,833,966</b>	<b>19,833,966</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits .....	10,000	10,000
Long-term prepaid expenses .....	629,595	840,018
<b>Total investments and other assets.....</b>	<b>639,595</b>	<b>850,018</b>
<b>Total noncurrent assets .....</b>	<b>108,231,298</b>	<b>146,837,206</b>
<b>Deferred assets:</b>		
Investment unit issuance costs.....	38,454	191,396
<b>Total deferred assets.....</b>	<b>38,454</b>	<b>191,396</b>
<b>TOTAL ASSETS.....</b>	<b>112,947,439</b>	<b>154,937,735</b>

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

(Thousands of yen)

	As of	
	December 31, 2011	June 30, 2012
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable .....	79,045	152,621
Current portion of long-term loans payable .....	—	10,000,000
Accounts payable – other .....	246,264	433,704
Accrued expenses .....	11,337	11,995
Income taxes payable .....	901	911
Accrued consumption taxes .....	108,211	—
Advances received .....	569,230	1,250,307
Other .....	20,419	384,947
<b>Total current liabilities .....</b>	<b>1,035,410</b>	<b>12,234,487</b>
<b>Noncurrent liabilities:</b>		
Long-term loans payable .....	62,000,000	70,000,000
Tenant leasehold and security deposits .....	1,297,470	1,974,579
Tenant leasehold and security deposits in trust .....	5,124,423	6,912,252
Other .....	90,083	81,975
<b>Total noncurrent liabilities .....</b>	<b>68,511,977</b>	<b>78,968,808</b>
<b>TOTAL LIABILITIES .....</b>	<b>69,547,388</b>	<b>91,203,296</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	42,241,132	61,881,445
Surplus:		
Retained earnings .....	1,158,918	1,852,994
Total surplus .....	1,158,918	1,852,994
<b>Total unitholders' equity .....</b>	<b>43,400,051</b>	<b>63,734,439</b>
<b>TOTAL NET ASSETS (Note 3) .....</b>	<b>43,400,051</b>	<b>63,734,439</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>112,947,439</b>	<b>154,937,735</b>

*The accompanying notes in "V. Notes to financial information" are an integral part of these statements.*

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2011	June 30, 2012
<b>Operating revenue</b>		
Rental revenue—real estate (Note 4).....	3,526,495	4,458,517
Total operating revenue .....	3,526,495	4,458,517
<b>Operating expenses</b>		
Expenses related to rent business (Note 4) .....	1,237,395	1,455,839
Asset management fees .....	342,103	443,470
Directors' compensations.....	5,820	5,820
Asset custody fees .....	5,648	5,126
Administrative service fees.....	22,302	24,853
Other.....	78,681	50,258
Total operating expenses.....	1,691,951	1,985,367
<b>Operating income</b> .....	1,834,544	2,473,150
<b>Non-operating income</b>		
Interest income .....	544	397
Interest on refund.....	1,148	—
Other.....	901	1,310
Total non-operating income .....	2,594	1,707
<b>Non-operating expenses</b>		
Interest expenses.....	400,006	467,314
Interest expenses on investment corporation bonds (Note 5).....	39,215	—
Amortization of investment corporation bond issuance costs.....	14,609	—
Borrowing related expenses.....	209,699	207,120
Amortization of investment unit issuance costs.....	8,874	29,101
Other.....	4,821	4,233
Total non-operating expenses .....	677,225	707,769
<b>Ordinary income</b> .....	1,159,912	1,767,087
<b>Extraordinary income</b>		
Insurance income .....	—	86,864
Total extraordinary income.....	—	86,864
<b>Income before income taxes</b> .....	1,159,912	1,853,952
<b>Income taxes</b>		
Current.....	1,009	990
Deferred.....	(0 )	2
Total income taxes .....	1,009	993
<b>Net income</b> .....	1,158,903	1,852,958
<b>Retained earnings brought forward</b> .....	15	35
<b>Unappropriated retained earnings</b> .....	1,158,918	1,852,994

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

## IV. Statements of changes in net assets

(Thousands of yen)

### For the six months ended December 31, 2011

	Unitholders' equity				
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
<b>Balance as of June 30, 2011</b>	42,241,132	1,022,383	1,022,383	43,263,515	43,263,515
<u>Changes during the period</u>					
Dividends from surplus	—	(1,022,367)	(1,022,367)	(1,022,367)	(1,022,367)
Net income	—	1,158,903	1,158,903	1,158,903	1,158,903
<u>Total changes during the period</u>	—	136,535	136,535	136,535	136,535
<b>Balance as of December 31, 2011</b>	42,241,132	1,158,918	1,158,918	43,400,051	43,400,051

