

Industrial & Infrastructure Fund Investment Corporation

13th Asset Management Report

(Semi-Annual Report 13th)

July 1, 2013 – December 31, 2013

 **Industrial & Infrastructure Fund Investment Corporation**

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

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

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

Mitsubishi Corp. – UBS Realty Inc.

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

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

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

Greetings

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

In the fiscal period ended December 31, 2013 (the 13th Period), the distribution per unit was 16,043 yen, an increase of 2.6% from the previous period due to the full-period management of six properties acquired during the 12th Period and the effect that such properties had on the bottom line. As for financial aspects, IIF improved the stability of its financial base by extending the maturity and fixing the interest rates in order to prepare for interest fluctuation risks in the future.

In the period under review, IIF's rating by Japan Credit Rating Agency, Ltd. (JCR) was upgraded from "AA-" to "AA" in August 2013 based on IIF's ongoing activities for stable asset management, as well as its solid portfolio and financial foundations. In addition, IIF's activities concerning environmental issues resulted it being designated as a "Sector Leader" by the GRESB*, or the most excellent environment business operator, in the Asian industrial real estate division, and second in the global industrial real estate division. IIF was recognized by various independent organizations.

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.

* GRESB is an organization established in 2009 to enhance unitholder value by applying environmental, social and governance considerations to real estate investments.

Yasuyuki Kuratsu

Executive Director

Industrial & Infrastructure Fund Investment Corporation

Topics of the 13th Period

- Acquired preferential purchase rights to Kyo-tanabe Logistics Center through IIF's first acquisition of an equity interest in an anonymous association.
- Improved the stability of IIF's financial base by extending the maturity and fixing the interest rates by refinancing.
- IIF's rating was upgraded from "AA-" to "AA," the highest rating among J-REITs*, for its activities related to stable asset management.
- Recognized by various independent organizations (such as designated by the GRESB as "Sector Leader," the first among J-REITs, received the "Porter Prize", and received the "APREA Best Practices AWARDS 2013").

*As of February 7, 2014.

Highlight of the 13th Period

	The 10th period	The 11th period	The 12th period	The 13th period	The 14th period (forecast)	The 15th period (forecast)
Operating Revenue (million yen)	4,458	5,037	5,791	6,037	6,620	6,876
Net Income (million yen)	1,852	2,023	2,447	2,509	2,679	2,732
Total Asset (million yen)	154,937	154,502	175,196	175,150	—	—
Distribution per unit (yen)	13,176	14,387	15,643	16,043	16,184	16,508
Net Asset Value per unit (yen)	453,200	454,411	478,552	478,341	—	—

Figures in this asset management report are as of December 31, 2013 unless otherwise noted.

IIF Focus

Summary of the 13th Period (Fiscal period ended December 31, 2013)

In the period under review, IIF had a total of 29 properties under management (logistics facilities: 17; manufacturing and R&D facilities, etc.: 6; and infrastructure facilities: 6). Due to the full-period occupancy of six properties acquired in the 12th Period, operating revenue increased by 246 million yen from 5,791 million yen in the previous period to 6,037 million yen. Net income was 2,509 million yen, an increase of 62 million yen compared to the 2,447 million yen of the previous period.

As a result, the distribution per unit was 16,043 yen, an increase of 400 yen (2.6%) from the previous period of 15,643 yen, making six consecutive fiscal periods of an increase in distribution.

As of December 31, 2013, IIF had a total leasable area of 596,992.75 m² for the entire portfolio, an occupancy rate of 99.9%, and is generating long-term, stable cash flows with an average remaining lease term of 9.7 years.

Characteristics 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 transactions 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 an equity interest in TK investments of Kyo-tanabe Logistics Center in December 2013. This is IIF's first acquisition of an equity interest in an anonymous association, utilizing an anonymous association fund structure. The acquisition was made possible by way of IIF proposing a CRE solution to a company which is the de facto seller of the property.

In January 2014 after the 13th Period ended, IIF announced a public offering for the fourth consecutive year and newly acquired seven logistics facilities* and one infrastructure facility at a total acquisition price of 16,604 million yen, and a net operating income (NOI) yield of 7.1% by using the net proceeds from the issuance of new investment units and taking out new loans. In the acquisition of new assets, IIF explored a new asset category, port infrastructure, through CRE activities and added IIF Nagoya Port Tank Terminal (land with leasehold interest) in its asset portfolio. In addition, IIF acquired IIF Hiroshima Logistics Center as a hybrid PRE/CRE solution addressing the asset divestment needs of Hiroshima prefecture (PRE) and the tenant's need to develop a new distribution center.

*Including additional acquisition of the building for an existing property.

