

**Industrial & Infrastructure Fund Investment Corporation**

**12th Asset Management Report**

**(Semi-Annual Report 12th)**

January 1, 2013 – June 30, 2013

 **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. IIF raised 10.5 billion yen in a public offering announced in January 2013 for the third consecutive year and, with 9 billion yen of borrowings, newly acquired six properties (total acquisition price: 16.5 billion yen). Accordingly, the scale of its assets reached 163.8 billion yen (acquisition-price basis). As for financial strategy, IIF improved the stability of its financial base and reduced funding costs by fixing and lengthening interest rates for borrowings while diversifying lenders. As a result of those initiatives, the distribution per unit increased 8.7% from the previous period to 15,643 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 12th Period

- Newly acquired six properties, for an amount totaling approximately 16.5 billion yen, in a public offering for the third consecutive year; this resulted in IIF having 29 properties that in total acquisition price of exceed 160 billion yen in the entire portfolio.
- As for new funding in a public offering, the stability of IIF's financial base was improved by taking out long-term borrowings with a fixed interest rate.
- Extended the maturity and fixed the interest rates by refinancing.
- Received awards from two different independent evaluation organizations for two consecutive years for its growth strategy, the first accomplishment among J-REITs (Capital Eye Awards: three consecutive years, Thomson Reuters Markets DEALWATCH AWARDS: two consecutive years).

## Highlight of the 12<sup>th</sup> Period

	The 9 <sup>th</sup> period (Dec.2011)	The 10 <sup>th</sup> period (Jun.2012)	The 11 <sup>th</sup> period (Dec.2012)	The 12 <sup>th</sup> period (Jun.2013)	The 13 <sup>th</sup> period (forecast) (Dec.2013)
Operating Revenue (million yen)	3,526	4,458	5,037	5,791	6,010
Net Income (million yen)	1,158	1,852	2,023	2,447	2,496
Total Asset (million yen)	112,947	154,937	154,502	175,196	—
Distribution per unit (yen)	12,377	13,176	14,387	15,643	15,958
Net Asset Value per unit (yen)	463,517	453,200	454,411	478,552	—

Figures in this asset management report are as of June 30, 2013 unless otherwise noted.

## **IIF Focus**

### **Toward further expansion of the scale of assets by continuing proposal-based acquisition activities that leverage IIF's strengths**

I would like to express my gratitude to all investors for their ongoing support.

I assumed the position of President & CEO of Mitsubishi Corp. – UBS Realty Inc. on June 25, 2013. I would like to dedicate myself to further strengthening the asset management business of Industrial & Infrastructure Fund Investment Corporation (IIF) and growing and developing the business in a new manner. At the same time, I will succeed the firm base and the direction in which the business is headed that were established under the leadership of the former President, Takuya Kuga. I would like to ask all investors for continuous guidance and support in the years to come.

#### **Summary of the 12<sup>th</sup> Period (Fiscal period ended June 30, 2013)**

In the period under review, IIF announced a public offering in January 2013 for the third consecutive year and newly acquired six properties; this resulted in IIF having 29 properties under management in total, including one property it acquired in the previous period. Due to the effect that these new properties have on the bottom line, operating revenue increased by 754 million yen from 5,037 million yen in the previous period to 5,791 million yen. Net income was 2,447 million yen, an increase of 424 million yen compared to the previous period of 2,023 million yen. As a result, the distribution per unit was 15,643 yen, an increase of 1,256 yen (8.7%) from the previous period of 14,387 yen, making five consecutive fiscal periods of an increase in distribution.

#### **Features and strengths of IIF in external growth    **Growth by CRE and PRE strategies****

IIF's unique feature is that it is the only J-REIT specializing in industrial properties. IIF has worked on corporate real estate (CRE) and public real estate (PRE) activities and achieved satisfactory results by capitalizing on its strengths. In particular, in the area of CRE, IIF has acquired a number of properties with long-term stable conditions by directly understanding the CRE needs of each company in one-on-one negotiations and making a proposal that suits their requests. We also believe the credibility of Mitsubishi Corporation, IIF's sponsor, plays a significant role as a background factor. 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 Kobe Logistics Center (acquisition price of 5,193 million yen), IIF Kashiwa Logistics Center (acquisition price of 1,810 million yen), IIF Kawasaki Science Center (to be developed) (acquisition price of 526 million yen), IIF Osaka Toyonaka Data Center (acquisition price of 5,600 million yen), IIF Osaka Nanko IT Solution Center (acquisition price of 1,150 million yen) in February 2013 and IIF Higashi-Osaka Logistics Center (acquisition price of 2,280 million yen) in April 2013, 6 properties (total acquisition price of 16,559 million yen) in total. As a result of those asset acquisitions, as of June 30, 2013 IIF had a total of 29 properties in its asset portfolio (logistics facilities: 17; manufacturing and R&D facilities, etc.: 6; infrastructure facilities: 6), with a total acquisition price of 163,843 million yen, 1.7 times compared to the 7th Period (Fiscal period ended December 31, 2010).

Moreover, as of June 30, 2013 IIF had a total leasable area of 596,992.75 m<sup>2</sup> for the portfolio overall, occupancy rate of

99%, and secured long-term, stable cash flows with an average remaining lease term of 10.2 years.

Features and strengths of IIF in internal growth    **Good relations with tenants and realization of sustainable society**

IIF has established an extremely stable portfolio since its listing in 2007 by maintaining the occupancy rate at 99.9% or more. Some tenants vacated during that time, but IIF implements smooth tenant replacement based on its good relations with tenants and strong leasing capability. IIF has received the Green Building Certification from the Development Bank of Japan Inc. (DBJ) for its two properties. In light of changes in the surrounding environment, an asset management company established the “Environment Charter” and “Responsible Property Investment Policy” in June 2013. In addition, IIF signed the “Principles for Responsible Investment (PRI),” the first among J-REIT asset management companies, and the “Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21<sup>st</sup> Century).” IIF is committed to helping realize a sustainable society by continually working on reducing environmental burdens and contributing to local communities.

Features and strengths of IIF in finance    **Solid financial foundations by long-term debt with fixed interest rate**

As for financial aspects, 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 borrow “long-term debt with fixed interest rate.” According to this strategy, IIF took out long-term borrowings of 9 billion yen for use in acquiring new properties in February 2013 and refinanced 7.5 billion yen of borrowings whose remaining period were less than one year in June 2013. As a result, the long-term debt ratio as of the end of June 2013 was kept at 100%, the same as at the end of the previous period, while the fixed debt ratio increased from 78.8% as of the end of the previous period to 83.1%. Furthermore, in August 2013 after the 12<sup>th</sup> Period ended, IIF signed an agreement to refinance borrowings of 7.5 billion yen (variable rate) which would mature on October 18, 2013 to long-term borrowings on the same date and plans to fix the interest rate after December 31, 2013 by signing a future-dated interest rate swap agreement. As a result of these measures, borrowings whose repayment dates will come by the fiscal period ending June 30, 2016 are expected to amount 4 billion yen. We can say IIF’s financial condition is extremely stable.

**Evaluation by capital market**

Thanks to the support received from unitholders with respect to its initiatives and the characteristics and strengths it has developed by such initiatives, IIF received the award “BEST ISSUER OF 2012” in the REIT category of BEST DEALS OF 2012 hosted by Capital Eye Limited. This award is given to the best deal and issuer among all financings arranged in the capital market, and IIF has now received the award for three consecutive years. In addition, IIF received “J-REIT of the Year” in the equity category of DEALWATCH AWARDS announced by Thomson Reuters Markets KK for two consecutive years. In August 2013, IIF’s rating by Japan Credit Rating Agency, Ltd. (JCR) was upgraded from “AA-” to “AA,” the highest rating among J-REITs\*, based on its portfolio stability and reinforcement of financial foundations. IIF will continue to aim for “sustainable growth” and “enhanced stability,” as well as further “continuous growth of equity.”