### For the six months ended June 30, 2012

	Unitholders' equity				
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
<b>Balance as of December 31, 2011</b>	42,241,132	1,158,918	1,158,918	43,400,051	43,400,051
<u>Changes during the period</u>					
Issuance of new investment units	19,640,313	—	—	19,640,313	19,640,313
Dividends from surplus	—	(1,158,883)	(1,158,883)	(1,158,883)	(1,158,883)
Net income	—	1,852,958	1,852,958	1,852,958	1,852,958
<u>Total changes during the period</u>	19,640,313	694,075	694,075	20,334,388	20,334,388
<b>Balance as of June 30, 2012</b>	61,881,445	1,852,994	1,852,994	63,734,439	63,734,439

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

## **V. Notes to financial information**

### **Note 1 – Summary of significant accounting policies**

#### ***(a) Property, plant and equipment***

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

	<b>For the six months ended</b>	
	<b>December 31, 2011</b>	<b>June 30, 2012</b>
Buildings	13-63 years	13-63 years
Structures	7-20 years	7-20 years
Tools, furniture and fixtures	6-15 years	6-15 years

#### ***(b) Long-term prepaid expenses***

Long-term prepaid expenses are amortized on a straight-line basis.

#### ***(c) Investment unit issuance costs***

Investment unit issuance costs are capitalized and amortized on a straight-line basis over three years.

#### ***(d) Investment corporation bond issuance costs***

Investment corporation bond issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the investment corporation bond.

#### ***(e) Taxes on property, plant and equipment***

Property, plant and equipment are annually subject to various taxes, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these 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 for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with generally accepted accounting principles in Japan. In subsequent calendar years, half of such taxes on property, plant and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥296,957 thousand for the six months ended June 30, 2012. For the six months ended December 31, 2011, no taxes on property, plant and equipment were capitalized.

***(f) Hedge accounting***

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of hedging risks prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable by interest rate swaps as hedging instruments. The interest rate swaps which qualify for hedge accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis.

***(g) Accounting treatment of trust beneficiary interests in real estate trusts***

For the trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Investment Corporation holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Investment Corporation in proportion to the percentage interest that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheets of the Investment Corporation.

***(h) Consumption taxes***

Consumption taxes withheld and consumption taxes paid are not included in the statements of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

(Additional information)

***Accounting Standard for Accounting Changes and Error Corrections***

Effective during the six-month period ended December 31, 2011, the Investment Corporation adopted the Accounting Standard for Accounting Changes and Error Corrections (the Accounting Standards Board of Japan ("ASBJ") Statement No.24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009).

This new accounting standard requires that accounting changes and corrections of prior period errors, which are made after the beginning of fiscal years beginning on or after April 1, 2011, should be adopted or corrected retrospectively.

**Note 2 – Leasehold right**

Leasehold right is right to use nationally-owned land on which IIF Haneda Airport Maintenance Center is located with approval of the authorities under Article 18-6 and 19 of the National Property Act of Japan.

### Note 3 – Unitholders' equity

(1) Number of units

	As of	
	December 31, 2011	June 30, 2012
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	93,632 units	140,632 units

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by Article 67-4 of the Act on Investment Trusts and Investment Corporations of Japan.

### Note 4 – Rent revenue—real estate and expenses related to rent business

Rent revenue—real estate and expenses related to rent business for the six months ended December 31, 2011 and June 30, 2012 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	December 31, 2011	June 30, 2012
<b>Rental revenue—real estate:</b>		
Rental and parking revenue	3,430,645	4,372,961
Common area charges	12,964	64,302
Other	82,885	21,253
Total rental revenue—real estate	3,526,495	4,458,517
<b>Expenses related to rent business:</b>		
Property management fees	12,883	16,267
Facility management fees	20,664	35,867
Utilities	15,081	65,926
Property-related taxes	239,807	249,386
Insurance	9,173	11,312
Repair and maintenance	32,076	34,712
Depreciation	586,051	694,365
Trust fees	8,080	9,117
Leasehold rents	313,231	338,378
Other	344	504
Total expenses related to rent business	1,237,395	1,455,839
<b>Operating income from property leasing activities</b>	<b>2,289,099</b>	<b>3,002,677</b>

### Note 5 – Transaction with major unitholder

The Investment Corporation paid interest expenses on investment corporation bonds to a major unitholder totaling of ¥39,215 thousand for the six months ended December 31, 2011.