Characteristics 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 was designated by the GRESB (Global Real Estate Sustainability Benchmark) as "Sector Leader," or the most excellent environment business operator, in the Asian industrial real estate division, in the GRESB environmental

responsiveness survey conducted in 2013.

IIF, as an asset management company, established the “Environment Charter” and “Fundamental Policy Regarding Responsible Real Estate Investment” 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 21st Century).” IIF is committed to helping realize a sustainable society by continually working on reducing environmental burdens and contributing to local communities.

Characteristics and strengths of IIF in finance **Solid financial foundations by fixing liabilities in the long term**

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 “fix liabilities in the long term.”

According to this strategy, IIF refinanced 7.5 billion yen, which was to mature in October 2013, into long-term borrowings (10 year term). Further, IIF also borrowed new long-term debt amounting to 2.0 billion yen (10 year term) on December 2013 and made early repayment of the same amount (2.0 billion yen) which had 1.0 year remaining. As for these two borrowings, IIF signed an interest rate swap agreement for both borrowings and fixed the interest rate. As a result, the long-term debt ratio as of the end of December 2013 was kept at 100%, the same as that at the end of the previous period, while the fixed debt ratio increased from 83.1% as of the end of the previous period to 100%. As a result of these measures and based on the current borrowing agreements, IIF’s borrowings that will come due immediately in the future amount to only 2 billion yen, and will mature in the fiscal period ending December 31, 2014 (the 15th Period). It can be said that IIF’s financial condition is extremely stable. In the recent public offering, IIF carried out ALM (Asset Liability Management)*1 by matching assets and liabilities with long-term and fixed interest rates of the borrowings, which is evidenced by the average remaining lease term of acquired assets being 16.6 years, with the average NOI yield being 7.1% against an average debt term of 10.1 years, and an average interest rate of 1.5% for the new borrowings of 7.4 billion yen for the new acquisition. Furthermore, IIF expects that securing a long-term, stable positive spread will be a source of stable distributions over the long term*2.

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 as of August 2013, 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.”

*1 Comprehensive management of assets and liabilities, taking into account volatility risk of interest rates, etc

*2 Based on the announcement of January 15, 2014.

External evaluation

With respect to its initiatives and the characteristics and strengths it has developed by such initiatives, IIF received the award of “2013 APREA Best Practices Award’s Country Award - Best Country Submission from Japan” from Asia Pacific Real Estate Association Limited (APREA). This award recognizes the Japanese real estate firms who perform the best in governance and disclosure.

Moreover, IIF received “The Porter Prize” for fiscal 2013 from the Porter Prize Organizing Committee, Hitotsubashi University Graduate School of International Corporate Strategy. The Porter Prize is given to a company which has achieved and maintained high profitability by implementing unique and excellent strategies. IIF became the first J-REIT to receive this award.