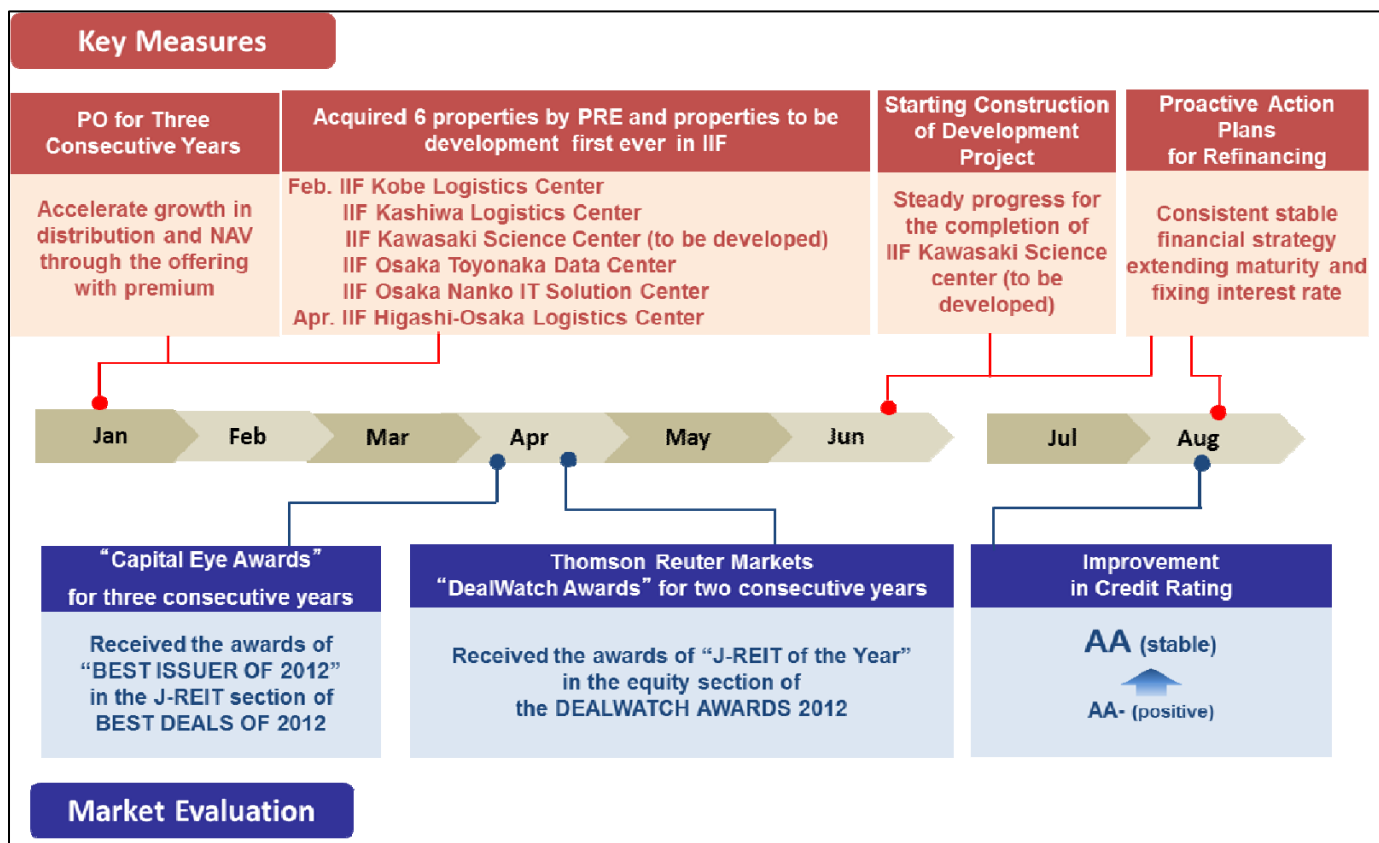
\* As of August 6, 2013

## Outlook for the 13<sup>th</sup> Period (Fiscal period ending December 31, 2013) and future management policies

In the fiscal period ending December 31, 2013, mainly due to the full-period management of six properties acquired in the 12<sup>th</sup> Period, it is expected that IIF will record operating revenue of 6,010 million yen and net income of 2,496 million yen. The distribution per unit is expected to be 15,958 yen, making six consecutive fiscal periods of an increase in distribution. Currently, in the real estate market, the investment environment for domestic properties is improving, and with respect to 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. Under these circumstances, IIF will continue to demonstrate its strength in proposal-based acquisition activities in the areas of both CRE and PRE, 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.

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.

## Key measures carried out since the 12<sup>th</sup> Period and evaluation of those measures



## **Taking over the accomplishment and principles**

It was probably in 1997 or 1998 when Mr. Yuichi Hiromoto, the first president of Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) and currently an executive officer of Mitsubishi Corporation (MC), gave a lecture about securitization of real estate right after he came back from an overseas posting. His lecture started with the balance sheet of Japan and the ratio of real estate. He talked with enthusiasm about how Japan could be revitalized by securitizing real estate and turning some individual financial assets that were estimated to be worth approximately 1,200 trillion yen (at that time) from indirect financing to direct financing. Now I believe he was talking with the idea of creating J-REIT.

Then, I was vaguely thinking that we could propose solutions to the capital needs of our customers by utilizing this securitization. However, I clearly remember that I was intrigued by Mr. Hiromoto's grand story that extended into Japan's balance sheet and that also touched on his experiences overseas, and asked him a couple of questions.

Time has passed since then. MCUBSR which started as an asset management company of Japan Retail Fund Investment Corporation has also steadily managed properties of Industrial & Infrastructure Fund Investment Corporation (IIF) since its foundation in 2007. In taking over the accomplishment and principles that the two former presidents have established, I cannot help but brace myself.

Let me share my story about IIF.

In November 2010, the Head of Acquisition Department of MCUBSR requested me (I was in the Real Estate Development & Construction Div. of MC) to bridge (temporarily own) a logistics center in Narashino-shi, Chiba (currently IIF Narashino Logistics Center II (land with leasehold interest)). IIF planned to carry out a public offering and acquire property with the proceeds, but since acquisition after a public offering would be too late due to the needs of the seller of this property, the Head of Acquisition Department requested me to bridge it. The real estate market was on a track to recovery after the 2008 financial crisis, and the J-REIT market was also in a confusing period. However, I worked hard to persuade everyone concerned based on my recognition that acquiring this property would be a key for IIF to get over this crisis and grow in the future. As a result, a special purpose company (SPC) organized by MC acquired this property in December 2010.

Subsequently, a public offering was conducted without problem, but on March 11, 2011, right before this property was to be delivered by the SPC to IIF, a huge earthquake hit Japan. Although there was no physical damage to the land with leasehold interest IIF planned to acquire, there was some damage to other parts. In order to deliver it in perfect condition as a seller and a sponsor, we checked whether ground liquefaction had occurred, repaired all the damage caused by the earthquake and repaired the abovementioned damaged parts and completed delivery.

Considering the fact that the public offering and the acquisition of the property of that time were highly evaluated by unitholders, which in turn led to a public offering for three consecutive years and greatly contributed to IIF's smooth growth up to now, I take pride in being of help by organizing the bridge by MC.

As a president of an asset management company, I would like to ask MC and UBS A.G., our sponsors, for further support.

