

**Industrial & Infrastructure Fund Investment Corporation**

**11th Asset Management Report**

**(Semi-Annual Report 11th)**

July 1, 2012 – December 31, 2012

 **Industrial & Infrastructure Fund Investment Corporation**

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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.

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.

# Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for their ongoing support.

In the 11th Period (Fiscal period ended December 31, 2012), the assets acquired in the previous period were under IIF's management for the full period, and in December, IIF Kawaguchi Logistics Center was also acquired on account of IIF's strengths in property sourcing activities based on CRE (Corporate Real Estate) proposals. With respect to existing properties, at IIF Atsugi Logistics Center we secured a replacement tenant without any vacancy period after the previous tenant moved out, and we signed a new lease agreement with increased floor space for IIF Kobe District Heating and Cooling Center, resulting in an occupancy rate of 100% for the entire portfolio.

As for financial strategy, IIF improved the stability of its financial base and reduced funding costs by taking out long-term borrowings with fixed interest for prepayment of subordinated loans, and issuing IIF's first investment corporation bonds through a public offering. As a result of those initiatives, the distribution per unit increased 9.2% from the previous period to 14,387 yen.

IIF will continue to aim for maximization of unitholder value by securing stable profits and promoting the steady growth of managed assets. Together with the asset manager, Mitsubishi Corp.-UBS Realty Inc., we look forward to receiving your continued support.

Yasuyuki Kuratsu

Executive Director

Industrial & Infrastructure Fund Investment Corporation

## Topics of the 11th Period

- Acquired IIF Kawaguchi Logistics Center; 23 properties under management; total acquisition price of 147,284 million yen.
- 100% occupancy rate for the entire portfolio was achieved by carrying out initiatives such as replacement of tenants, etc.
- Stability of IIF's financial base was improved by prepayment of subordinated loans, and IIF's first issuance of investment corporation bonds by public offering.
- Two properties, IIF Koshigaya Logistics Center and IIF Noda Logistics Center, were the first J-REIT logistics facilities to receive the DBJ Green Building Certification.

## Highlights of the 11th Period

	The 8th period (Jun. 2011)	The 9th period (Dec. 2011)	The 10th period (Jun. 2012)	The 11th period (Dec. 2012)	The 12th period (forecast) (Jun. 2013)	The 13th period (forecast) (Dec. 2013)
Operating Revenue (million yen)	3,295	3,526	4,458	<b>5,037</b>	5,742	5,968
Net Income (million yen)	1,022	1,158	1,852	<b>2,023</b>	2,435	2,507
Total Asset (million yen)	113,262	112,947	154,937	<b>154,502</b>	—	—
Distribution per unit (yen)	10,919	12,377	13,176	<b>14,387</b>	15,567	16,029
Net Asset Value per unit (yen)	462,059	463,517	453,200	<b>454,411</b>	—	—

Figures in this asset management report are as of December 31, 2012 unless otherwise noted.

## IIF Focus

### **Full-period management of properties acquired in the prior period and a series of successful financial strategies contributed to establishment of solid foundations**

Industrial & Infrastructure Fund Investment Corporation (IIF) has completed settlement of accounts for its 11th Period (Fiscal period ended December 31, 2012).

In the period under review IIF strengthened its asset portfolio due to full-period management of the six properties acquired in the 10th Period (Fiscal period ended June 30, 2012), as well as the acquisition of one additional property, and carrying out appropriate replacement of tenants without any vacancy period resulting from vacating tenants. Moreover, with respect to its financial standing, IIF established a very stable financial base through its first issuance of publicly offered investment corporation bonds, and further extending the maturity and fixing interest rates when refinancing.

In addition, in January 2013, IIF announced issuance of new investment units through a public offering for three consecutive years, and in February 2013, IIF reported the completion of the issuance of new investment units and funding. Takuya Kuga, President & CEO of IIF's Asset Manager (Mitsubishi Corp. – UBS Realty Inc.), explains about those activities carried out in the 11th Period, and IIF's future outlook.

### **Securing stable profits and sustainable growth of managed assets**

In the period under review IIF continued to carry out property sourcing activities by leveraging its strengths in CRE proposals, and as a result acquired IIF Kawaguchi Logistics Center (acquisition price of 1,770 million yen) in December 2012. As a result of that asset acquisition, as of December 31, 2012, IIF had a total of 23 properties in its portfolio (14 logistics facilities, 5 manufacturing and R&D facilities, 4 infrastructure facilities), with a total acquisition price of 147,284 million yen.

Meanwhile, as to existing properties, IIF secured a replacement of tenants for IIF Atsugi Logistics Center, and signed a five-year fixed-term lease agreement with the new tenant. IIF also signed a new lease agreement with additional leasable area for IIF Kobe District Heating and Cooling Center. As a result of those activities, as of December 31, 2012, IIF had a total leasable area of 478,184.88 m<sup>2</sup> for the entire portfolio, achieved an occupancy rate of 100%, and secured long-term, stable cash flows with an average remaining lease term of 10.5 years.

Moreover, in the period under review, two properties - IIF Koshigaya Logistics Center and IIF Noda Logistics Center - were recognized as real estate showing consideration to the environment and society, and became the first logistics facilities owned by a J-REIT to receive the DBJ Green Building Certification from Development Bank of Japan Inc. (hereinafter referred to as "DBJ") in October 2012. In addition, following on from incorporation of IIF investment units in Global Property Research's<sup>\*1</sup> "GPR250 Index" and "GPR 250 REIT Index" in June 2012, IIF investment units were included in FTSE's<sup>\*2</sup> "FTSE EPRA/NAREIT Global Real Estate Index Series" from September 2012.

<sup>\*1</sup> Global Property Research is a company that provides indices, and has built up a track record since 1996 for listed real estate companies (including REITs).

\*2 FTSE Group is a London-based company that prepares and manages indices for equities and bonds, etc.

### **Issuance of new investment units for three consecutive years**

With respect to funding, in January 2013, following the end of the period under review, IIF announced a public offering for three consecutive years. With the funds raised from the issuance of new investment units and new borrowings, IIF acquired four logistics facilities<sup>\*1</sup>, one manufacturing and R&D facility, and two infrastructure facilities for a total acquisition price of 19,843 million yen, at 7.3% NOI yield, which is a high yield exceeding the existing portfolio average.<sup>\*2</sup>

Thanks to the support received from unitholders with respect to issuance of new investment units carried out by IIF in the past, IIF received recognition from various institutions including Thomson Reuters Markets KK, Capital Eye Limited and Nikkei Veritas, etc. IIF will continue to aim for "sustainable growth" and "enhanced stability", as well as further "continuous growth of equity".

\*1 Includes IIF Kawaguchi Logistics Center acquired in December 2012.

\*2 The acquisition of IIF Higashi-Osaka Logistics Center is scheduled in April 2013. The acquisition price for IIF Kawasaki Science Center (to be developed) is calculated based on the overall anticipated price for the land and building combined.

### **Stable and efficient financial strategy**

With respect to financial standing, in September 2012, IIF took out new long-term borrowings (seven-year term) of 3,900 million yen, and prepaid subordinated loans. Through the refinancing, IIF extended the remaining borrowing period and fixed and lengthened interest rates by executing an interest rate swap agreement.

In addition, in December 2012, IIF issued its first investment corporation bonds by public offering (total issuance amount of 10,000 million yen) and made a prepayment of 10,000 million yen on existing long-term borrowings. IIF diversified the maturities of investment corporation bonds by issuing bonds with multiple terms, offering four-year and ten-year bonds. The ten-year bond is the longest maturity for a J-REIT since the financial crisis in 2008.