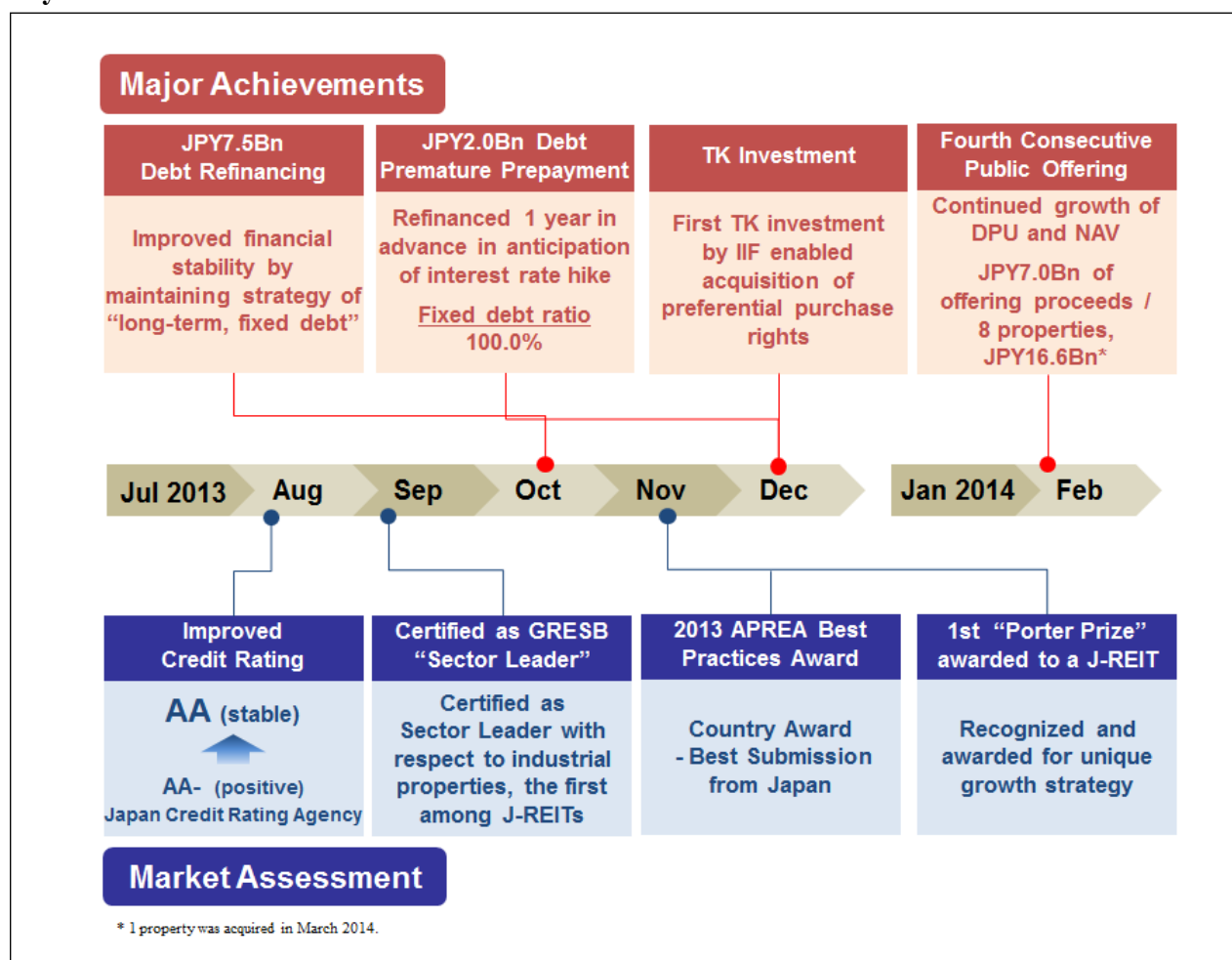
Prospect for the 13th Period (Fiscal period ending June 30, 2014) Future management policies

In the fiscal period ending June 30, 2014, contributed to the eight properties we newly acquired, it is expected that IIF will record operating revenue of 6,620 million yen, net income of 2,679 million yen and the distribution per unit of 16,184 yen.

Currently, 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 increase the unitholder value. 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 13th Period and evaluation of those measures



I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			9 th	10 th	11 th	12 th	13 th
As of /for the six months ended			December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
Operating revenues	Note 1	(Millions of yen)	3,526	4,458	5,037	5,791	6,037
(Rental revenues)	Note 1	(Millions of yen)	(3,526)	(4,458)	(5,037)	(5,791)	(6,037)
Operating expenses	Note 1	(Millions of yen)	1,691	1,985	2,202	2,556	2,728
(Rental expenses)	Note 1	(Millions of yen)	(1,237)	(1,455)	(1,626)	(1,934)	(2,100)
Operating income		(Millions of yen)	1,834	2,473	2,834	3,235	3,308
Ordinary income		(Millions of yen)	1,159	1,767	2,022	2,448	2,510
Net income	(a)	(Millions of yen)	1,158	1,852	2,023	2,447	2,509
Net assets	(b)	(Millions of yen)	43,400	63,734	63,904	74,860	74,827
(Period-on-period change)		(%)	(+0.3)	(+46.9)	(+0.3)	(+17.1)	(-0.0)
Total assets	(c)	(Millions of yen)	112,947	154,937	154,502	175,196	175,150
(Period-on-period change)		(%)	(-0.3)	(+37.2)	(-0.3)	(13.4)	(-0.0)
Unitholders' capital		(Millions of yen)	42,241	61,881	61,881	72,437	72,437
(Period-on-period change)		(%)	(0.0)	(+46.5)	(0.0)	(+17.1)	(0.0)
Number of units issued and outstanding	(d)	(Units)	93,632	140,632	140,632	156,432	156,432
Net asset value per unit	(b)/(d)	(Yen)	463,517	453,200	454,411	478,552	478,341
Total distributions	(e)	(Millions of yen)	1,158	1,852	2,023	2,447	2,509
Distribution per unit	(e)/(d)	(Yen)	12,377	13,176	14,387	15,643	16,043
(Profit distribution per unit)		(Yen)	(12,377)	(13,176)	(14,387)	(15,643)	(16,043)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	1.0 (2.0)	1.3 (2.6)	1.3 (2.6)	1.5 (3.0)	1.4 (2.8)
Return on unitholders' equity	Note 3	(%)	2.7 (5.3)	3.5 (6.9)	3.2 (6.3)	3.5 (7.1)	3.4 (6.7)
Ratio of net assets to total assets	(b)/(c)	(%)	38.4	41.1	41.4	42.7	42.7
(Period-on-period change)			(+0.2)	(+2.7)	(+0.3)	(+1.3)	(0.0)
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)	2,875	3,697	4,175	4,699	4,800
Net profit margin	Note 3	(%)	32.9	41.6	40.2	42.3	41.6
Debt service coverage ratio	Note 3	(Multiple)	5.0	6.5	6.4	7.1	7.1
Funds from operation (FFO) per unit	Note 3	(Yen)	18,636	18,113	19,822	21,029	21,561
FFO multiples	Note 3	(Multiple)	10.3	14.2	16.4	22.8	20.5
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	11,856	12,387	13,019	15,031	15,229
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	18,115	17,325	18,454	20,417	20,747