## **Toru Tsuji**

Joined Mitsubishi Corporation in 1990 and worked in the urban development business and commercial facilities development business. Assumed the position of part-time director of MC Architects in February 2005, and the position of

part-time director of Mitsubishi Corporation Urban Development in June 2011. Took up the position of part-time director of Mitsubishi Corp.-UBS Realty Inc. in June 2012, the post of Director / Senior Executive Officer in April 2013 and became the President & CEO in June 2013.



# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
As of /for the six months ended			June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013
Operating revenues	Note 1	(Millions of yen)	3,295	3,526	4,458	5,037	5,791
(Rental revenues)	Note 1	(Millions of yen)	(3,295)	(3,526)	(4,458)	(5,037)	(5,791)
Operating expenses	Note 1	(Millions of yen)	1,673	1,691	1,985	2,202	2,556
(Rental expenses)	Note 1	(Millions of yen)	(1,253)	(1,237)	(1,455)	(1,626)	(1,934)
Operating income		(Millions of yen)	1,622	1,834	2,473	2,834	3,235
Ordinary income		(Millions of yen)	1,038	1,159	1,767	2,022	2,448
Net income	(a)	(Millions of yen)	1,022	1,158	1,852	2,023	2,447
Net assets	(b)	(Millions of yen)	43,263	43,400	63,734	63,904	74,860
(Period-on-period change)		(%)	(+15.9)	(+0.3)	(+46.9)	(+0.3)	(17.1)
Total assets	(c)	(Millions of yen)	113,262	112,947	154,937	154,502	175,196
(Period-on-period change)		(%)	(+8.8)	(-0.3)	(+37.2)	(-0.3)	(13.4)
Unitholders' capital		(Millions of yen)	42,241	42,241	61,881	61,881	72,437
(Period-on-period change)		(%)	(+15.6)	(0.0)	(+46.5)	(0.0)	(17.1)
Number of units issued and outstanding	(d)	(Units)	93,632	93,632	140,632	140,632	156,432
Net asset value per unit	(b)/(d)	(Yen)	462,059	463,517	453,200	454,411	478,552
Total distributions	(e)	(Millions of yen)	1,022	1,158	1,852	2,023	2,447
Distribution per unit	(e)/(d)	(Yen)	10,919	12,377	13,176	14,387	15,643
(Profit distribution per unit)		(Yen)	(10,919)	(12,377)	(13,176)	(14,387)	(15,643)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	1.0 (1.9)	1.0 (2.0)	1.3 (2.6)	1.3 (2.6)	1.5 (3.0)
Return on unitholders' equity	Note 3	(%)	2.5 (5.1)	2.7 (5.3)	3.5 (6.9)	3.2 (6.3)	3.5 (7.1)
Ratio of net assets to total assets	(b)/(c)	(%)	38.2	38.4	41.1	41.4	42.7
(Period-on-period change)			(+2.3)	(+0.2)	(+2.7)	(+0.3)	(+1.3)
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)	2,617	2,875	3,697	4,175	4,699
Net profit margin	Note 3	(%)	31.0	32.9	41.6	40.2	42.3
Debt service coverage ratio	Note 3	(Multiple)	4.7	5.0	6.5	6.4	7.1
Funds from operation (FFO) per unit	Note 3	(Yen)	17,062	18,636	18,113	19,822	21,029
FFO multiples	Note 3	(Multiple)	11.6	10.3	14.2	16.4	22.8
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	10,655	11,856	12,387	13,019	15,031
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	16,798	18,115	17,325	18,454	20,417

Note 1 Consumption taxes are not included.

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

Note 3 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181, 184, 182, 184 and 181 days for 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup> and 12<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 bonds 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 and management performance of IIF

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 six properties. As a result, the properties owned by IIF as of June 30, 2013 consisted of 29 properties whose total acquisition price amounted to 163,843 million yen.

#### ii. Investment environment and management performance

The Japanese economy is growing at a higher-than-expected rate, driven by government spending and investment in the housing sector. In fact, Japan’s GDP in the January-March quarter of 2013 reached a high of 4.1% (an annualized growth rate). As demonstrated by the results of the Bank of Japan’s Tankan and Economic Watchers Surveys, as well as the Consumer Confidence Index, on the whole, business sentiment remains robust. In addition, the economy is expected to continue towards solid recovery in the second half of the year due to factors such as an increase in exports resulting from further depreciation of the yen, and a pickup in capital investment.

The J-REIT market has fluctuated widely, as the TSE REIT Index, which surged sharply by about 50% over the three months since the beginning of the year, fell by about 20% between the end of March and the middle of June. Meanwhile, investor demand for J-REIT appears to be remaining firm, and equity financing by J-REIT remains at high levels with 350.8 billion yen for the first quarter and 287.0 billion yen for the second quarter of 2013.

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 February 2013, IIF acquired IIF Kobe Logistics Center (for 5,193 million yen), IIF Kashiwa Logistics Center (for 1,810 million yen), IIF Kawasaki Science Center (for 526 million yen), IIF Osaka Toyonaka Data Center (for 5,600 million yen) and IIF Osaka Nanko IT Solution Center (for 1,150 million yen). In April 2013, IIF also acquired IIF Higashi-Osaka Logistics Center (for 2,280 million yen). As a result, IIF acquired a total of six properties (for a total acquisition price of 16,559 million yen).

### (2) Funding

Continuing from last year, IIF aimed to persist in its realization of external growth to achieve distribution gains and growth of NAV through property-sourcing activities based on a CRE proposal. Additionally, it issued

new investment units between February and March 2013, and financed 10.5 billion yen for raising funds for the acquisition of new properties. As a result, the number of issued and outstanding investment units at the end of the current period increased by 15,800 units to 156,432 units.

Regarding the procurement of interest-bearing debt during the current period, IIF raised 9,000 million yen on February 6, 2013 for acquiring new properties in line with the above-mentioned issuance of new investment units. IIF obtained a 12-year loan, the longest-term borrowing by any J-REIT at the time the borrowing was executed, from Development Bank of Japan Inc., and fixed the interest rate in the long-term based on an interest rate swap agreement, thereby improving the stability of its financial base. In addition, IIF further diversified its procurement methods by inviting Shinsei Bank, Limited. as a new funding source.

Further, IIF repaid a floating rate loan of 7,500 million yen early on June 28, 2013, with 0.3 years remaining on the term, and refinanced a longer-term fixed-rate loan.

As a result of the above, the balance of interest bearing debt as of June 30, 2013 amounted to 89,000 million yen and included long-term borrowings (including current portion) of 79,000 million yen and investment corporation bonds of 10,000 million yen. IIF received an “AA- (outlook: Positive)” rating for Long Term Issuer Rating and Investment Corporation Rating by the Japan Credit Rating Agency, Ltd. (JCR), the rating was upgraded to “AA (outlook: Stable),” on August 6, 2013.

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

As a result of the abovementioned management activities, IIF recorded operating revenue of 5,791 million yen, operating income of 3,235 million yen, ordinary income of 2,448 million yen and net income of 2,447 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 15,643 yen.