By carrying out those measures, IIF was able to diversify funding methods, extend the maturity and fix the interest rates, while also improving the stability of its financial base by reducing funding costs.

Japan Credit Rating Agency, Ltd. (JCR) assigned IIF a long-term senior debt rating of "AA- (Rating outlook: Stable)" in January 2012, and subsequently revised the rating outlook to "AA- (Rating outlook: Positive)" on August 8, 2012, reflecting JCR's evaluation of factors such as expansion of IIF's revenue base through external growth, improved earnings stability through alleviation of concentration of properties/tenants, and lowering of the LTV level, etc.

### **Profit distribution increased for four consecutive fiscal periods**

As a result of such initiatives, the results for the period under review were: operating revenue of 5,037 million yen, operating income of 2,834 million yen, and net income of 2,023 million yen. Distribution per unit was 14,387 yen, an increase of 9.2% compared to the 10th Period distribution of 13,176 yen, marking four consecutive fiscal periods for an increase in distribution. IIF expects that there will also be another increase in distribution for the 12th Period, due to factors such as the property (anticipated) acquisitions in the 12th Period coming under management.

## **Future growth strategy**

There has been an active movement in the stock market, prompted by an increasing expectation of a recovery of the Japanese economy, due, among other factors, to a change of government in December 2012. The J-REIT market has also had active new listings, and public offerings, resulting in an overall expansion of the J-REIT market. With respect to the logistics sector in particular, there has been a significant expansion of the scale of the market due, among other factors, to three new listings of investment corporations. With respect to logistics facilities, since occupancy rates and rent levels alike are expected to maintain high levels going forward, there is a viewpoint spreading among investors that logistics facilities are stable investments, and in addition, due to new entrants and moves to build large-scale logistics facilities and the like, the logistics real estate investment market is expected to be lively for the foreseeable future.

In this environment, IIF will aim to further increase the scale of its assets by continuing proposal-based acquisition activities in both CRE and PRE (Public Real Estate) fields that have fewer competitors and high potential for growth.

In terms of internal growth, IIF will aim to maintain the quality of the portfolio and further improve profitability, and will carry out necessary management in order to maintain and improve the functionality, safety and amenity of buildings. In addition, IIF will continue to strive to maintain and improve rent levels and contain contract cancellations by maintaining ongoing and close communications with tenants.

In terms of financial standing, IIF will continue to promote ALM (Asset Liability Management) by matching the long-term stable cash flows of properties with long-term and fixed interest rate of borrowings, taking into account the characteristics of IIF's portfolio, which is based on "stable cash flows backed by long-term lease contracts" from the 12th Period onward.

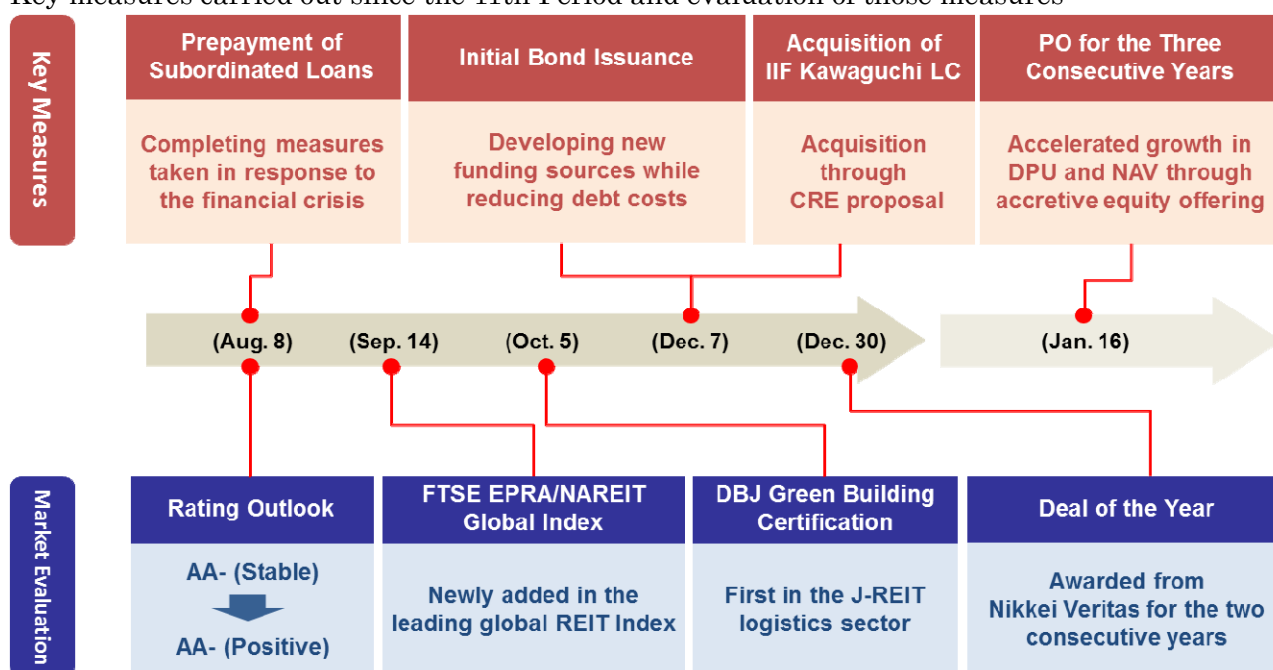
By carrying out the management described above, IIF will continue to aim to continually increase unitholder value by securing stable profits and achieving steady growth of the managed assets. We will be grateful to receive unitholders' continuing understandings and ongoing supports for IIF's activities.

Takuya Kuga

President & CEO

Mitsubishi Corp. – UBS Realty Inc.

## Key measures carried out since the 11th Period and evaluation of those measures



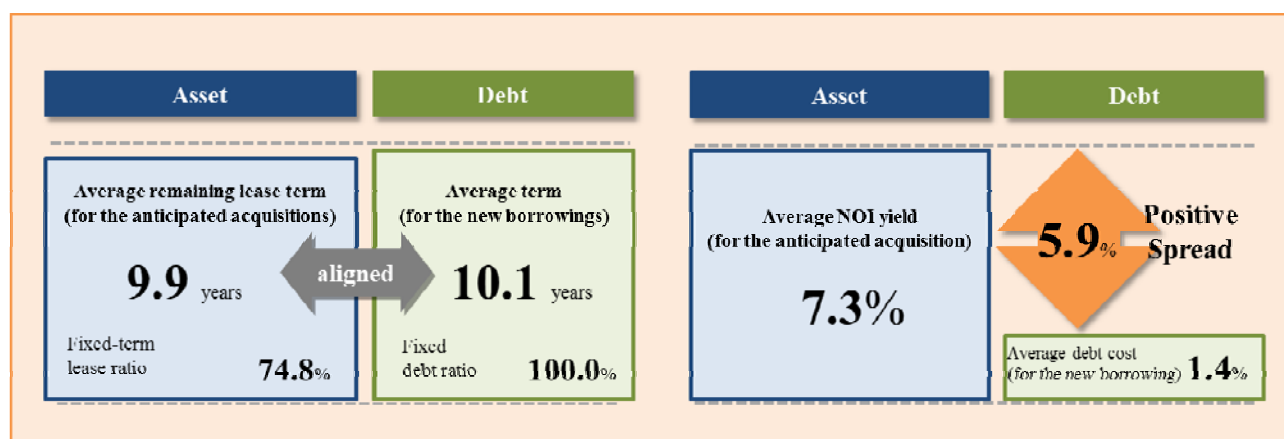
## Public offering and ALM

With the funds raised from the recent public offering, which has been carried out for three consecutive years, IIF acquired its first property from the public sector by implementing a PRE strategy, and acquired a property through a development scheme. Moreover, due to the continued success of CRE solution proposals, IIF successfully acquired properties through one-on-one transactions that exclude competition.