## Note 6 – Income taxes

Deferred tax assets consist of the following:

	(Thousands of yen)	
	As of	
	December 31, 2011	June 30, 2012
Deferred tax assets:		
Current:		
Enterprise tax payable	19	17
Total	19	17
Net deferred tax assets	19	17

A reconciliation of the Investment Corporation's effective tax rates and statutory tax rate is as follows:

	For the six months ended	
	December 31, 2011	June 30, 2012
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.29)	(39.31)
Other	0.05	0.03
Effective tax rates	0.09%	0.05%

## Note 7 – Financial instruments

### (a) Qualitative information for financial instruments

#### (i) Policy for financial instrument transactions

The Investment Corporation raises funds through loans payable, the issuance of investment corporation bond or investment units for the acquisition of real estate properties, expenditures on property maintenance and/or repayment of existing debt. Surplus funds are managed carefully by investing in financial instruments taking into account liquidity and safety in light of the current financial market condition. Derivative instruments are used only for hedging purposes and not for speculation.

#### (ii) Nature and extent of risks arising from financial instruments and risk management

The funds raised through loans payable or issuance of investment corporation bond are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing loans payable. Tenant leasehold and security deposits are deposits from tenants. Although loans payable with floating interest rates are subject to fluctuations in market interest rates, the asset manager manages interest fluctuation risk by monitoring market interest rates and measuring the effect on the results of operation of the Investment Corporation. In addition, a certain portion of loans payable with floating interest rates is hedged by derivative instruments (interest rate swaps) as hedging instruments. The assessment of hedge effectiveness is omitted when the interest rate swaps meet specific criteria indicating a high correlation between the hedged items and hedging instruments. The Investment Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

Liquidity risks relating to loans payable, investment corporation bonds or tenant leasehold and security deposits are

managed by preparing monthly plans for funds, maintaining high liquidity and entering into commitment line agreements with banks.

(iii) *Supplemental information on fair value of financial instruments*

The fair value of financial instruments is based on quoted market prices, if available. When quoted market prices are not available, fair value is estimated using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated fair value may differ.

(b) *Quantitative information for financial instruments*

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of December 31, 2011 and June 30, 2012.

(Thousands of yen)

	As of					
	December 31, 2011			June 30, 2012		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	2,955,105	2,955,105	—	4,364,730	4,364,730	—
(2) Cash and bank deposits in trust	1,403,403	1,403,403	—	1,967,342	1,967,342	—
Total assets	4,358,508	4,358,508	—	6,332,072	6,332,072	—
(1) Current portion of long-term loans payable	—	—	—	10,000,000	10,000,000	—
(2) Long-term loans payable	62,000,000	62,600,442	600,442	70,000,000	71,202,220	1,202,220
(3) Tenant leasehold and security deposits in trust	1,424,070	1,281,032	(143,038)	1,038,899	913,212	(125,686)
Total liabilities	63,424,070	63,881,474	457,404	81,038,899	82,115,432	1,076,533
Derivative instruments	—	—	—	—	—	—

Note (i): The methods and assumption used to estimate fair value are as follows:

Assets

(1) *Cash and bank deposits and (2) Cash and bank deposits in trust*

Because of their short maturities, the carrying amounts approximate their fair value.

Liabilities

(1) *Current portion of long-term loans payable and (2) Long-term loans payable*

Long-term loans payable with floating interest rates reflecting changes in market rates within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values. When long-term loans payable with floating interest rates are hedged by interest rate swaps which qualify for hedge accounting and meet special criteria, the fair value of the hedged long-term loans payable is determined based on the present value of contractual cash flows in conjunction with the hedging interest rate swaps discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms. The fair value of long-term loans payable with fixed interest rates is determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms.

(3) *Tenant leasehold and security deposits in trust*

The fair value is determined based on the present value of contractual cash flows discounted at current interest rates which would be applicable to contracts with similar terms and credit risk.

Derivative instruments

Derivative instruments are used only for hedging purpose and are subject to hedge accounting as following tables show.

As of December 31, 2011						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	22,100,000	22,100,000	Note (a)	-

As of June 30, 2012						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	38,100,000	38,100,000	Note (a)	-

Note:

- (a) The interest rate swaps which qualify for hedging accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis. The fair value of the hedging interest rate swaps is included in the fair value of hedged long-term loans payable. Please refer to above footnote ("Liabilities, (2) Long-term loans payable").