### 3. Changes in unitholders' capital

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

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3
March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5
March 5, 2012	Public offering	44,762	138,394	18,705	60,946	Note 6
March 26, 2012	Allocation of investment units to a third party	2,238	140,632	935	61,881	Note 7
February 4, 2013	Public offering	15,424	156,056	10,304	72,186	Note 8
March 5, 2013	Allocation of investment units to a third party	376	156,432	251	72,437	Note 9

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 New investment units were issued at a price of ¥692,250 per unit (subscription price of ¥668,110 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 9 New investment units were issued at a price of ¥668,110 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 10 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)				
	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
As of /for the six months ended	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013
Highest price	438,500	435,500	520,000	677,000	1,080,000
Lowest price	321,000	361,000	370,000	500,000	650,000
Closing price at end of period	399,000	379,500	515,000	646,000	965,000

## 4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended June 30, 2013 amounted to ¥15,643.

Fiscal period	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
As of /for the six months ended	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013
Net income (Thousands of yen)	1,022,368	1,158,903	1,852,958	2,023,301	2,447,075
Retained earnings carried forward (Thousands of yen)	15	35	27	56	65
Total cash distributions (Thousands of yen)	1,022,367	1,158,883	1,852,967	2,023,272	2,447,065
(Cash distribution per unit) (Yen)	(10,919)	(12,377)	(13,176)	(14,387)	(15,643)
Profit distributions (Thousands of yen)	1,022,367	1,158,883	1,852,967	2,023,272	2,447,065
(Profit distribution per unit) (Yen)	(10,919)	(12,377)	(13,176)	(14,387)	(15,643)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and issues

### (1) Outlook for the overall management

The pace of global economic growth is steadily improving, albeit at a low level. In particular, the economies of advanced countries such as the U.S. and Japan are exhibiting solid growth at rates higher-than-expected. The Japanese economy grew at a higher-than-expected rate in the January-March quarter of 2013, driven by fiscal spending and investment in the housing market. For the time being, and in the second half, the economy is expected to be on the firm path towards recovery, as it is forecasted that exports will increase due to further weakening of the yen, and a recovery of capital investment.

In the real estate market, the investment environment for properties in Japan is improving on the strength of the financing ease and a bottoming out of the rental market.

As for logistics facilities, occupancy rates and rent levels are expected to remain high, given the diversification of consumer lifestyles in recent years and the increase in distribution flows associated with the change in distribution channels resulting primarily from IT advancement. In addition, more investors view logistics facilities as stable investment targets. Moreover, the market, which has been supported by new entrants and large-scale logistics facility construction projects, is expected to remain active for the time being. The properties managed by IIF are likely to see stable occupancy, 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, IIF is expected to see a rise in investment opportunities through its property acquisition activities based on the CRE proposal, an approach in which IIF is strong. As for manufacturing and R&D facilities, consolidation and overseas transfer of

plants in particular have become prominent. 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 June 30, 2013, the portfolio owned by IIF consisted of 29 properties for a total acquisition price of 163,843 million yen.

The average occupancy rate currently stands at 99.9%. The properties are managed under long-term lease contracts with an average remaining lease period of 10.2 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

None

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
As of	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013
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)	93,632	93,632	140,632	140,632	156,432
Number of unitholders (People)	4,926	4,728	5,333	4,317	4,165

## 2. Unitholders

Major unitholders as of June 30, 2013 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	20,799	13.29
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	12,110	7.74
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	11,642	7.44
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,600	6.13
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	8,796	5.62
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	5,200	3.32
Development Bank of Japan Inc.	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	3.19
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	3,822	2.44
State Street Bank And Trust Company	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A	2,695	1.72
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	2,618	1.67
Total		82,282	52.59

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



### 3. Officers

#### (1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2013 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 30,500

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 units in February 2013.

#### (2) Policy for dismissal or refusal of reappointment of independent auditor

The Board of Directors shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary. The Board of Directors shall also decide reappointment of independent auditor considering audit quality, fees or other various factors.

### 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 December 31, 2012		As of June 30, 2013	
				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	7,654	5.0	10,043	5.7
			Osaka and Nagoya metropolitan areas	1,142	0.7	3,525	2.0
			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	45,901	29.7	45,688	26.1
			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	68,502	44.3	68,282	39.0
			Osaka and Nagoya metropolitan areas	1,250	0.8	6,649	3.8
			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	5,507	3.6	5,472	3.1
			Osaka and Nagoya metropolitan areas	17,504	11.3	24,390	13.9
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				147,464	95.4	164,053	93.6
Bank deposits and other assets				7,038	4.6	11,143	6.4
Total assets				154,502	100.0	175,196	100.0

Note 1 “Location category” is classified as bellow.

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

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

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

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

## 2. Major property

The principal properties (top ten properties in net book value) as of June 30, 2013 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	40,490	81,995.81	81,995.81	100.0	23.1	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,384	11,275.39	11,275.39	100.0	5.7	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,351	27,493.29	27,493.29	100.0	6.9	Logistics facility
IIF Mitaka Card Center	9,299	21,615.01	21,615.01	100.0	6.3	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	8,861	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 5)	7,531	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center	5,895	38,828.10	38,828.10	100.0	4.2	Logistics facility
IIF Osaka Toyonaka Data Center (Note 5)	5,686	20,027.14	20,027.14	100.0	—	Infrastructure facility
IIF Zama IT Solution Center (Note 5)	5,472	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Kobe Logistics Center (Note 5)	5,410	39,567.74	39,567.74	100.0	—	Logistics facility
Total	119,382	290,676.23	290,676.23	100.0	71.6	

Note 1 “Leasable area” means the leasable area of the building or land of each property indicated in the lease agreement.

Note 2 “Leased area” means the leased area of the building or land of each property indicated in the lease agreement.

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 June 30, 2013 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	13,351
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	7,270	5,895
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,280	5,283
IIF Atsugi Logistics Center	19, Aza Ikoda, Hase 6-chome, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	1,960	1,831
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,370	1,928
IIF Nishinomiya Logistics Center	2, Nishinomiya 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,620	1,238
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,160	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	4,180	3,435
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,420	3,358
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,780	2,396
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,790	1,541
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,160	1,155
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,640	2,372
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	2,880	1,866
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	5,930	5,410
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	2,660	2,370
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,360	1,875
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	4,830	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,250	1,178
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,310	9,299
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	10,900	8,861

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 Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	7,630	7,531
IIF Kawasaki Science Center (to be developed)	2-2, land re-adjustment area 2, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	2,941.80	809	541
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	17,384
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	39,500	40,490
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,472
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,460	5,198
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,030	5,686
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,070	1,320
Total			596,992.75	175,289	164,053

Note 1 “Location” means the residence indication or the location indicated in the land registry book. The location of IIF Kawasaki Science Center(to be developed) shows, however, the provisional replotting land location indicated in a certification.

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 by the real estate appraiser in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

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

Operating results of each property for the six months ended December 31, 2012 and June 30, 2013 were as follows:

Name of property	For the six months ended							
	December 31, 2012				June 30, 2013			
	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	7.9	1	100.0	397	6.9
IIF Noda Logistics Center	2	100.0	245	4.9	2	100.0	245	4.2
IIF Shinsuna Logistics Center	1	100.0	168	3.3	1	100.0	168	2.9
IIF Atsugi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	1.5	1	100.0	75	1.3
IIF Nishinomiya Logistics Center	1	100.0	59	1.2	1	100.0	60	1.0
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	117	2.3	1	100.0	115	2.0
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	1.3	1	100.0	66	1.1
IIF Nagoya Logistics Center	1	100.0	48	1.0	1	100.0	48	0.8
IIF Atsugi Logistics Center III (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Kawaguchi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Kobe Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Higashi-Osaka Logistics Center (Note 3)	—	—	—	—	2	96.2	—	—
IIF Kashiwa Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	3.1	1	100.0	154	2.7
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	1.1	1	100.0	57	1.0
IIF Mitaka Card Center	1	100.0	364	7.2	1	100.0	364	6.3

Name of property	For the six months ended							
	December 31, 2012				June 30, 2013			
	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 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 Kawasaki Science Center (to be developed) (Note 3)	—	—	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center	1	100.0	330	6.6	1	100.0	330	5.7
IIF Haneda Airport Maintenance Center	1	100.0	1,340	26.6	1	100.0	1,339	23.1
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	—	—
IIF Osaka Toyonaka Data Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Osaka Nanko IT Solution Center (Note 3)	—	—	—	—	1	100.0	—	—
Total (Note 4)	24	100.0	5,037	100.0	31	99.9	5,791	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 June 30, 2013 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)	54,000	54,000	(232)
Total		54,000	54,000	(232)

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 above table included interest rate swap contracts totaling of ¥5,500 million in notional amounts entered into on June 26, 2013 which are designated as hedging instruments for specific long-term loans payable funded on June 28, 2013. The contract terms of the interest rate swaps are from December 31, 2013 to each maturity date of the hedged long-term loans payable.