IIF consistently aims to "establish a long-term, stable portfolio". IIF carried out ALM (comprehensive management of assets and liabilities, taking into account volatility risk of interest rates, etc.) during the period by strategically matching assets and liability with long-terms and fixed interest rates of the borrowings, which is evidenced by the average remaining lease term<sup>\*1</sup> of acquired assets (anticipated acquisitions) being 9.9 years<sup>\*2</sup>, against 10.1 years for the average term of new borrowings; and the ratio of fixed-term leases<sup>\*3</sup> for acquired assets (anticipated acquisitions) being 74.8%, against the fixed debt ratio for new borrowings of 100.0%. Furthermore, since the average NOI yield of acquired (anticipated) assets is 7.3%, against 1.4% for the average interest rate applicable to new borrowings, IIF expects that the positive spread of 5.9% will be a source of stable distributions over the long term.



Improve stability by matching assets and debts with long terms and fixed rates



\*1 "Remaining lease term" means the period from the final anticipated acquisition date of the anticipated acquisition asset, up to the date of expiration of the lease prescribed in the lease agreement pertaining to each real estate and real estate in trust.

\*2 Does not include IIF Kawaguchi Logistics Center acquired on December 25, 2012.

\*3 "Fixed term" means fixed term land lease agreement and fixed term building lease agreement.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
As of /for the six months ended			December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012
Operating revenues	Note 1	(Millions of yen)	2,962	3,295	3,526	4,458	5,037
(Rental revenues)	Note 1	(Millions of yen)	(2,962)	(3,295)	(3,526)	(4,458)	(5,037)
Operating expenses	Note 1	(Millions of yen)	1,597	1,673	1,691	1,985	2,202
(Rental expenses)	Note 1	(Millions of yen)	(1,166)	(1,253)	(1,237)	(1,455)	(1,626)
Operating income		(Millions of yen)	1,364	1,622	1,834	2,473	2,834
Ordinary income		(Millions of yen)	799	1,038	1,159	1,767	2,022
Net income	(a)	(Millions of yen)	798	1,022	1,158	1,852	2,023
Net assets	(b)	(Millions of yen)	37,327	43,263	43,400	63,734	63,904
(Period-on-period change)		(%)	(-1.3)	(+15.9)	(+0.3)	(+46.9)	(+0.3)
Total assets	(c)	(Millions of yen)	104,060	113,262	112,947	154,937	154,502
(Period-on-period change)		(%)	(-0.5)	(+8.8)	(-0.3)	(+37.2)	(-0.3)
Unitholders' capital		(Millions of yen)	36,529	42,241	42,241	61,881	61,881
(Period-on-period change)		(%)	(0.0)	(+15.6)	(0.0)	(+46.5)	(0.0)
Number of units issued and outstanding	(d)	(Units)	79,035	93,632	93,632	140,632	140,632
Net asset value per unit	(b)/(d)	(Yen)	472,294	462,059	463,517	453,200	454,411
Total distributions	(e)	(Millions of yen)	798	1,022	1,158	1,852	2,023
Distribution per unit	(e)/(d)	(Yen)	10,102	10,919	12,377	13,176	14,387
(Profit distribution per unit)		(Yen)	(10,102)	(10,919)	(12,377)	(13,176)	(14,387)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	0.8 (1.5)	1.0 (1.9)	1.0 (2.0)	1.3 (2.6)	1.3 (2.6)
Return on unitholders' equity	Note 3	(%)	2.1 (4.2)	2.5 (5.1)	2.7 (5.3)	3.5 (6.9)	3.2 (6.3)
Ratio of net assets to total assets	(b)/(c)	(%)	35.9	38.2	38.4	41.1	41.4
(Period-on-period change)			(-0.2)	(+2.3)	(+0.2)	(+2.7)	(+0.3)
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)	2,362	2,617	2,875	3,697	4,175
Net profit margin	Note 3	(%)	27.0	31.0	32.9	41.6	40.2
Debt service coverage ratio	Note 3	(Multiple)	4.4	4.7	5.0	6.5	6.4
Funds from operation (FFO) per unit	Note 3	(Yen)	17,276	17,062	18,636	18,113	19,822
FFO multiples	Note 3	(Multiple)	11.5	11.6	10.3	14.2	16.4
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	10,049	10,655	11,856	12,387	13,019
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	17,223	16,798	18,115	17,325	18,454

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 184, 181, 184, 182 and 184 days for 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup> and 11<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 the Investment Corporation

#### i) Major developments of the Investment Corporation

IIF was established on March 26, 2007 based on “Act on Investment Trust and Investment Corporation” (hereinafter referred to as “Investment Trust Law”) 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 and manages logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities as the only listed J-REIT specializing in industrial properties.

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. During the current period, IIF acquired IIF Kawaguchi Logistics Center (for 1,770 million yen). As a result, the properties owned by IIF as of December 31, 2012 consisted of 23 properties whose total acquisition price amounted to 147,284 million yen.

#### ii) Investment environment and management performance

The Japanese economy was on a stable recovery trend until the first half of 2012, supported by restoration demand associated with the Great East Japan Earthquake and positive effects brought about by the eco-car subsidy program implemented by the government. From the middle of the year, however, the economic recovery slowed, affected by the European sovereign debt crisis and concerns about economic slowdown in emerging countries. The economy continues to remain uncertain although signs of a turnaround, such as a considerable rise in the stock market, appeared after the change in government resulting from the December 2012 election in the House of Representatives, reflecting hopes for the Abe administration and its emphasis on economic measures.

In the real estate market, new listings and public offerings have been active in the J-REIT segment while the Bank of Japan implemented purchasing and monetary easing measures. As a result, the TSE REIT index recovered to the 1,100-point level for the first time in a year and nine months. The logistics sector, in particular, attracted new entries to the J-REIT market from both inside and outside Japan and showed remarkable growth in size. Although there were differences from sector to sector, transaction values on the real estate market were generally on the rise. Trading was active namely in the logistics sector, and the real estate distribution market showed signs of recovery.

In such an environment, IIF has continued to pursue property-sourcing activities based on a CRE (Corporate Real Estate) proposal, an approach in which IIF is strong. In December 2012, IIF acquired IIF Kawaguchi Logistics Center (for 1,770 million yen) with its own funds. On the property management front, IIF signed a five-year fixed-term lease contract with a new tenant for IIF Atsugi Logistics Center. The contract took effect on July 1, 2012, and after the old tenant vacated the property, IIF was successful in replacing tenants with no vacancy period. IIF has received DBJ Green Building Certification\*, as the first logistics facilities owned by a J-REIT, on October 5, 2012 from Development Bank of Japan Inc. ("DBJ") for IIF Koshigaya Logistics Center, and IIF Noda Logistics Center.

As a result, the properties IIF owned as of December 31, 2012 consisted of 14 logistics facilities, four infrastructure facilities and five manufacturing and R&D facilities whose total acquisition price amounted to 147,284 million yen. The total leasable area as of December 31, 2012 was 478,184.88 m<sup>2</sup>, and the average occupancy rate remained at 100.0%.

\*The DBJ Green Building Certification system ("the System") is a system of certifying outstanding buildings using a scoring model originally

developed by DBJ which selects buildings. Its purpose is to promote popularization of buildings ("Green Buildings") that are environmentally friendly, equipped to prevent crime and mitigate disaster, as well as meet social requirements surrounding real estate from various stakeholders.