Note 1 Consumption taxes are not included.

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

Note 3 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 182, 184, 181 and 184 days for 9th, 10th, 11th, 12th and 13th 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 J-REIT market of the Tokyo Stock Exchange on October 18, 2007 (ticker 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. IIF owned 29 properties whose total acquisition price amounted to 163,843 million yen as of December 31, 2013.

ii. Investment environment and management performance

Japan’s economy is growing steadily, driven by a new government economic policy called Abe-nomics (started in December 2012), a quantitative and qualitative easing policy of the Bank of Japan (started in April 2013), and recoveries of overseas markets. Consumer spending is also growing steadily, supported by growing corporate earnings and recovering employment and income. We assume the scheduled increase of the consumption tax rate in April 2014 will affect the economic situation in the short term, but expect Japan’s economy to recover steadily in the long run.

The J-REIT market has grown steadily with strong demand mainly from mutual funds, and the TSE REIT Index surged about 35% during the year. Meanwhile, investor demand for J-REIT appears to be remaining firm, and equity financing by J-REIT remained at a high level of over 1 trillion yen during 2013.

Given such an environment, IIF has continued to pursue property-sourcing activities based on a Corporate Real Estate (CRE) proposal, an approach with which IIF has strengths. In December 2013, IIF acquired an equity interest in TK investments and preferential purchasing rights of Kyo-tanabe Logistics Center (Amount of contributions: 10 million yen).

As a result, the properties IIF owned as of December 31, 2013 consisted of 17 logistics facilities, six infrastructure facilities and six manufacturing and R&D facilities whose total acquisition price amounted to 163,843 million yen. The total leasable area as of December 31, 2013 was 596,992.75 m², and the average occupancy rate remained at 99.9%.

(2) Funding

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

During the fiscal term, IIF took out new long-term borrowings of 7,500 million yen on October 18, 2013 (borrowing period: 10 years) and repaid an equivalent amount of long-term debt whose maturity was on the same day. With regard to the new borrowings, IIF concluded a postdated interest rate swap agreement to fix the interest rate on or after December 31, 2013. Furthermore, IIF took out new long-term debt of 2,000 million yen on December 30, 2013 (borrowing period: 10 years) and repaid an equivalent amount of long-term debt (average remaining term: one

year) in advance of maturity on the same day. With regard to the new borrowings, IIF concluded an interest rate swap agreement to fix the interest rate on or after December 30, 2013.

IIF will continue to seek to achieve a stable financial condition by diversifying debt maturity dates and maintaining an appropriate mix of long-term, fixed-rate investments to achieve stable distributions.

As a result of the above, the balance of interest bearing debt as of December 31, 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 6,037 million yen, operating income of 3,308 million yen, ordinary income of 2,510 million yen and net income of 2,509 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 16,043 yen.

3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 2013. The outline of changes in unitholders' capital for the previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3
March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5
March 5, 2012	Public offering	44,762	138,394	18,705	60,946	Note 6
March 26, 2012	Allocation of investment units to a third party	2,238	140,632	935	61,881	Note 7
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)				
	9 th	10 th	11 th	12 th	13 th
As of /for the six months ended	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
Highest price	435,500	520,000	677,000	1,080,000	995,000
Lowest price	361,000	370,000	500,000	650,000	834,000
Closing price at end of period	379,500	515,000	646,000	965,000	877,000

4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended December 31, 2013 amounted to ¥16,043.