Note 3 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 June 30, 2013.



## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2013 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2013	Total of advanced payment
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Construction for raising floor	October 2013	17	—	—
IIF Shinonome R&D Center	Koto-ku, Tokyo	Renewal of air conditioning system	December 2013	190	—	—

### 2. Capital expenditures for the six months ended June 30, 2013

Maintenance expenditures on property for the six months ended June 30, 2013 were totaling to ¥239 million consisting of ¥162 million of capital expenditures stated as below and ¥77 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 Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall at M1 and M2 west side	June 2013	31
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of air conditioning system at computer room	June 2013	21
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of disaster prevention equipment	May 2013 to June 2013	17
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Repair of outer wall	May 2013 to June 2013	16
Other	—	—	—	75
Total				162

### 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	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
As of /for the six months ended	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013
Reserved funds at beginning of period	305	523	629	826	815
Increase	265	265	331	383	424
Decrease	47	159	134	395	239
Reserved funds at end of period	523	629	826	815	1,000

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	11 <sup>th</sup>	12 <sup>th</sup>
Item	For the six months ended December 31, 2012	For the six months ended June 30, 2013
(a) Asset management fee	467,975	511,779
(b) Asset custody fee	5,591	5,922
(c) Administrative service fees	26,597	27,898
(d) Directors' compensation	5,820	5,820
(e) Other operating expenses	69,857	70,389
Total	575,841	621,810

### 2. Loans payable

Loans payable as of June 30, 2013 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2012 (Millions of yen)	June 30, 2013 (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 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	September 30, 2010	2,500	—	0.9	September 30, 2013	Lump sum (Notes 6 and 7)	Note 8	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.		2,000	—					
	Resona Bank, Limited		2,000	—					
	The Yamaguchi Bank, Ltd.		1,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2010	3,900	3,900	0.9	October 18, 2013	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2010	2,000	2,000	1.0	December 30, 2014	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 8	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 4)	March 9, 2018	Lump sum (Note 6)	Notes 8 and 9	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	2,000	2,000	1.2 (Note 4)	August 31, 2016	Lump sum (Note 6)	Note 10	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 4)	September 29, 2017	Lump sum (Note 6)	Note 8	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 4)	March 6, 2017	Lump sum (Note 6)	Note 9	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 4)	March 6, 2017	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 4)	March 29, 2019	Lump sum (Note 6)	Note 9	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 4)	March 30, 2022	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd. (Note 3)	March 30, 2012	1,500	1,500	1.6 (Note 4)	March 31, 2020	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 9	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 9	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 4)	March 31, 2022	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 4)	March 29, 2019	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 8	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 4)	June 28, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2012 (Millions of yen)	June 30, 2013 (Millions of yen)					
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 4)	June 28, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 4)	September 30, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 4)	September 30, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	—	1,000	1.8	February 5, 2025	Lump sum	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	—	1,316	1.4 (Note 4)	February 6, 2023	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,218					
	Sumitomo Mitsui Trust Bank, Limited		—	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	—	1,000	1.3	February 6, 2023	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	—	500	1.4 (Note 4)	February 6, 2023	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.(Note 3)	February 6, 2013	—	1,000	1.5 (Note 4)	February 6, 2023	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	—	500	1.6	February 6, 2023	Lump sum	Note 9	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	—	500	1.4 (Note 4)	February 6, 2023	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	—	188	1.2 (Note 4)	February 4, 2022	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	174					
	Sumitomo Mitsui Trust Bank, Limited		—	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	—	500	1.2 (Note 4)	February 4, 2022	Lump sum (Note 6)	Note 9	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	—	2,000	1.8	June 28, 2024	Lump sum	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	—	2,500	0.7 (Note 5)	June 30, 2023	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.(Note 3)	June 28, 2013	—	1,500	0.7 (Note 5)	June 30, 2022	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	—	500	0.5 (Note 5)	June 30, 2020	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Resona Bank, Limited.		—	500					
	The Yamaguchi Bank, Ltd.		—	500					
	Total		70,000	79,000					

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 The company name was changed to Mizuho Bank, Ltd. following the merger with Mizuho Bank, Ltd. on July 1, 2013.

Note 4 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 for the effect of the interest rate swaps.

Note 5 These long-term loans payable are hedged by interest rate swaps from December 31, 2013 to the maturity date of each loan.

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

Note 7 The principal was repaid in full on June 28, 2013 in advance of the maturity date.

Note 8 The funds were appropriated to repayment of outstanding loans payable.

Note 9 The funds were mainly appropriated to acquisition of real estate property, etc.

Note 10 The funds were appropriated to redemption of outstanding investment corporation bonds.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		December 31, 2012 (Millions of yen)	June 30, 2013 (Millions of yen)					
The 1 <sup>st</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	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	5,000	1.40	December 27, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		10,000	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 Kashiwa Logistics Center	February 4, 2013	1,810	—	—	—	—
IIF Kobe Logistics Center	February 7, 2013	5,193	—	—	—	—
IIF Kawasaki Science Center (to be developed)	February 7, 2013	526	—	—	—	—
IIF Osaka Toyonaka Data Center	February 7, 2013	5,600	—	—	—	—
IIF Osaka Nanko IT Solution Center	February 7, 2013	1,150	—	—	—	—
IIF Higashi-Osaka Logistics Center (Note 2)	April 12, 2013	2,280	—	—	—	—
Total		16,559	—	—	—	—

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

Note 2 The acquisition cost of IIF Higashi-Osaka Logistics Center is total of leasehold right with unit ownership building purchased from a seller at ¥980 million and land with unit ownership building purchased from another seller at ¥1,299 million.

### 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 Kashiwa Logistics Center	February 4, 2013	1,810	2,290	Japan Real Estate Institute	December 14, 2012
Acquisition	IIF Kobe Logistics Center (Note 2)	February 7, 2013	5,193	5,900	CBRE K.K.	December 14, 2012
Acquisition	IIF Kawasaki Science Center (to be developed)	February 7, 2013	526	757	Japan Real Estate Institute	December 14, 2012
Acquisition	IIF Osaka Toyonaka Data Center	February 7, 2013	5,600	6,030	Japan Real Estate Institute	December 14, 2012
Acquisition	IIF Osaka Nanko IT Solution Center	February 7, 2013	1,150	2,030	Japan Real Estate Institute	December 14, 2012
Acquisition	IIF Higashi-Osaka Logistics Center (Note 3)	April 12, 2013	2,280	2,630	Japan Real Estate Institute	December 14, 2012

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

Note 2 The Investment Corporation acquired IIF Kobe Logistics Center in the form of trust beneficial interest from a seller immediately after the seller had purchased the land of the property from Kobe city. The appraisal value of the land and building is ¥3,890 million and ¥2,010 million, respectively.