## (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.

During the period under review, IIF newly made a long-term borrowing of 3,900 million yen (a term of seven years) in September 2012 and was able to repay the subordinated loan early. Through this refinancing, IIF managed to extend the debt remaining period and fixed the interest rate in the long-term based on an interest rate swap agreement, thereby improving the stability of its financial base and reduced funds-procurement costs against borrowings in subordinated bonds. Further, in December 2012, IIF succeeded in issuing public-offering investment corporation bonds (total issuing amount of 10,000 million yen) and achieved early repayment of the existing long-term borrowings of 10,000 million yen. As a result, IIF succeeded in diversifying procurement methods, fixing liabilities in the long term, and reducing fund-raising costs. By issuing four-year and ten-year investment corporation bonds, IIF diversified the redemption dates. The ten-year investment corporation bond is the longest bond issuance period given by any J-REIT since the financial crisis in 2008.

As a result of the above, the balance of interest bearing debt as of December 31, 2012 amounted to 80,000 million yen, which was the same as that for the previous period and included long-term borrowings (including current portion) of 70,000 million yen and investment corporation bonds of 10,000 million yen.

IIF received an "AA- (outlook: Stable)" rating for long-term preferred debts by the Japan Credit Rating Agency, Ltd. (JCR) effective January 18, 2012. On August 8, 2012, the rating was subsequently upgraded to "AA- (outlook: Positive)," in consideration of the expanded earnings based on external growth, improvement in earnings stability with relieved property and tenant concentration, and the lowered LTV level.

Following its inclusion in the GPR 250 Index and GPR 250 REIT Index of Global Property Research (Note 1) on June 18, 2012, the investment units issued by IIF were included in the FTSE EPRA/NAREIT Global Real Estate Index Series offered by FTSE (Note 2) as of September 24, 2012.

Note 1: Global Property Research provides benchmarks based on its proprietary database of listed property companies (including REITs) and has a proven track record since 1996.

Note 2: The FTSE Group is a London-based company that prepares and administers various equity and fixed income indices (INDEX).

## (3) Overview of financial results and distribution

As a result of the abovementioned management activities, IIF recorded operating revenue of 5,037 million yen, operating income of 2,834 million yen, ordinary income of 2,022 million yen and net income of 2,023 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 Taxation Measures Law 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 14,387 yen.

### 3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 2012. The outline of changes in unitholders' capital for the 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:

Fiscal period	(Yen)				
	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
As of /for the six months ended	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012
Highest price	414,000	438,500	435,500	520,000	677,000
Lowest price	300,000	321,000	361,000	370,000	500,000
Closing price at end of period	393,500	399,000	379,500	515,000	646,000

## 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 December 31, 2012 amounted to ¥14,387.

Fiscal period	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
As of /for the six months ended	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012
Net income (Thousands of yen)	798,412	1,022,368	1,158,903	1,852,958	2,023,301
Retained earnings carried forward (Thousands of yen)	15	15	35	27	56
Total cash distributions (Thousands of yen)	798,411	1,022,367	1,158,883	1,852,967	2,023,272
(Cash distribution per unit) (Yen)	(10,102)	(10,919)	(12,377)	(13,176)	(14,387)
Profit distributions (Thousands of yen)	798,411	1,022,367	1,158,883	1,852,967	2,023,272
(Profit distribution per unit) (Yen)	(10,102)	(10,919)	(12,377)	(13,176)	(14,387)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and issues

### (1) Outlook for the overall management

The pace of the global economy is expected to be slow for the time being, due to less active capital investments and incremental production activities in the U.S. economy, economic stagnation in European countries and China, and the slowed growth of NIEs and ASEAN economies, although there has been a temporary lull. In Japan, the economy is also expected to stay in the range of being flat to making a moderate recovery, due to declines in exports and industrial production reflecting economic slowdown overseas and to the effects of such declines on domestic demand in part, although hopes for economic growth under the new administration have recently been growing.

Meanwhile, the real estate market has been seeing investment money return, and active transactions are likely to continue on the market as in 2012. As for logistics facilities, both the occupancy rate and the rent level are expected to remain at high levels, given the diversification of consumer lifestyles over recent years and an increase in distribution flows associated with the changes in distribution channels mainly as a result of advancement in IT. In addition, more investors view logistics facilities as stable investment targets. Supported also by new market entrants and large-scale logistics facility construction projects, the market is expected to remain active for the time being. The properties managed by IIF are likely to see stable usage, given their high versatility and excellent locations. Also considering that business companies appear to be increasing the speed at which they execute sales and off-balance transactions for the properties they own amid opaque economic conditions, with IIF's strength in acquisition activities based on the CRE proposal strategy, IIF is expected to see a rise in investment opportunities. As for manufacturing and R&D facilities, consolidation and overseas transfer of plants in particular have become prominent due to the prolonged appreciation of the yen. Yet vital facilities are likely to be maintained and implemented in Japan as before, and the properties managed by IIF based on long-term lease contracts are expected to see continuous, stable usage given their importance. In the infrastructure facilities segment, sales of properties can be anticipated as moves to separate holding and management are likely to quicken in both the public and private sectors.

## (2) Management policy and issues to be addressed

Under the circumstances, IIF implements asset management described below, and will aim for continuous expansion of unitholder value by securing stable profits and promoting the steady growth of managed assets.

### i) External growth

IIF will continue to demonstrate its strength in proposal-based acquisition activities in the areas of both CRE and PRE (Public Real Estate), where growth potential is apparent, and pursue “stable” property acquisition opportunities that contribute to “improving profitability” and “unrealized gain”. In doing so, IIF will aim to further expand the size of its portfolio.

In the area of CRE, IIF will make the most of being an advanced player in the market with its solid performance, know-how, and the network accumulated thus far in pursuing advantageous property acquisition that resists competition. IIF will simultaneously pursue further potential through innovation, exploit new sectors and advance its proprietary CRE proposal-based business model. Meanwhile, in the field of PRE, IIF will continue to propose solutions to the public sector based on its track record in this area.

IIF will strive to build up prime properties for expanding the portfolio by leveraging its unique strengths as the only listed J-REIT specializing in industrial properties and creating an agile property acquisition structure by collecting property information through its information channels including sponsor companies and using the bridge scheme and other strategies.

### ii) Internal growth

As of December 31, 2012, the portfolio owned by IIF consisted of 23 properties for a total acquisition price of 147,284 million yen, and the occupancy rate currently stands at 100%. The properties are managed under long-term lease contracts with an average remaining lease period of 10.5 years, and they generate stable cash flows.

IIF will work to maintain the quality of its portfolio and further improve profitability by implementing the required management tasks to maintain and improve the functionality, safety, and pleasantness of the buildings it manages and carry out suitable repair work as necessary. At the same time, IIF will continue to exert efforts in building favorable relationships with lessees based on close, on-going communication in order to maintain and improve the rent level and prevent cancellation.

Furthermore, in order to enhance the value of properties, IIF will make plans to increase floor space and expand the leasable space in properties where extra space is available and formulate renovation plans to improve earnings in the long term.

### iii) Financial strategy

In consideration of how IIF’s portfolio generates “stable cash flows based on long-term lease contracts,” IIF’s basic strategy in raising funds is to fix liabilities in the long term. In accordance with this policy, IIF will continue to pursue ALM (Asset Liability Management) of matching long-term stable cash flows of properties to long-term fixed-rate borrowings in the next fiscal year and beyond.

IIF will also work to reduce fund-raising costs, lengthen borrowing periods, standardize repayment amounts and diversify repayment dates through effective refinancing of existing loans. Furthermore, IIF will continue to diversify lenders and procurement methods in the aim of enhancing its fund-raising base.