Fiscal period	9 th	10 th	11 th	12 th	13 th
As of /for the six months ended	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
Net income (Thousands of yen)	1,158,903	1,852,958	2,023,301	2,447,075	2,509,593
Retained earnings carried forward (Thousands of yen)	35	27	56	65	20
Total cash distributions (Thousands of yen)	1,158,883	1,852,967	2,023,272	2,447,065	2,509,638
(Cash distribution per unit) (Yen)	(12,377)	(13,176)	(14,387)	(15,643)	(16,043)
Profit distributions (Thousands of yen)	1,158,883	1,852,967	2,023,272	2,447,065	2,509,638
(Profit distribution per unit) (Yen)	(12,377)	(13,176)	(14,387)	(15,643)	(16,043)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and issues

(1) Outlook for the overall management

The global economy is following a trend of steady improvement mainly in developed countries such as Japan and the United States, and Japan's economy is expected to experience short-term fluctuations due to the consumption tax hike in April 2014, but continue to recover gradually in the future.

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 the necessity of the companies to sell their properties are diversifying by the improvement in the economy, 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) Issues to be solved

Under the situation described above, IIF will seek to create and maintain a portfolio that generates stable income to achieve sustainable growth of unit holder value through the strategies described below.

a) 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.

IIF will continue to acquire new asset category properties, while avoiding price competition using our experience, expertise, and networks in both CRE and PRE sectors. By aiming to further increase the acquisition of asset category properties and the development of CRE needs, we will evolve our unique CRE proposal-based business model.

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 or by using bridge fund scheme.

b) Internal growth

As of December 31, 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 9.7 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 comfortableness 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.

c) Financial strategy

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

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

6. Subsequent events

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on January 15, 2014 and January 27, 2014, 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:

8,884 investment units, out of which 4,334 new units to be offered through the Domestic Public Offering and 4,550 new units to be offered through the Overseas Offering consisting of 4,334 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 216 additional new units granted to the overseas underwriters.

(ii) Issue price (Offer price): ¥803,400 per unit

(iii) Total issue price (Total offer price): ¥7,137,405,600

(iv) Issue value (Amount to be paid in): ¥775,384 per unit

(v) Total issue value (Total amount to be paid in): ¥6,888,511,456

(vi) Payment date: February 3, 2014

(vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2014 and ending on June 30, 2014.

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

(i) Number of new investment units: 216 investment units

(ii) Issue value (Amount to be paid in): ¥775,384 per unit

(iii) Total issue value (Total amount to be paid in): ¥167,482,944

(iv) Payment date: Scheduled on March 4, 2014

(v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2014 and

ending on June 30, 2014.

(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 ¥79,326,094,765 and number of investment units issued and outstanding increased to 165,316 units on February 3, 2014.

Outline of the Investment Corporation

1. Investment unit

Fiscal period	9 th	10 th	11 th	12 th	13 th
As of	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 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	140,632	140,632	156,432	156,432
Number of unitholders (People)	4,728	5,333	4,317	4,165	4,100

2. Unitholders

Major unitholders as of December 31, 2013 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	23,341	14.92
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	12,398	7.92
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	11,713	7.48
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	8,867	5.66
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	4,704	3.00
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	3,418	2.18
State Street Bank And Trust Company	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A	3,311	2.11
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	3,200	2.04
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	3,200	2.04
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	2,922	1.86
Total		77,074	49.26

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

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 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) 12,000

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

Note 2 The compensation for Independent auditor includes the audit fees for the financial statements prepared in English.

(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 Tax Co.
General administrator (regarding investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Condition of investment assets

1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of June 30, 2013		As of December 31, 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	10,043	5.7	10,061	5.8
			Osaka and Nagoya metropolitan areas	3,525	2.0	3,554	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	45,688	26.1	45,451	25.9
			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	68,282	39.0	68,173	38.9
			Osaka and Nagoya metropolitan areas	6,649	3.8	6,635	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	5,472	3.1	5,436	3.1
			Osaka and Nagoya metropolitan areas	24,390	13.9	24,240	13.9
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				164,053	93.6	163,552	93.4
Investments in Tokumei Kumiai agreement (Note 3)				—	—	12	0.0
Bank deposits and other assets				11,143	6.4	11,585	6.6
Total assets				175,196	100.0	175,150	100.0

Note 1 “Location category” is classified as below.

Location category	Description
Urban and suburban properties	Properties located in Japan's three major urban areas ⁽ⁱ⁾ , cities designated by government ordinance, or similar areas
Industrial-area properties	Generally, properties located in industrial zones ⁽ⁱⁱ⁾ 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.

Note 3 Investments in Tokumei Kumiai agreement is an equity interest of an anonymous association managed by Limited Liability Company SBS Logi Fund 1 whose investment asset is Kyo-tanabe Logistics Center held in the form of trust beneficiary interest.