Note 3 The acquisition cost of IIF Higashi-Osaka Logistics Center is total of leasehold right with unit ownership building purchased from a seller at ¥980 million and land with unit ownership building purchased from another seller at ¥1,299 million. Japan Real Estate Institute otherwise appraised each property as of December 14, 2012 at ¥1,040 million for the leasehold right with unit ownership building and ¥1,380 million for the land with unit ownership building, respectively.

#### (2) Other transaction

For the six months ended June 30, 2013, the Investment Corporation entered into nine interest rate swap contracts which

were subject to the research in accordance with Article 201 of the Act on Investment Trusts and Investment Corporation of Japan. Terms and conditions of the interest rate swap contracts, such as name of counter party, contracted amounts and term, etc., were researched and reported by Ernst & Young ShinNihon LLC.

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

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

None

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

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	71,949	NIKKEN CORPORATION	2,515	3.5

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

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

None

## **Financial information**

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

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

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

None

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

None

## Other information

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

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

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

	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 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%
The 12 <sup>th</sup> fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%

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



## 2. Notice

### (1) The General Meeting for Unitholders

The 4<sup>th</sup> General Meeting for Unitholders was held on March 19, 2013 and following matters were resolved at the meeting.

Resolution proposal	Summary
Resolution Proposal 1 - Partial amendment of the Articles of Incorporation	<p>Following amendments were resolved as proposal.</p> <p>(1) Amendment in response to the revision of the Special Taxation Measures Act of Japan that sets the requirement for subscription to investment units being conducted mainly domestically, of the requirements for investment corporations to qualify for exceptional tax treatment</p> <p>(2) Amendment in association with the transition of The Investment Trusts Association, Japan from an incorporated association to a general incorporated association as of January 4, 2013</p> <p>(3) Amendment in order to make the Articles of Incorporation clearer in terms of evaluating trust assets when it is difficult to apply the same accounting methods as those for trust assets that are owned directly</p> <p>(4) Amendment in response to the partial revision of the Rules on Real Estate Investment Trust and Real Estate Investment Corporations made by The Investment Trusts Association, Japan, to organize the provisions concerning the distribution of monies that are in excess of its profits</p> <p>(5) Establishment of new rule in order to make the effective period for the resolution relating to the appointment of substitute directors the same as the term of office of executive director or supervisory directors for whom substitute directors will be appointed</p> <p>(6) Establishment of new rule in terms of rights offering, capital reduction without compensation and acquisition of own investment equities (units), for which the Working Group on Review of Investment Trust and Investment Corporation Regulation of the Financial System Council concludes in its final report that “it is appropriate to move forward with the improvement of the system for the introduction of those instruments”, to prepare in advance for possible legal reforms for their introduction</p> <p>(7) Other amendments in order to modify the words and phrases and to adjust provisions</p>
Resolution Proposal 2 - Appointment of one executive director	Yasuyuki Kuratsu was appointed as proposal.
Resolution Proposal 3 - Appointment of two supervisory directors	Katsuaki Takiguchi and Kumi Honda were appointed as proposal.
Resolution Proposal 4 - Appointment of one alternate executive director	Yoshito Nishikawa was appointed as proposal.
Resolution Proposal 5 - Appointment of one alternate supervisory director	Yutaka Usami was appointed as proposal.

### (2) The Board of Directors Meeting

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended June 30, 2013 was as follows:

Approval day	Item	Summary
January 16, 2013	Underwriting agreements of new investment units in connection with public offering	In connection with the public offering of new investment units, the Board of Directors of the Investment Corporation approved entering into the underwriting agreements with Nomura Securities Co., Ltd., SMBC Nikko Securities Inc., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited, Nomura International plc and Barclays Bank PLC as international joint lead managers.

## 3. Other

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

## II. Balance sheets

(Thousands of yen)

	As of	
	December 31, 2012	June 30, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits.....	3,576,695	6,293,712
Cash and bank deposits in trust .....	2,007,206	2,442,343
Rental receivables.....	47,738	118,019
Prepaid expenses .....	430,234	729,888
Deferred tax assets.....	17	17
Consumption taxes refundable .....	—	248,159
Other.....	117	43
<b>Total current assets.....</b>	<b>6,062,010</b>	<b>9,832,184</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost.....	27,928,911	29,354,796
Less: Accumulated depreciation .....	(2,580,224)	(2,877,691)
Buildings, net.....	25,348,686	26,477,104
Structures, at cost.....	26,882	26,882
Less: Accumulated depreciation .....	(981)	(1,427)
Structures, net.....	25,901	25,455
Machinery and equipment, at cost .....	10,881	10,881
Less: Accumulated depreciation .....	(302)	(2,120)
Machinery and equipment, net.....	10,578	8,761
Tools, furniture and fixtures, at cost.....	521	1,919
Less: Accumulated depreciation .....	(36)	(70)
Tools, furniture and fixtures, net.....	485	1,849
Land.....	9,444,626	12,877,530
Construction in progress .....	34,598	33,979
Buildings in trust, at cost .....	36,403,179	41,711,426
Less: Accumulated depreciation .....	(3,322,977)	(3,844,437)
Buildings in trust, net.....	33,080,202	37,866,989
Structures in trust, at cost.....	378,387	378,387
Less: Accumulated depreciation .....	(212,869)	(233,961)
Structures in trust, net.....	165,518	144,425
Tools, furniture and fixtures in trust, at cost.....	3,663	6,515
Less: Accumulated depreciation .....	(1,813)	(2,077)
Tools, furniture and fixtures in trust, net.....	1,849	4,437
Land in trust.....	59,517,963	66,704,757
Construction in progress in trust .....	—	73,973
<b>Total net property, plant and equipment.....</b>	<b>127,630,409</b>	<b>144,219,265</b>
<b>Intangible assets:</b>		
Leasehold right (Note 2) .....	19,833,966	19,833,966
Other .....	290	437
<b>Total intangible assets.....</b>	<b>19,834,256</b>	<b>19,834,403</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits.....	10,000	10,000
Long-term prepaid expenses .....	755,880	956,989
<b>Total investments and other assets.....</b>	<b>765,880</b>	<b>966,989</b>
<b>Total noncurrent assets .....</b>	<b>148,230,546</b>	<b>165,020,659</b>
<b>Deferred assets:</b>		
Investment unit issuance costs.....	152,181	290,878
Investment corporation bonds issuance costs .....	57,758	52,902
<b>Total deferred assets .....</b>	<b>209,940</b>	<b>343,781</b>
<b>TOTAL ASSETS.....</b>	<b>154,502,497</b>	<b>175,196,624</b>

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

(Thousands of yen)