## 6. Subsequent events

### *Issuance of new investment units*

The Board of Directors of the Investment Corporation, at its meeting held on January 16, 2013 and January 28, 2013, 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, the “Offerings”).

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

15,424 investment units, out of which 7,524 new units to be offered through the Domestic Public Offering and 7,900 new units to be offered through the Overseas Offering consisting of 7,524 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 376 additional new units granted to the overseas underwriters.

##### (ii) Issue price (Offer price): ¥692,250 per unit

##### (iii) Total issue price (Total offer price): ¥10,677,264,000

##### (iv) Issue value (Amount to be paid in): ¥668,110 per unit

##### (v) Total issue value (Total amount to be paid in): ¥10,304,928,640

##### (vi) Payment date: February 4, 2013

##### (vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2013 and ending on June 30, 2013.

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

##### (i) Number of new investment units: 376 investment units

##### (ii) Issue value (Amount to be paid in): ¥668,110 per unit

##### (iii) Total issue value (Total amount to be paid in): ¥251,209,360

##### (iv) Payment date: Scheduled on March 5, 2013

##### (v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2013 and ending on June 30, 2013.

##### (iv) 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 Investment Corporation will use the net proceeds from the Offerings and the third-party allotment for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥72,186,373,949 and number of investment units issued and outstanding increased to 156,056 units on February 4, 2013.

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
As of	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 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	93,632	93,632	140,632	140,632
Number of unitholders (People)	4,398	4,926	4,728	5,333	4,317

## 2. Unitholders

Major unitholders as of December 31, 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	23,098	16.42
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	10,676	7.59
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	10,364	7.36
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	7,139	5.07
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	3,643	2.59
North Pacific Bank, Ltd.	7, Odori-nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido	2,235	1.58
Mizuho Trust & Banking co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	2,187	1.55
Total		79,142	56.27

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 December 31, 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) 15,300

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 compensation for Independent auditor includes the audit fees for the financial statements prepared in English and the preparation fee of a comfort letter with respect to the issuance of new investment corporation bonds in December 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
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
General administrator (regarding income and other taxes)	Ernst & Young Shinnihon Tax
General administrator (regarding investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

# Condition of investment assets

## 1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of June 30, 2012		As of December 31, 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	5,681	3.7	7,654	5.0
			Osaka and Nagoya metropolitan areas	1,099	0.7	1,142	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	46,093	29.7	45,901	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	68,742	44.4	68,502	44.3
			Osaka and Nagoya metropolitan areas	1,245	0.8	1,250	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	5,507	3.6
			Osaka and Nagoya metropolitan areas	17,580	11.3	17,504	11.3
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				145,987	94.2	147,464	95.4
Bank deposits and other assets				8,950	5.8	7,038	4.6
Total assets				154,937	100.0	154,502	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 December 31, 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	40,680	81,995.81	81,995.81	100.0	26.6	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,504	11,275.39	11,275.39	100.0	6.6	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,399	27,493.29	27,493.29	100.0	7.9	Logistics facility
IIF Mitaka Card Center	9,278	21,615.01	21,615.01	100.0	7.2	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	8,889	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 5)	7,550	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center	5,954	38,828.10	38,828.10	100.0	4.9	Logistics facility
IIF Zama IT Solution Center (Note 5)	5,507	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Shinsuna Logistics Center	5,297	5,741.75	5,741.75	100.0	3.3	Logistics facility
IIF Shinagawa Data Center (Note 5)	5,221	19,547.11	19,547.11	100.0	—	Infrastructure facility
Total	119,283	256,370.21	256,370.21	100.0	80.2	

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 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 5 “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

### 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 December 31, 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	14,800	13,399
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	7,010	5,954
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,080	5,297
IIF Atsugi Logistics Center	19, Aza Ikoda, Hase 6-chome, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	1,920	1,864
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,330	1,949
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,580	1,250
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,070	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	4,030	3,435
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,360	3,375
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,730	2,408
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,760	1,540
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,150	1,142
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,600	2,380
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	2,790	1,872
IIF Totsuka Technology Center (land with leasehold interest)	334-1, Aza 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	1,182
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,160	9,278
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	10,700	8,889
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	7,510	7,550
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	17,504
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	39,500	40,680

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 Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,507
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,290	5,221
Total			478,184.88	153,620	147,464

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 June 30, 2012 and December 31, 2012 were as follows:

Name of property	For the six months ended							
	June 30, 2012				December 31, 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	8.9	1	100.0	397	7.9
IIF Noda Logistics Center	2	100.0	240	5.4	2	100.0	245	4.9
IIF Shinsuna Logistics Center	1	100.0	168	3.8	1	100.0	168	3.3
IIF Atsugi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	1.7	1	100.0	75	1.5
IIF Nishinomiya Logistics Center	1	100.0	59	1.3	1	100.0	59	1.2
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	2.6	1	100.0	117	2.3
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	1.5	1	100.0	66	1.3
IIF Nagoya Logistics Center	1	100.0	48	1.1	1	100.0	48	1.0
IIF Atsugi Logistics Center III (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Kawaguchi Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	3.5	1	100.0	154	3.1
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	1.3	1	100.0	57	1.1
IIF Mitaka Card Center	1	100.0	180	4.0	1	100.0	364	7.2
IIF Shinonome R&D Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Kamata R&D Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center	1	97.5	371	8.3	1	100.0	330	6.6



Name of property	For the six months ended							
	June 30, 2012				December 31, 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	1,363	30.6	1	100.0	1,340	26.6
IIF Zama IT Solution Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Shinagawa Data Center (Note 3)	1	100.0	—	—	1	100.0	—	—
Total (Note 4)	23	99.9	4,458	100.0	24	100.0	5,037	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” of the properties are not disclosed because the consent from the tenants has not been obtained.

Note 4 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 December 31, 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)	42,000	42,000	(790)
Total		42,000	42,000	(790)

Note 1 The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

Note 2 The Investment Corporation applies the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008 for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability.

## 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 December 31, 2012.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 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 December 31, 2012	Total of advanced payment
IIF Atsugi Logistics Center	Atsugi-shi, Kanagawa	Repair of outer wall	April 2013	27	—	—
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Repair of outer wall	May 2013	26	—	—
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall at M1 and M2 west side	June 2013	39	—	—
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of air conditioning system at computer room	April 2013	22	—	—
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of disaster prevention equipment	June 2013	18	—	—

### 2. Capital expenditures for the six months ended December 31, 2012

Maintenance expenditures on property for the six months ended December 31, 2012 were totaling to ¥395 million consisting of ¥320 million of capital expenditures stated as below and ¥74 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 Kobe District Heating and Cooling Center	Kobe-shi, Hyogo	Repair of rest room	August 2012 to November 2012	48
IIF Atsugi Logistics Center II	Atsugi-shi, Kanagawa	Renewal of air conditioning system	July 2012 to December 2012	118
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Renewal of air conditioning system	September 2012 to December 2012	42
Other	—	—	—	111
Total				320

### 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	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
As of /for the six months ended	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012
Reserved funds at beginning of period	249	305	523	629	826
Increase	227	265	265	331	383
Decrease	172	47	159	134	395
Reserved funds at end of period	305	523	629	826	815

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	10 <sup>th</sup>	11 <sup>th</sup>
Item	For the six months ended June 30, 2012	For the six months ended December 31, 2012
(a) Asset management fee	443,470	467,975
(b) Asset custody fee	5,126	5,591
(c) Administrative service fees	24,853	26,597
(d) Directors' compensation	5,820	5,820
(e) Other operating expenses	50,258	69,857
Total	529,527	575,841