Note (ii): Financial instruments for which fair value is difficult to determine are as follows:

	As of	
	December 31, 2011	June 30, 2012
Tenant leasehold and security deposits	1,297,470	1,974,579
Tenant leasehold and security deposits in trust	3,700,353	5,873,353
Total	4,997,823	7,847,933

Tenant lease hold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

Note (iii): Cash flows schedule of financial assets after the balance sheet date

As of December 31, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	2,955,105	-	-	-	-	-
Cash and bank deposits in trust	1,403,403	-	-	-	-	-
Total	4,358,508	-	-	-	-	-

As of June 30, 2012	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	4,364,730	-	-	-	-	-
Cash and bank deposits in trust	1,967,342	-	-	-	-	-
Total	6,332,072	-	-	-	-	-

Note (iv): Cash flows schedule of interest-bearing financial liabilities after the balance sheet date

As of December 31, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	-	25,000,000	4,280,000	280,000	7,340,000	25,100,000
Total	-	25,000,000	4,280,000	280,000	7,340,000	25,100,000

As of June 30, 2012	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	10,000,000	15,140,000	4,280,000	280,000	14,200,000	36,100,000
Total	10,000,000	15,140,000	4,280,000	280,000	14,200,000	36,100,000

## Note 8 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2011 and June 30, 2012.

	As of / For the six months ended	
	December 31, 2011	June 30, 2012
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	108,003,829	107,591,702
Net increase (decrease) during the period <sup>(ii)</sup>	(412,126)	38,395,484
Balance at the end of the period	107,591,702	145,987,187
<b>Fair value<sup>(iii)</sup></b>	107,640,000	149,840,000

Note:

- (i) The net book value includes leasehold right.  
(ii) For the six months ended December 31, 2011:  
Changes in the net book value are mainly due to depreciation.

For the six months ended June 30, 2012:

Changes in the net book value are mainly due to the following acquisition offset by depreciation.

Acquisitions:	Increase (decrease) in net book value (Thousands of yen)
IIF Atsugi Logistics Center III	2,397,069
IIF Shinonome R&D Center	8,937,510
IIF Kamata R&D Center	7,589,167
IIF Zama IT Solution Center	5,567,399
IIF Shinagawa Data Center	5,209,040
IIF Mitaka Card Center	9,304,683

- (iii) Fair value has been determined based on the appraisal or researched value provided by independent real estate appraisers.

For rental revenues and expenses for the six months ended December 31, 2011 and June 30, 2012, please refer to “Note 4 - Rent revenue—real estate and expenses related to rent business.”

## Note 9 – Asset retirement obligations

As the Investment Corporation owns IIF Haneda Airport Maintenance Center with the permission for use of the underlying land granted by the Secretary of Tokyo Regional Civil Aviation Bureau under the National Property Act of Japan, the Investment Corporation is obliged to demolish the building and restore the land if the permission is not to be extended or is to be revoked. The Investment Corporation, however, expects that, unless exceptional circumstances arise, the permission will continue to be granted until the Investment Corporation voluntarily demolish the property considering the past practice relating to the extension and revocation of permission under the National Property Act and the importance of the property as public infrastructure. As the Investment Corporation intends to keep the property in the foreseeable future, it is difficult to determine the timing of performance of the asset retirement obligation and as such it is impossible to foresee the amount of the asset retirement obligation reasonably. Therefore, the Investment Corporation does not recognize such obligation as a liability.

## Note 10 – Related-party transactions

### For the six months ended December 31, 2011:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Interested party and major unitholder	Mitsubishi Corporation	Trade and general business	Directly 10.25% Indirectly 0.64%	Redemption of investment corporation bond	8,000,000	—	—
				Interest expenses on investment corporation bond <sup>(i)</sup>	39,215	—	—
Custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	—	Repayment of short-term loans payable	305,000	—	—
				Drawing of long-term loans payable <sup>(ii)</sup>	3,080,000	Long-term loans payable	10,694,000
				Repayment of long-term loans payable	2,775,000		
				Interest expenses <sup>(ii)</sup>	58,966	Accrued expenses	294

#### Notes:

- (i) The terms and conditions of the investment corporation bond were reasonably decided based on the comparative analyses of the various third party cases including analysis of the interest rate spreads with other J-REIT senior bank loans and subordinated bonds issued by banks and analysis of the costs of debt and capital.
- (ii) The interest rates of the loans payable have been decided similarly as other banks of the syndicate. All of the loans payable were unsecured.