	As of	
	December 31, 2012	June 30, 2013
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable .....	319,245	326,782
Current portion of long-term loans payable .....	15,000,000	7,500,000
Accounts payable – other .....	355,417	364,438
Accrued expenses .....	17,677	15,752
Income taxes payable .....	849	818
Accrued consumption taxes .....	156,490	—
Advances received .....	933,629	1,373,413
Other .....	7,169	69,190
<b>Total current liabilities .....</b>	<b>16,790,479</b>	<b>9,650,395</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bonds – unsecured .....	10,000,000	10,000,000
Long-term loans payable .....	55,000,000	71,500,000
Tenant leasehold and security deposits .....	1,794,376	1,872,834
Tenant leasehold and security deposits in trust .....	6,939,012	7,222,898
Derivatives liabilities .....	—	23,754
Other .....	73,856	65,781
<b>Total noncurrent liabilities .....</b>	<b>73,807,244</b>	<b>90,685,269</b>
<b>TOTAL LIABILITIES .....</b>	<b>90,597,723</b>	<b>100,335,665</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	61,881,445	72,437,583
Surplus:		
Retained earnings .....	2,023,328	2,447,131
Total surplus .....	2,023,328	2,447,131
<b>Total unitholders' equity .....</b>	<b>63,904,773</b>	<b>74,884,714</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges .....	—	(23,754)
<b>Total valuation and translation adjustments .....</b>	<b>—</b>	<b>(23,754)</b>
<b>TOTAL NET ASSETS (Note 3) .....</b>	<b>63,904,773</b>	<b>74,860,959</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>154,502,497</b>	<b>175,196,624</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2012	June 30, 2013
<b>Operating revenue</b>		
Rent revenue—real estate (Note 4).....	5,037,277	5,791,586
Total operating revenue .....	5,037,277	5,791,586
<b>Operating expenses</b>		
Expenses related to property rental business (Note 4).....	1,626,655	1,934,410
Asset management fees .....	467,975	511,779
Directors' compensations.....	5,820	5,820
Asset custody fees .....	5,591	5,922
Administrative service fees.....	26,597	27,898
Other.....	69,857	70,389
Total operating expenses.....	2,202,496	2,556,220
<b>Operating income</b> .....	2,834,781	3,235,365
<b>Non-operating income</b>		
Interest income .....	605	687
Interest on refund.....	896	—
Other.....	897	856
Total non-operating income .....	2,399	1,544
<b>Non-operating expenses</b>		
Interest expenses.....	521,436	498,917
Interest expenses on investment corporation bonds.....	1,073	48,731
Amortization of investment corporation bonds issuance costs .....	809	4,855
Borrowing related expenses.....	250,797	165,237
Amortization of investment unit issuance costs.....	39,214	67,909
Other.....	1,151	3,224
Total non-operating expenses .....	814,483	788,876
<b>Ordinary income</b> .....	2,022,697	2,448,033
<b>Extraordinary income</b>		
Insurance income .....	1,573	—
Total extraordinary income.....	1,573	—
<b>Income before income taxes</b> .....	2,024,271	2,448,033
<b>Income taxes</b>		
Current.....	970	958
Deferred.....	(0)	0
Total income taxes.....	969	958
<b>Net income</b> .....	2,023,301	2,447,075
<b>Retained earnings brought forward</b> .....	27	56
<b>Unappropriated retained earnings</b> .....	2,023,328	2,447,131

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

## IV. Statements of changes in net assets

(Thousands of yen)

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

	Unitholders' equity				
	Unitholders' capital (Note 3)	Surplus		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

### For the six months ended June 30, 2013

for the six months ended June 30, 2013

		Unitholders' equity			Valuation and translation adjustments		
		Surplus				Total valuation and translation adjustments	Total net assets
	Unitholders' capital (Note 3)	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or losses on hedges		
Balance as of December 31, 2012	61,881,445	2,023,328	2,023,328	63,904,773	—	—	63,904,773
<u>Changes during the period</u>							
Issuance of new investment units	10,556,138	—	—	10,556,138	—	—	10,556,138
Dividends from surplus	—	(2,023,272)	(2,023,272)	(2,023,272)	—	—	(2,023,272)
Net income	—	2,447,075	2,447,075	2,447,075	—	—	2,447,075
Net changes of items other than unitholders' equity	—	—	—	—	(23,754)	(23,754)	(23,754)
<u>Total changes during the period</u>	10,556,138	423,802	423,802	10,979,940	(23,754)	(23,754)	10,956,185
Balance as of June 30, 2013	72,437,583	2,447,131	2,447,131	74,884,714	(23,754)	(23,754)	74,860,959

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

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

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

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

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

	<b>For the six months ended</b>	
	<b>December 31, 2012</b>	<b>June 30, 2013</b>
Buildings	13-63 years	13-63 years
Structures	7-20 years	7-20 years
Machinery and equipment	3 years	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 bonds issuance costs***

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

#### ***(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 ¥6,255 thousand and ¥222,974 thousand for the six months ended December 31, 2012 and June 30, 2013, 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 and deferred hedge accounting is generally used for such interest rate swaps. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items. The Investment Corporation applies, however, 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 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 the interest rate swaps meet the specific criteria required for such special treatment.

***(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	
	December 31, 2012	June 30, 2013
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	140,632 units	156,432 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 December 31, 2012 and June 30, 2013 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	December 31, 2012	June 30, 2013
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	4,908,070	5,554,478
Common area charges	116,722	218,725
Other	12,484	18,382
Total rent revenue—real estate	5,037,277	5,791,586
<b>Expenses related to property rental business:</b>		
Property management fees	18,437	27,123
Facility management fees	46,432	71,949
Utilities	117,831	207,618
Property-related taxes	258,659	358,374
Insurance	13,529	16,421
Repair and maintenance	74,487	77,833
Depreciation	764,399	842,578
Trust fees	9,780	10,588
Leasehold rents	322,709	321,594
Other	387	328
Total expenses related to property rental business	1,626,655	1,934,410
<b>Operating income from property leasing activities</b>	<b>3,410,622</b>	<b>3,857,176</b>



## Note 5 – Income taxes

Deferred tax assets consist of the following:

	As of	
	December 31, 2012	June 30, 2013
(Thousands of yen)		
Deferred tax assets, current:		
Enterprise tax payable	17	17
Total	17	17
Net deferred tax assets, current	17	17
Deferred tax assets, noncurrent:		
Deferred gains or (losses) on hedges	—	8,114
Subtotal	—	8,114
Valuation allowance	—	(8,114)
Total	—	—
Net deferred tax assets, noncurrent	—	—

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

	For the six months ended	
	December 31, 2012	June 30, 2013
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(36.57)	(36.58)
Other	0.03	0.03
Effective tax rates	0.05%	0.04%

## 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 bonds 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 through investment 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 bonds are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing loans payable or investment corporation bonds. 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 hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items. When the interest rate swaps meet specific criteria required for the special treatment provided under Japanese GAAP, the assessment of hedge effectiveness is not performed. The Investment

Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

Liquidity risks relating to loans payable, investment corporation bonds or tenant leasehold and security deposits are managed by preparing monthly plans for funds, maintaining high liquidity and entering into commitment line agreements with banks.

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

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

***(b) Quantitative information for financial instruments***

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of December 31, 2012 and June 30, 2013.

(Thousands of yen)

	As of					
	December 31, 2012			June 30, 2013		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	3,576,695	3,576,695	—	6,293,712	6,293,712	—
(2) Cash and bank deposits in trust	2,007,206	2,007,206	—	2,442,343	2,442,343	—
Total assets	5,583,902	5,583,902	—	8,736,055	8,736,055	—
(1) Current portion of long-term loans payable	15,000,000	15,000,000	—	7,500,000	7,500,000	—
(2) Investment corporation bonds—unsecured	10,000,000	9,915,950	(84,050)	10,000,000	9,954,100	(45,900)
(3) Long-term loans payable	55,000,000	56,483,303	1,483,303	71,500,000	73,242,448	1,742,448
(4) Tenant leasehold and security deposits	—	—	—	48,000	47,882	(117)
(5) Tenant leasehold and security deposits in trust	1,026,400	911,226	(115,173)	987,923	886,681	(101,242)
Total liabilities	81,026,400	82,310,479	1,284,079	90,035,923	91,631,112	1,595,189
Derivative (derivatives liabilities), net	—	—	—	(23,754)	(23,754)	—

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 bonds—unsecured*

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

*(4) Tenant leasehold and security deposits and (5) Tenant leasehold and security deposits in trust*