### 2. Loans payable

Loans payable as of December 31, 2012 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			June 30 2012 (Millions of yen)	December 31 2012 (Millions of yen)					
Long-term loans payable (Note 2)	MetLife Alico	December 25, 2009	2,000	2,000	1.7	December 25, 2014	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	3,765	—	1.1	February 28, 2013	Lump sum (Notes 4 and 5)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,471	—					
	Sumitomo Mitsui Trust Bank, Limited		2,764	—					
	Sumitomo Mitsui Trust Bank, Limited	September 30, 2010	2,500	2,500	0.9	September 30, 2013	Lump sum (Note 4)	Note 7	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 4)	Note 7	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 4)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 3)	March 9, 2018	Lump sum (Note 4)	Notes 7 and 8	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,950	2,950					
	Sumitomo Mitsui Trust Bank, Limited		2,350	2,350					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2011	2,274	—	1.7	August 31, 2016	Lump sum (Notes 4 and 6)	Note 9	Unsecured and unguaranteed Subordinated loan
	Sumitomo Mitsui Banking Corporation		1,626	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2011	2,000	2,000	1.2 (Note 3)	August 31, 2016	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	2,823	2,823	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,603	2,603					
	Sumitomo Mitsui Trust Bank, Limited		2,074	2,074					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	1,500	1,500	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 8	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			June 30, 2012 (Millions of yen)	December 31, 2012 (Millions of yen)					
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	—	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	—	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
Total			80,000	70,000					

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

Note 2 Long-term loans payable include current portion.

Note 3 These long-term loans payable are hedged by interest rate swaps and the average interest rate of these long-term loans payable is calculated adjusting the effect of the interest rate swaps.

Note 4 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 5 All of the principal was repaid on December 28, 2012 in advance of the maturity date.

Note 6 All of the principal was repaid on September 28, 2012 in advance of the maturity date.

Note 7 The funds were appropriated to repayment of outstanding loans payable.

Note 8 The funds were mainly appropriated to acquisition of real estate property, etc.

Note 9 The funds were appropriated to redemption of outstanding investment corporation bond.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use	Remarks
		June 30, 2012 (Millions of yen)	December 31, 2012 (Millions of yen)					
The 1 <sup>st</sup> Unsecured Investment Corporation Bond	December 27, 2012	—	5,000	0.56	December 27, 2016	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2 <sup>nd</sup> Unsecured Investment Corporation Bond	December 27, 2012	—	5,000	1.40	December 27, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		—	10,000					

Note The Investment Corporation may repurchase bonds at any time on or after the next day of issuance except for the case that transferring term is otherwise limited.

### 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 Kawaguchi Logistics Center	December 25, 2012	1,770				
Total	—	1,770	—	—	—	—

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 Kawaguchi Logistics Center	December 25, 2012	1,770	2,790	CBRE K.K.	December 1, 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 December 31, 2012, the Investment Corporation entered into two 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	46,432	NIKKEN CORPORATION	2,137	4.6

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

	Number of units purchased (Units)	Number of units sold (Units)	Number of units held (Units)
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 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%
The 11 <sup>th</sup> fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	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 December 31, 2012, was as follows:

Approval day	Item	Summary
November 21, 2012	Comprehensive approval of issuance of investment corporation bonds and appointment of administrators	The Board of Directors of the Investment Corporation approved issuance of investment corporation bonds within ¥25 billion in total from November 21, 2012 to November 20, 2013, and appointment of underwriters, financial agency and other general administrator regarding investment corporation bonds. Other relating matters were entrusted to Executive Director.

Note With above comprehensive approval on November 21, 2012, the Investment Corporation issued the 1<sup>st</sup> Unsecured Investment Corporation Bond (¥5 billion of 4-year) and the 2<sup>nd</sup> Unsecured Investment Corporation Bond (¥5 billion of 10-year) on December 27, 2012, respectively. Administrators relating to the investment corporation bonds were appointed as follows.

	The 1st Unsecured Investment Corporation Bond	The 2nd Unsecured Investment Corporation Bond
(i) Underwriter	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Mizuho Securities Co., Ltd. Barclays Securities Japan Limited	Mizuho Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Barclays Securities Japan Limited
(ii) Financial agency and other general administrator	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

### 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	
	June 30, 2012	December 31, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits.....	4,364,730	3,576,695
Cash and bank deposits in trust .....	1,967,342	2,007,206
Rental receivables.....	36,519	47,738
Prepaid expenses .....	794,579	430,234
Deferred tax assets.....	17	17
Consumption taxes refundable .....	740,243	—
Other.....	5,700	117
<b>Total current assets.....</b>	<b>7,909,133</b>	<b>6,062,010</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost.....	27,273,859	27,928,911
Less: Accumulated depreciation .....	(2,299,718)	(2,580,224)
Buildings, net.....	24,974,141	25,348,686
Structures, at cost .....	26,882	26,882
Less: Accumulated depreciation .....	(536)	(981)
Structures, net.....	26,346	25,901
Machinery and equipment, at cost .....	—	10,881
Less: Accumulated depreciation .....	—	(302)
Machinery and equipment, net.....	—	10,578
Tools, furniture and fixtures, at cost.....	388	521
Less: Accumulated depreciation .....	(17)	(36)
Tools, furniture and fixtures, net.....	370	485
Land.....	7,841,536	9,444,626
Construction in progress .....	198,423	34,598
Buildings in trust, at cost .....	36,265,894	36,403,179
Less: Accumulated depreciation .....	(2,861,389)	(3,322,977)
Buildings in trust, net.....	33,404,505	33,080,202
Structures in trust, at cost.....	379,815	378,387
Less: Accumulated depreciation .....	(191,818)	(212,869)
Structures in trust, net.....	187,996	165,518
Tools, furniture and fixtures in trust, at cost.....	3,306	3,663
Less: Accumulated depreciation .....	(1,367)	(1,813)
Tools, furniture and fixtures in trust, net.....	1,938	1,849
Land in trust.....	59,517,963	59,517,963
<b>Total net property, plant and equipment.....</b>	<b>126,153,221</b>	<b>127,630,409</b>
<b>Intangible assets:</b>		
Leasehold right (Note 2) .....	19,833,966	19,833,966
Other .....	—	290
<b>Total intangible assets.....</b>	<b>19,833,966</b>	<b>19,834,256</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits .....	10,000	10,000
Long-term prepaid expenses .....	840,018	755,880
<b>Total investments and other assets.....</b>	<b>850,018</b>	<b>765,880</b>
<b>Total noncurrent assets .....</b>	<b>146,837,206</b>	<b>148,230,546</b>
<b>Deferred assets:</b>		
Investment unit issuance costs.....	191,396	152,181
Investment corporation bond issuance costs.....	—	57,758
<b>Total deferred assets.....</b>	<b>191,396</b>	<b>209,940</b>
<b>TOTAL ASSETS.....</b>	<b>154,937,735</b>	<b>154,502,497</b>

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

(Thousands of yen)