### For the six months ended June 30, 2012:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited <sup>(ii)</sup>	Banking	—	Drawing of long-term loans payable <sup>(i)</sup>	2,489,000	Current portion of long-term loans payable	2,764,000
						Long-term loans payable	10,419,000
				Interest expenses <sup>(i)</sup>	59,594	Accrued expenses	381

#### Notes:

- (i) The interest rates of the loans payable have been decided similarly as other banks of the syndicate. All of the loans payable were unsecured.
- (ii) The company name was changed from The Sumitomo Trust and Banking Co., Ltd. by merger with The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited on April 1, 2012.

## Note 11 – Per unit information

The net asset value per unit as of December 31, 2011 and June 30, 2012 was ¥463,517 and ¥453,200, respectively. Net income per unit for the six months ended December 31, 2011 and June 30, 2012 was ¥12,377 and ¥14,961, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Investment Corporation has no potentially dilutive units.

A basis of calculation of net income per unit is as follows:

	(Thousands of yen)	
	For the six months ended	
	December 31, 2011	June 30, 2012
Net income	1,158,903	1,852,958
Effect of dilutive unit	-	-
Net income available to common unitholders	1,158,903	1,852,958
Weighted-average number of units outstanding for the period	93,632 units	123,846 units

## Note 12 – Subsequent events

### For the six months ended December 31, 2011:

#### *Issuance of new investment units*

The Board of Directors of the Company, at its meeting held on February 15, 2012, resolved to issue new investment units as follows:

#### *(a) Issuance of new investment units through public offering*

Investment units shall be offered through a public offering in Japan (“Domestic Public Offering”) and in overseas markets, consisting mainly of the U.S. and European markets (provided, however, that offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) (referred to as “Overseas Offering” and collectively with the Domestic Public Offering, as the “Offerings”).

##### (i) Number of new investment units to be offered:

44,762 investment units, out of which 22,381 new units to be offered through the Domestic Public Offering and 22,381 new units to be offered through the Overseas Offering, although the breakdown of the number of new investment units to be offered shall be finally determined within 44,762 investment units considering demand and other factors at the Board of Directors Meeting to be held in late February (hereinafter called “Determination Date of Issue Price”).

#### *(b) Issuance of new investment units through third-party allotment*

##### (i) Number of new investment units: 2,238 investment units

##### (ii) Allottee: Nomura Securities Co., Ltd.

There may be cases where there will be no subscription for the investment units offered in the third-party allotment in

whole or in part, and the final number of investment units placed under the third-party allotment may accordingly decrease to that extent due to forfeiture, or such allotment itself may not take place at all.

*(c) Use of proceeds*

The Company will use the net proceeds from the Offerings and the third-party allotment for acquisition of additional specified assets.

The issue price of the new investment units through the Offerings and the third-party allotment shall be determined at the Board of Directors Meeting to be held on Determination Date of Issue Price.

**For the six months ended June 30, 2012:**

None

## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	December 31, 2011	June 30, 2012
Unappropriated retained earnings	1,158,918,861	1,852,994,517
Cash distribution declared	1,158,883,264	1,852,967,232
<i>(Cash distribution declared per unit)</i>	<i>(12,377)</i>	<i>(13,176)</i>
Retained earnings carried forward	35,597	27,285

### Note:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended December 31, 2011 and June 30, 2012 were ¥1,158,883,264 and ¥1,852,967,232, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

### **Note**

Accompanying English financial information, comprising of balance sheets, statements of income and retained earnings, statements of changes in net assets, notes to financial information and statements of cash distributions, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended June 30, 2012 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