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

## Derivative instruments

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

### As of December 31, 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)	-

### As of June 30

(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		
Deferred hedge accounting (Note (b))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(23,754)	Note (c)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	48,500,000	48,500,000	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").
- (b) The interest rate swaps contracts totaling of ¥5,500,000 thousand in notional amounts entered into on June 26, 2013 are designated as hedging instruments for specific long-term loans payable funded on June 28, 2013. The contract terms of the interest rate swaps are from December 31, 2013 to each maturity date of the hedged long-term loans payable.
- (c) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

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

(Thousands of yen)

	As of	
	December 31, 2012	June 30, 2013
Tenant leasehold and security deposits	1,794,376	1,824,834
Tenant leasehold and security deposits in trust	5,912,612	6,234,975
Total	7,706,988	8,059,810

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 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	-	-	-	-	-

(Thousands of yen)

As of June 30, 2013	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	6,293,712	-	-	-	-	-
Cash and bank deposits in trust	2,442,343	-	-	-	-	-
Total	8,736,055	-	-	-	-	-

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

(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 bonds — 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

(Thousands of yen)

As of June 30, 2013	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds — unsecured	-	-	-	5,000,000	-	5,000,000
Long-term loans payable	7,500,000	4,000,000	-	11,000,000	25,100,000	31,400,000
Total	7,500,000	4,000,000	-	16,000,000	25,100,000	36,400,000

## 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 December 31, 2012 and June 30, 2013.

		(Thousands of yen)	
		As of / For the six months ended	
		December 31, 2012	June 30, 2013
<b>Net book value<sup>(i)</sup></b>			
Balance at the beginning of the period		145,987,187	147,464,375
Net increase during the period <sup>(ii)</sup>		1,477,187	16,588,856
Balance at the end of the period		147,464,375	164,053,231
<b>Fair value<sup>(iii)</sup></b>		153,620,000	175,289,000
Note:			
(i)	The net book value includes leasehold right.		
(ii)	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
	For the six months ended June 30, 2013:		
	Changes in the net book value are mainly due to the following acquisitions offset by depreciation.		
	Acquisitions:	IIF Kashiwa Logistics Center	1,882,149
		IIF Kobe Logistics Center	5,440,594
		IIF Kawasaki Science Center(to be developed)	540,593
		IIF Osaka Toyonaka Data Center	5,704,190
		IIF Osaka Nanko IT Solution Center	1,328,034
		IIF Higashi-Osaka Logistics Center	2,373,193
(iii)	Fair value has been determined based on the appraisal or researched value provided by independent real estate appraisers.		

For rental revenues and expenses for the six months ended December 31, 2012 and June 30, 2013, 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 extended or is 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 in light of 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 for the foreseeable future, it is difficult to determine when the asset retirement obligation may need to be performed, and as such it is impossible to reasonably foresee the amount of the asset retirement obligation. Therefore, the Investment Corporation does not recognize such obligation as a liability.

## Note 9 – Related-party transactions

### 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.

### For the six months ended June 30, 2013:

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	—	Repayment of long-term loans payable <sup>(i)</sup>	3,604,000	Long-term loans payable	11,523,000
				Drawing of long-term loans payable	2,500,000		
				Interest expenses <sup>(i)</sup>	54,822	Accrued expenses	620
				Interest rate swap contracts <sup>(ii)</sup>	—	Derivatives liabilities	23,754

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 terms and conditions of interest rate swap contracts are decided based on third party transactions.

## Note 10 – Per unit information

The net asset value per unit as of December 31, 2012 and June 30, 2013 was ¥454,411 and ¥478,552, respectively. Net income per unit for the six months ended December 31, 2012 and June 30, 2013 was ¥14,387 and ¥15,951, respectively.

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

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

	(Thousands of yen)	
	For the six months ended	
	December 31, 2012	June 30, 2013
Net income	2,023,301	2,447,075
Effect of dilutive unit	-	-
Net income available to common unitholders	2,023,301	2,447,075
Weighted-average number of units outstanding for the period	140,632 units	153,403 units

## **Note 11 – Subsequent events**

### **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.

**For the six months ended June 30, 2013:**

None

## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	December 31, 2012	June 30, 2013
Unappropriated retained earnings	2,023,328,674	2,447,131,283
Cash distribution declared	2,023,272,584	2,447,065,776
<i>(Cash distribution declared per unit)</i>	<i>(14,387)</i>	<i>(15,643)</i>
Retained earnings carried forward	56,090	65,507

### Note:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended December 31, 2012 and June 30, 2013 were ¥2,023,272,584 and ¥2,447,065,776, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

### **Note**

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended June 30, 2013 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.



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

(Thousands of yen)

	For the six months ended	
	December 31, 2012	June 30, 2013
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes.....	2,024,271	2,448,033
Depreciation and amortization.....	764,399	842,578
Amortization of investment corporation bonds issuance costs .....	809	4,855
Amortization of investment unit issuance costs .....	39,214	67,909
Interest income.....	(605)	(687)
Interest expenses .....	522,510	547,649
Insurance income .....	(1,573)	—
Changes in assets and liabilities:		
Increase in operating accounts receivable .....	(11,218)	(70,280)
Decrease (increase) in consumption taxes refundable.....	736,879	(242,209)
Decrease (increase) in prepaid expenses .....	364,344	(299,653)
Decrease (increase) in long-term prepaid expenses .....	84,137	(201,108)
Increase in operating accounts payable .....	11,519	75,445
Increase in accounts payable – other .....	12,744	31,566
Increase (decrease) in accrued expenses .....	91	(43)
Increase (decrease) in accrued consumption taxes .....	167,201	(167,201)
Increase (decrease) in advances received .....	(316,677)	439,783
Decrease in other noncurrent liabilities .....	(8,119)	(8,074)
Other, net .....	(339,230)	43,826
Subtotal.....	4,050,700	3,512,389
Interest income received.....	605	687
Interest expenses paid .....	(516,919)	(549,532)
Insurance income received .....	8,614	—
Income taxes paid .....	(1,032)	(988)
Net cash provided by operating activities.....	3,541,968	2,962,556
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment .....	(1,971,572)	(4,939,864)
Purchases of property, plant and equipment in trust.....	(219,221)	(12,572,962)
Purchases of intangible assets .....	—	(286)
Proceeds from tenant leasehold and security deposits.....	48,000	78,458
Payments of tenant leasehold and security deposits .....	(228,203)	—
Proceeds from tenant leasehold and security deposits in trust .....	—	340,914
Payments of tenant leasehold and security deposits in trust.....	(12,499)	(38,566)
Net cash used in investing activities.....	(2,383,496)	(17,132,306)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from long-term loans payable.....	3,900,000	16,500,000
Repayments of long-term loans payable .....	(13,900,000)	(7,500,000)
Proceeds from issuance of investment corporation bonds.....	10,000,000	—
Payments of investment corporation bonds issuance costs .....	(54,318)	(4,249)
Proceeds from issuance of investment units .....	—	10,556,138
Payments for investment unit issuance expenses .....	—	(206,552)
Dividends paid.....	(1,852,323)	(2,023,432)
Net cash provided by (used in) financing activities .....	(1,906,642)	17,321,903
<b>Net change in cash and cash equivalents .....</b>	<b>(748,170)</b>	<b>3,152,153</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>6,332,072</b>	<b>5,583,902</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>5,583,902</b>	<b>8,736,055</b>

Note:

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

(Thousands of yen)

	As of	
	December 31, 2012	June 30, 2013
Cash and bank deposits .....	3,576,695	6,293,712
Cash and bank deposits in trust .....	2,007,206	2,442,343
Cash and cash equivalents .....	5,583,902	8,736,055

## Other Information

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

### **IIF Website**

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

### **Contact**

Asset Manager

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

Transfer Agent

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

## Disclaimer

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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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