	As of	
	June 30, 2012	December 31, 2012
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable .....	152,621	319,245
Current portion of long-term loans payable .....	10,000,000	15,000,000
Accounts payable – other .....	433,704	355,417
Accrued expenses .....	11,995	17,677
Income taxes payable .....	911	849
Accrued consumption taxes .....	—	156,490
Advances received .....	1,250,307	933,629
Other .....	384,947	7,169
<b>Total current liabilities .....</b>	<b>12,234,487</b>	<b>16,790,479</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bond – unsecured .....	—	10,000,000
Long-term loans payable .....	70,000,000	55,000,000
Tenant leasehold and security deposits .....	1,974,579	1,794,376
Tenant leasehold and security deposits in trust .....	6,912,252	6,939,012
Other .....	81,975	73,856
<b>Total noncurrent liabilities .....</b>	<b>78,968,808</b>	<b>73,807,244</b>
<b>TOTAL LIABILITIES .....</b>	<b>91,203,296</b>	<b>90,597,723</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	61,881,445	61,881,445
Surplus:		
Retained earnings .....	1,852,994	2,023,328
Total surplus .....	1,852,994	2,023,328
<b>Total unitholders' equity .....</b>	<b>63,734,439</b>	<b>63,904,773</b>
<b>TOTAL NET ASSETS (Note 3) .....</b>	<b>63,734,439</b>	<b>63,904,773</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>154,937,735</b>	<b>154,502,497</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	
	June 30, 2012	December 31, 2012
<b>Operating revenue</b>		
Rent revenue—real estate (Note 4).....	4,458,517	5,037,277
Total operating revenue .....	4,458,517	5,037,277
<b>Operating expenses</b>		
Expenses related to property rental business (Note 4).....	1,455,839	1,626,655
Asset management fees .....	443,470	467,975
Directors' compensations.....	5,820	5,820
Asset custody fees .....	5,126	5,591
Administrative service fees.....	24,853	26,597
Other.....	50,258	69,857
Total operating expenses.....	1,985,367	2,202,496
<b>Operating income</b> .....	2,473,150	2,834,781
<b>Non-operating income</b>		
Interest income .....	397	605
Interest on refund.....	—	896
Other.....	1,310	897
Total non-operating income .....	1,707	2,399
<b>Non-operating expenses</b>		
Interest expenses.....	467,314	521,436
Interest expenses on investment corporation bonds.....	—	1,073
Amortization of investment corporation bond issuance costs.....	—	809
Borrowing related expenses.....	207,120	250,797
Amortization of investment unit issuance costs.....	29,101	39,214
Other.....	4,233	1,151
Total non-operating expenses .....	707,769	814,483
<b>Ordinary income</b> .....	1,767,087	2,022,697
<b>Extraordinary income</b>		
Insurance income.....	86,864	1,573
Total extraordinary income.....	86,864	1,573
<b>Income before income taxes</b> .....	1,853,952	2,024,271
<b>Income taxes</b>		
Current.....	990	970
Deferred.....	2	(0)
Total income taxes.....	993	969
<b>Net income</b> .....	1,852,958	2,023,301
<b>Retained earnings brought forward</b> .....	35	27
<b>Unappropriated retained earnings</b> .....	1,852,994	2,023,328

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 June 30, 2012

	Unitholders' capital (Note 3)	Unitholders' equity		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

### For the six months ended December 31, 2012

	Unitholders' capital (Note 3)	Unitholders' equity		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
<b>Balance as of June 30, 2012</b>	61,881,445	1,852,994	1,852,994	63,734,439	63,734,439
<u>Changes during the period</u>					
Dividends from surplus	—	(1,852,967)	(1,852,967)	(1,852,967)	(1,852,967)
Net income	—	2,023,301	2,023,301	2,023,301	2,023,301
<u>Total changes during the period</u>	—	170,334	170,334	170,334	170,334
<b>Balance as of December 31, 2012</b>	61,881,445	2,023,328	2,023,328	63,904,773	63,904,773

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>June 30, 2012</b>	<b>December 31, 2012</b>
Buildings	13-63 years	13-63 years
Structures	7-20 years	7-20 years
Machinery and equipment	-	3 years
Tools, furniture and fixtures	6-15 years	6-15 years

#### ***(b) Other intangible assets***

Other intangible assets are amortized on a straight-line basis.

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

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

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

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

#### ***(e) 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.

#### ***(f) 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 accounting principles and practices generally accepted in Japan ("Japanese GAAP"). 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 and ¥6,255 thousand for the six months ended June 30, 2012 and December 31, 2012, respectively.

***(g) 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 that are prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable through the use of interest rate swaps as hedging instruments. Based on the special treatment provided under Japanese GAAP, if the interest rate swaps qualify for hedge accounting and meet specific criteria, only the interests received or paid under such swap contracts can be recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability as appropriate, and the fair value of the interest rate swap is not required to be evaluated separately. The assessment of hedge effectiveness is not performed when interest rate swaps meet the specific criteria required for such special treatment. The Investment Corporation applies the special treatment to interest rate swaps.

***(h) 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.

***(i) 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.

**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	
	June 30, 2012	December 31, 2012
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	140,632 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 property rental business**

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

	(Thousands of yen)	
	<b>For the six months ended</b>	
	<b>June 30, 2012</b>	<b>December 31, 2012</b>
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	4,372,961	4,908,070
Common area charges	64,302	116,722
Other	21,253	12,484
Total rent revenue—real estate	4,458,517	5,037,277
<b>Expenses related to property rental business:</b>		
Property management fees	16,267	18,437
Facility management fees	35,867	46,432
Utilities	65,926	117,831
Property-related taxes	249,386	258,659
Insurance	11,312	13,529
Repair and maintenance	34,712	74,487
Depreciation	694,365	764,399
Trust fees	9,117	9,780
Leasehold rents	338,378	322,709
Other	504	387
Total expenses related to property rental business	1,455,839	1,626,655
<b>Operating income from property leasing activities</b>	<b>3,002,677</b>	<b>3,410,622</b>

**Note 5 – Income taxes**

Deferred tax assets consist of the following:

	(Thousands of yen)	
	<b>As of</b>	
	<b>June 30, 2012</b>	<b>December 31, 2012</b>
Deferred tax assets:		
Current:		
Enterprise tax payable	17	17
Total	17	17
Net deferred tax assets	17	17

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

	<b>For the six months ended</b>	
	<b>June 30, 2012</b>	<b>December 31, 2012</b>
Statutory tax rate	39.33%	36.59%
Deductible cash distributions	(39.31)	(36.57)
Other	0.03	0.03
Effective tax rates	0.05%	0.05%

**Note 6 – 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 June 30, 2012 and December 31, 2012.

(Thousands of yen)

	As of					
	June 30, 2012			December 31, 2012		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	4,364,730	4,364,730	—	3,576,695	3,576,695	—
(2) Cash and bank deposits in trust	1,967,342	1,967,342	—	2,007,206	2,007,206	—
Total assets	6,332,072	6,332,072	—	5,583,902	5,583,902	—
(1) Current portion of long-term loans payable	10,000,000	10,000,000	—	15,000,000	15,000,000	—
(2) Investment corporation bond—unsecured	—	—	—	10,000,000	9,915,950	(84,050)
(3) Long-term loans payable	70,000,000	71,202,220	1,202,220	55,000,000	56,483,303	1,483,303
(4) Tenant leasehold and security deposits in trust	1,038,899	913,212	(125,686)	1,026,400	911,226	(115,173)
Total liabilities	81,038,899	82,115,432	1,076,533	81,026,400	82,310,479	1,284,079
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 (3) 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.

(2) Investment corporation bond—unsecured

The fair value is the quoted price provided by financial market information provider.

(4) 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 June 30, 2012**

(Thousands of yen)

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)	-

**As of December 31, 2012**

(Thousands of yen)

As of December 31, 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	42,000,000	42,000,000	Note (a)	-

Note:

- (a) As disclosed in "Note 1 - Summary of significant accounting policies (g) Hedge Accounting", the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instrument and the long-term loans payable as the hedged item is calculated together as one. Please refer to above footnote ("Liabilities, (3) Long-term loans payable").