2. Major property

The principal properties (top ten properties in net book value) as of December 31, 2013 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	40,257	81,995.81	81,995.81	100.0	22.2	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,260	11,275.39	11,275.39	100.0	5.5	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,304	27,493.29	27,493.29	100.0	6.6	Logistics facility
IIF Mitaka Card Center	9,266	21,615.01	21,615.01	100.0	6.0	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	9,008	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 5)	7,508	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center	5,836	38,828.10	38,828.10	100.0	4.0	Logistics facility
IIF Osaka Toyonaka Data Center (Note 5)	5,668	20,027.14	20,027.14	100.0	—	Infrastructure facility
IIF Zama IT Solution Center (Note 5)	5,436	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Kobe Logistics Center (Note 5)	5,406	39,567.74	39,567.74	100.0	—	Logistics facility
Total	118,955	290,676.23	290,676.23	100.0	71.0	

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 December 31, 2013 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	15,200	13,304
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	7,410	5,836
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,400	5,269
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,000	1,803
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,420	1,907
IIF Nishinomiya Logistics Center	2, Nishinomiya 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,620	1,228
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,240	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	4,220	3,435
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,480	3,340
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,840	2,384
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,820	1,530
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,160	1,150
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,690	2,362
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	2,900	1,898
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,030	5,406
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	2,670	2,403
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,400	1,876
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	4,900	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,270	1,174
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,320	9,266
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	11,100	9,008
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	7,750	7,508

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Kawasaki Science Center (to be developed)	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	2,941.80	849	546
IIF Kobe District Heating and Cooling Center	77-1, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,275.39	14,700	17,260
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	39,500	40,257
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,436
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,580	5,193
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,040	5,668
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	1,311
Total			596,992.75	177,119	163,552

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

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

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

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

Name of property	For the six months ended							
	June 30, 2013				December 31, 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	6.9	1	100.0	397	6.6
IIF Noda Logistics Center	2	100.0	245	4.2	2	100.0	244	4.0
IIF Shinsuna Logistics Center	1	100.0	168	2.9	1	100.0	173	2.9
IIF Atsugi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	1.3	1	100.0	75	1.2
IIF Nishinomiya Logistics Center	1	100.0	60	1.0	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	115	2.0	1	100.0	115	1.9
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	1.1	1	100.0	67	1.1
IIF Nagoya Logistics Center	1	100.0	48	0.8	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	—	—	1	100.0	—	—
IIF Higashi-Osaka Logistics Center (Note 3)	2	96.2	—	—	3	97.1	—	—
IIF Kashiwa Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	2.7	1	100.0	154	2.6
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	1.0	1	100.0	57	1.0
IIF Mitaka Card Center	1	100.0	364	6.3	1	100.0	364	6.0

Name of property	For the six months ended							
	June 30, 2013				December 31, 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	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center	1	100.0	330	5.7	2	100.0	330	5.5
IIF Haneda Airport Maintenance Center	1	100.0	1,339	23.1	1	100.0	1,337	22.2
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	—	—	1	100.0	—	—
IIF Osaka Nanko IT Solution Center (Note 3)	1	100.0	—	—	1	100.0	—	—
Total (Note 4)	31	99.9	5,791	100.0	33	99.9	6,037	100.0

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

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

Note 3 “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

Note 4 The total column of “Occupancy ratio” shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.

4. Details of investment securities

The investment securities as of December 31, 2013 consist of the following:

Name of securities	Classification	Quantity	Carrying amounts		Value (Note 1)		Unrealized gains (losses) (Millions of yen)	Remarks
			Per quantity	Total (Millions of yen)	Per quantity	Total (Millions of yen)		
Tokumei Kumiai investment in Limited Liability Company SBS Logi Fund 1 (Note 2)	Investment in Tokumei Kumiai agreement	—	—	12	—	11	(0)	—
Total		—	—	12	—	11	(0)	—

Note 1 The value of the investments in Tokumei Kumiai (anonymous association) agreements, or TK, represents the proportionate ownership of the net asset value of the TK. The net asset value of the TK is determined as the difference between the assets owned by the TK, which is comprised of properties which are, per the Investment Corporation's policy, valued by discounted cash flow method and financial assets which are valued as appropriate per generally accepted accounting standards, and liabilities held by the TK. The method used to determine the value of the TK is not consistent with a method used to determine the fair value of the investments in TK as financial assets. Please refer to the accompanying note in "V. Notes to financial information, Note 6 - Financial instruments, (b) Quantitative information for financial instruments, Note (ii) ."

Note 2 The investment assets held by the TK are as follows:

Name of securities	Investment assets	Location
Tokumei Kumiai investment in Limited Liability Company SBS Logi Fund 1	Trust beneficial interest in Kyo-tanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto

5. Details of specified transaction

The details of specified transaction as of December 31, 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)	63,500	63,500	(770)
Total		63,500	63,500	(770)

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 interest rate swaps for which The Investment Corporation had applied the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be measured in the balance sheets.

6. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property" and "4. Details of investment securities." There was no other significant specified asset as of December 31, 2013.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 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 December 31, 2013	Total of advanced payment
IIF Shinonome R&D Center	Koto-ku, Tokyo	Renewal of air conditioning system	March 2014	178	—	—
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of air conditioning system	June 2014	17	—	—
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of disaster prevention equipment	June 2014	12	—	—
IIF Saitama Logistics Center	Saitama-shi, Saitama	Renewal of Elevator	January 2014	9	—	—
IIF Shinonome R&D Center	Koto-ku, Tokyo	Renewal of electrical substation equipment	January 2014	8	—	—

2. Capital expenditures for the six months ended December 31, 2013

Maintenance expenditures on property for the six months ended December 31, 2013 were totaling to ¥294 million consisting of ¥240 million of capital expenditures stated as below and ¥54 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 Shinonome R&D Center	Koto-ku, Tokyo	Renewal of air conditioning system and lighting equipment	October 2013 to December 2013	187
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Construction for raising floor	December 2013	17
Other	—	—	—	34
Total				240

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	9 th	10 th	11 th	12 th	13 th
As of /for the six months ended	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
Reserved funds at beginning of period	523	629	826	815	1,000
Increase	265	331	383	424	435
Decrease	159	134	395	239	294
Reserved funds at end of period	629	826	815	1,000	1,141

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	12 th	13 th
Item	For the six months ended June 30, 2013	For the six months ended December 31, 2013
(a) Asset management fees	511,779	529,839
(b) Asset custody fees	5,922	5,996
(c) Administrative service fees	27,898	28,112
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	70,389	58,718
Total	621,810	628,487

2. Loans payable

Loans payable as of December 31, 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
			June 30, 2013 (Millions of yen)	December 31, 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 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2010	3,900	—	0.8	October 18, 2013	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	—					
	Sumitomo Mitsui Banking Corporation	December 30, 2010	2,000	—	0.9	December 30, 2014 (Note 5)	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 3)	March 9, 2018	Lump sum (Note 4)	Notes 6 and 7	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 3)	August 31, 2016	Lump sum (Note 4)	Note 8	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	2,823	2,823	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,603	2,603					
	Sumitomo Mitsui Trust Bank, Limited		2,074	2,074					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	1,500	1,500	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 7	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
			June 30, 2013 (Millions of yen)	December 31, 2013 (Millions of yen)					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 7	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	0.7 (Note 3)	June 30, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	0.7 (Note 3)	June 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	0.5 (Note 3)	June 30, 2020	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Resona Bank, Limited.		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 18, 2013	—	3,900	0.6 (Note 3)	October 18, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	—	2,000	1.4 (Note 3)	December 29, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
Total			79,000	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 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 4 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 5 The principal was repaid in full on December 30, 2013 in advance of the maturity date.

Note 6 The funds were appropriated to repayment of outstanding loans payable.

Note 7 The funds were mainly appropriated to acquisition of real estate property, etc.

Note 8 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
		June 30, 2013 (Millions of yen)	December 31, 2013 (Millions of yen)					
The 1 st 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 nd 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)

Classification of assets	Name of real property, etc.	Acquisition		Disposal			
		Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
Investment in Tokumei Kumiai agreement	Tokumei Kumiai investment in Limited Liability Company SBS Logi Fund 1	December 12, 2013	10	—	—	—	—

Note “Acquisition cost” indicates contracted amount of investment in Tokumei Kumiai agreement excluding related expenses.

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)	Researched value (Note2)
Acquisition	Tokumei Kumiai investment in Limited Liability Company SBS Logi Fund 1	December 12, 2013	10	12

Note 1 “Acquisition cost” indicates contracted amount of investment in Tokumei Kumiai agreement excluding related expenses.

Note 2 The researched value was reported by Ernst & Young ShinNihon LLC in accordance with the Japan Institute of Certified Public Accountants Industrial Audit Committee Report No.23, “Research for Specified Assets Value held by Investment Trusts and Investment Corporations”. The report includes necessary information to specify property held by the Tokumei Kumiai operator.

(2) Other transaction

For the six months ended December 31, 2013, the Investment Corporation entered into 2 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	82,446	NIKKEN CORPORATION	2,920	3.5

Note1 “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.

Note2 In addition to above transaction, the Investment Corporation paid Japan Facility Solutions, Inc. ¥21,000 thousand for repairs and ¥184,673 for capital expenditure.