## VII. Statements of cash flows (additional information)

	(Thousands of yen)	
	For the six months ended	
	December 31, 2011	June 30, 2012
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes.....	1,159,912	1,853,952
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization.....	586,051	694,365
Amortization of investment corporation bond issuance costs.....	14,609	—
Amortization of investment unit issuance costs .....	8,874	29,101
Interest income.....	(544)	(397)
Interest expenses .....	439,221	467,314
Insurance income .....	—	(86,864)
Changes in assets and liabilities:		
Increase in operating accounts receivable .....	(221)	(32,983)
Decrease (increase) in consumption taxes refundable.....	106,913	(736,879)
Decrease (increase) in prepaid expenses .....	291,257	(479,079)
Increase in long-term prepaid expenses.....	(180,832)	(210,423)
Increase in operating accounts payable .....	12,366	45,504
Increase in accounts payable – other .....	27,583	40,337
Increase (decrease) in accrued expenses .....	4,096	(39)
Increase (decrease) in accrued consumption taxes.....	110,464	(110,464)
Increase (decrease) in advances received .....	(329,210)	681,077
Decrease in other noncurrent liabilities .....	(8,141)	(8,107)
Other, net .....	(62,588)	30,432
Subtotal.....	2,179,813	2,176,847
Interest income received.....	544	397
Interest expenses paid.....	(514,162)	(466,618)
Insurance income received .....	—	81,209
Payments for loss on disaster .....	(12,990)	—
Income taxes paid .....	(912)	(980)
Net cash provided by operating activities.....	1,652,291	1,790,855
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment .....	(49,613)	(5,240,047)
Purchases of property, plant and equipment in trust.....	(111,369)	(33,675,740)
Proceeds from tenant leasehold and security deposits.....	—	677,109
Proceeds from tenant leasehold and security deposits in trust .....	318	2,161,940
Payments of tenant leasehold and security deposits in trust.....	—	(38,566)
Net cash used in investing activities.....	(160,664)	(36,115,304)
<b>Net cash provided by (used in) financing activities:</b>		
Decrease in short-term loans payable .....	(1,100,000)	—
Proceeds from long-term loans payable.....	19,500,000	20,000,000
Repayments of long-term loans payable .....	(10,500,000)	(2,000,000)
Redemption of investment corporation bonds .....	(8,000,000)	—
Proceeds from issuance of investment units .....	—	19,640,313
Payments for investment unit issuance expenses .....	(30,059)	(182,043)
Dividends paid.....	(1,022,229)	(1,160,256)
Net cash provided by (used in) financing activities .....	(1,152,289)	36,298,013
<b>Net change in cash and cash equivalents .....</b>	<b>339,337</b>	<b>1,973,564</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>4,019,171</b>	<b>4,358,508</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>4,358,508</b>	<b>6,332,072</b>

**Note:**

- (i) The statements of cash flows are unaudited because the statements are out of scope of independent audit under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan.
- (ii) Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition. Cash and cash equivalents shown in the statements of cash flows consist of the following balance sheet items:

	(Thousands of yen)	
	As of	
	December 31, 2011	June 30, 2012
Cash and bank deposits	2,955,105	4,364,730
Cash and bank deposits in trust	1,403,403	1,967,342
Cash and cash equivalents	4,358,508	6,332,072

## Other Information

Japanese version of the Asset Management Report contains other information not included in this English version. You can access most of those information in English by referring to our website.

### **IIF Website**

- Portfolio Management: <http://www.iif-reit.com/english/portfolio/data.html>
- Portfolio Overview: <http://www.iif-reit.com/english/portfolio/list.html>
- Financial Information: <http://www.iif-reit.com/english/ir/financial.html>

### **Contact**

#### Asset Manager

For IR schedule and other IR-related information, please contact our asset management company, Mitsubishi Corp. - UBS Realty Inc. at +81-3-5293-7090.

#### Transfer Agent

Regarding the custody arrangement and other investment units-related information, please contact our general administrator, Mitsubishi UFJ Trust and Banking Corporation at 0120-232-711 (Free dial, but in domestic only).

## Disclaimer

The contents of this document, including summary notes, quotes, data and other information, are provided solely for informational purposes and not intended for the purpose of soliciting investment in, or as a recommendation to purchase or sell, any specific products.

Please be aware that matters described herein may change or cease to exist without prior notice of any kind. This document contains forward-looking statements and anticipations of future results, based on current assumptions and beliefs in light of currently available information and resources. Risks and uncertainties, both known and unknown, including those relating to the future performance of the retail market in Japan, interest rate fluctuations, competitive scenarios, and changing regulations or taxations, may cause performance to be materially different from those explicitly or implicitly expressed in this document.

While we have taken every reasonable care with respect to information contained herein, we cannot guarantee the accuracy or completeness of this information. Unless otherwise specified, this document was created based on Japanese accounting system.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concepts of the equivalent Japanese terms. With respect to any and all terms herein, if there exist any discrepancies in the meaning or interpretation thereof between the Japanese language and English language statements contained herein, the Japanese language statements will always govern the meaning and interpretation.

Neither IIF nor Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) shall be liable for any errors, inaccuracies, loss or damage, or for any actions taken in reliance thereon, or undertake any obligation to publicly update the information contained in this document after the date of this document.

Asset Management Company: Mitsubishi Corp.-UBS Realty Inc.

(Financial Instrument Firm under License No. 403 of the Director of Kanto Local Finance Bureau )