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

(Thousands of yen)

	As of	
	June 30, 2012	December 31, 2012
Tenant leasehold and security deposits	1,974,579	1,794,376
Tenant leasehold and security deposits in trust	5,873,353	5,912,612
Total	7,847,933	7,706,988

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

(Thousands of yen)

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	-	-	-	-	-

(Thousands of yen)

As of December 31, 2012	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	3,576,695	-	-	-	-	-
Cash and bank deposits in trust	2,007,206	-	-	-	-	-
Total	5,583,902	-	-	-	-	-

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

(Thousands of yen)

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

(Thousands of yen)

As of December 31, 2012	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bond—unsecured	-	-	-	5,000,000	-	5,000,000
Long-term loans payable	15,000,000	4,000,000	-	2,000,000	20,600,000	28,400,000
Total	15,000,000	4,000,000	-	7,000,000	20,600,000	33,400,000

## Note7 – 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 June 30, 2012 and December 31, 2012.

		(Thousands of yen)	
		As of / For the six months ended	
		June 30, 2012	December 31, 2012
<b>Net book value<sup>(i)</sup></b>			
Balance at the beginning of the period		107,591,702	145,987,187
Net increase during the period <sup>(ii)</sup>		38,395,484	1,477,187
Balance at the end of the period		145,987,187	147,464,375
<b>Fair value<sup>(iii)</sup></b>		149,840,000	153,620,000

Note:

(i) The net book value includes leasehold right.

(ii) For the six months ended June 30, 2012:  
Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

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

For the six months ended December 31, 2012:  
Changes in the net book value are mainly due to the following acquisition offset by depreciation.

Acquisition:	IIF Kawaguchi Logistics Center	Increase (decrease) in net book value (Thousands of yen)
		1,873,982

(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 June 30, 2012 and December 31, 2012, please refer to “Note 4 - Rent revenue—real estate and expenses related to property rental business.”

## Note 8 – 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 9 – Related-party transactions

### 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.

### For the six months ended December 31, 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	Banking	—	Drawing of long-term loans payable	2,764,000	Current portion of long-term loans payable	2,500,000
						Long-term loans payable	7,919,000
				Interest expenses <sup>(i)</sup>	69,736	Accrued expenses	869

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.

## Note 10 – Per unit information

The net asset value per unit as of June 30, 2012 and December 31, 2012 was ¥453,200 and ¥454,411, respectively. Net income per unit for the six months ended June 30, 2012 and December 31, 2012 was ¥14,961 and ¥14,387, 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	
	June 30, 2012	December 31, 2012
Net income	1,852,958	2,023,301
Effect of dilutive unit	-	-
Net income available to common unitholders	1,852,958	2,023,301
Weighted-average number of units outstanding for the period	123,846 units	140,632 units

## **Note 11 – Subsequent events**

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

None

### **For the six months ended December 31, 2012:**

#### ***Issuance of new investment units***

The Board of Directors of the Investment Corporation, at its meeting held on January 16, 2013 and January 28, 2013, 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, the “Offerings”).

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

15,424 investment units, out of which 7,524 new units to be offered through the Domestic Public Offering and 7,900 new units to be offered through the Overseas Offering consisting of 7,524 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 376 additional new units granted to the overseas underwriters.

##### **(ii) Issue price (Offer price):** ¥692,250 per unit

##### **(iii) Total issue price (Total offer price):** ¥10,677,264,000

##### **(iv) Issue value (Amount to be paid in):** ¥668,110 per unit

##### **(v) Total issue value (Total amount to be paid in):** ¥10,304,928,640

##### **(vi) Payment date:** February 4, 2013

##### **(vii) Distribution:**

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2013 and ending on June 30, 2013.

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

##### **(i) Number of new investment units:** 376 investment units

##### **(ii) Issue value (Amount to be paid in):** ¥668,110 per unit

##### **(iii) Total issue value (Total amount to be paid in):** ¥251,209,360

##### **(iv) Payment date:** Scheduled on March 5, 2013

##### **(v) Distribution:**

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2013 and ending on June 30, 2013.

##### **(iv) 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 Investment Corporation will use the net proceeds from the Offerings and the third-party allotment for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥72,186,373,949 and number of investment units issued and outstanding increased to 156,056 units on February 4, 2013.

## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2012	December 31, 2012
Unappropriated retained earnings	1,852,994,517	2,023,328,674
Cash distribution declared	1,852,967,232	2,023,272,584
<i>(Cash distribution declared per unit)</i>	<i>(13,176)</i>	<i>(14,387)</i>
Retained earnings carried forward	27,285	56,090

### 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 June 30, 2012 and December 31, 2012 were ¥1,852,967,232 and ¥2,023,272,584, 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 December 31, 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	
	June 30, 2012	December 31, 2012
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes.....	1,853,952	2,024,271
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization.....	694,365	764,399
Amortization of investment corporation bond issuance costs.....	—	809
Amortization of investment unit issuance costs.....	29,101	39,214
Interest income.....	(397)	(605)
Interest expenses.....	467,314	522,510
Insurance income.....	(86,864)	(1,573)
Changes in assets and liabilities:		
Increase in operating accounts receivable.....	(32,983)	(11,218)
Decrease (increase) in consumption taxes refundable.....	(736,879)	736,879
Decrease (increase) in prepaid expenses.....	(479,079)	364,344
Decrease (increase) in long-term prepaid expenses.....	(210,423)	84,137
Increase in operating accounts payable.....	45,504	11,519
Increase in accounts payable – other.....	40,337	12,744
Increase (decrease) in accrued expenses.....	(39)	91
Increase (decrease) in accrued consumption taxes.....	(110,464)	167,201
Increase (decrease) in advances received.....	681,077	(316,677)
Decrease in other noncurrent liabilities.....	(8,107)	(8,119)
Other, net.....	30,432	(339,230)
Subtotal.....	2,176,847	4,050,700
Interest income received.....	397	605
Interest expenses paid.....	(466,618)	(516,919)
Insurance income received.....	81,209	8,614
Income taxes paid.....	(980)	(1,032)
Net cash provided by operating activities.....	1,790,855	3,541,968
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment.....	(5,240,047)	(1,971,572)
Purchases of property, plant and equipment in trust.....	(33,675,740)	(219,221)
Proceeds from tenant leasehold and security deposits.....	677,109	48,000
Payments of tenant leasehold and security deposits.....	—	(228,203)
Proceeds from tenant leasehold and security deposits in trust.....	2,161,940	—
Payments of tenant leasehold and security deposits in trust.....	(38,566)	(12,499)
Net cash used in investing activities.....	(36,115,304)	(2,383,496)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from long-term loans payable.....	20,000,000	3,900,000
Repayments of long-term loans payable.....	(2,000,000)	(13,900,000)
Proceeds from issuance of investment corporation bonds.....	—	10,000,000
Payments of investment corporation bond issuance costs.....	—	(54,318)
Proceeds from issuance of investment units.....	19,640,313	—
Payments for investment unit issuance expenses.....	(182,043)	—
Dividends paid.....	(1,160,256)	(1,852,323)
Net cash provided by (used in) financing activities.....	36,298,013	(1,906,642)
<b>Net change in cash and cash equivalents.....</b>	<b>1,973,564</b>	<b>(748,170)</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>4,358,508</b>	<b>6,332,072</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup>.....</b>	<b>6,332,072</b>	<b>5,583,902</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	
	June 30, 2012	December 31, 2012
Cash and bank deposits	4,364,730	3,576,695
Cash and bank deposits in trust	1,967,342	2,007,206
Cash and cash equivalents	6,332,072	5,583,902

## 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).



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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.

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

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