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) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 4 th fiscal period (January 1, 2009 to June 30, 2009)	600	159,000	0.8%
The 5 th fiscal period (July 1, 2009 to December 31, 2009)	600	147,240	0.8%
The 6 th fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 th fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%
The 8 th fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%
The 9 th fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 th fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 th fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 th fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 th fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%

Note "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

None

3. Other

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

II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2013	December 31, 2013
ASSETS		
Current assets:		
Cash and bank deposits.....	6,293,712	7,284,416
Cash and bank deposits in trust	2,442,343	2,369,289
Rental receivables.....	118,019	95,249
Prepaid expenses	729,888	435,023
Deferred tax assets.....	17	15
Consumption taxes refundable	248,159	—
Other.....	43	117
Total current assets.....	9,832,184	10,184,112
Noncurrent assets:		
Property, plant and equipment:		
Buildings, at cost.....	29,354,796	29,467,309
Less: Accumulated depreciation	(2,877,691)	(3,180,830)
Buildings, net.....	26,477,104	26,286,478
Structures, at cost.....	26,882	26,882
Less: Accumulated depreciation	(1,427)	(1,872)
Structures, net	25,455	25,010
Machinery and equipment, at cost	10,881	11,892
Less: Accumulated depreciation	(2,120)	(4,106)
Machinery and equipment, net.....	8,761	7,786
Tools, furniture and fixtures, at cost.....	1,919	1,919
Less: Accumulated depreciation	(70)	(149)
Tools, furniture and fixtures, net.....	1,849	1,769
Land.....	12,877,530	12,911,098
Construction in progress	33,979	539
Buildings in trust, at cost	41,711,426	41,927,857
Less: Accumulated depreciation	(3,844,437)	(4,380,585)
Buildings in trust, net.....	37,866,989	37,547,272
Structures in trust, at cost.....	378,387	378,387
Less: Accumulated depreciation	(233,961)	(255,054)
Structures in trust, net.....	144,425	123,333
Machinery and equipment in trust, at cost	—	1,229
Less: Accumulated depreciation	—	(20)
Machinery and equipment in trust, net	—	1,209
Tools, furniture and fixtures in trust, at cost.....	6,515	6,515
Less: Accumulated depreciation	(2,077)	(2,481)
Tools, furniture and fixtures in trust, net.....	4,437	4,033
Land in trust.....	66,704,757	66,736,180
Construction in progress in trust	73,973	73,973
Total net property, plant and equipment.....	144,219,265	143,718,684
Intangible assets:		
Leasehold right (Note 2)	19,833,966	19,833,966
Other	437	390
Total intangible assets.....	19,834,403	19,834,356
Investments and other assets:		
Investment securities.....	—	12,702
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	956,989	1,125,263
Total investments and other assets.....	966,989	1,147,966
Total noncurrent assets	165,020,659	164,701,007
Deferred assets:		
Investment unit issuance costs.....	290,878	217,229
Investment corporation bonds issuance costs	52,902	48,047
Total deferred assets.....	343,781	265,276
TOTAL ASSETS.....	175,196,624	175,150,396

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

(Thousands of yen)

	As of	
	June 30, 2013	December 31, 2013
LIABILITIES		
Current liabilities:		
Operating accounts payable	326,782	369,347
Current portion of long-term loans payable	7,500,000	2,000,000
Accounts payable – other	364,438	317,642
Accrued expenses	15,752	13,907
Income taxes payable	818	745
Accrued consumption taxes	—	205,844
Advances received	1,373,413	1,036,721
Other	69,190	10,977
Total current liabilities	9,650,395	3,955,186
Noncurrent liabilities:		
Investment corporation bonds – unsecured	10,000,000	10,000,000
Long-term loans payable	71,500,000	77,000,000
Tenant leasehold and security deposits	1,872,834	1,967,989
Tenant leasehold and security deposits in trust	7,222,898	7,222,346
Derivatives liabilities	23,754	119,275
Other	65,781	57,631
Total noncurrent liabilities	90,685,269	96,367,243
TOTAL LIABILITIES	100,335,665	100,322,429
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	72,437,583	72,437,583
Surplus:		
Retained earnings	2,447,131	2,509,659
Total surplus	2,447,131	2,509,659
Total unitholders' equity	74,884,714	74,947,242
Valuation and translation adjustments:		
Deferred gains or (losses) on hedges	(23,754)	(119,275)
Total valuation and translation adjustments	(23,754)	(119,275)
TOTAL NET ASSETS (Note 3)	74,860,959	74,827,966
TOTAL LIABILITIES AND NET ASSETS	175,196,624	175,150,396

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

III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2013	December 31, 2013
Operating revenue		
Rent revenue—real estate (Note 4).....	5,791,586	6,037,664
Total operating revenue	5,791,586	6,037,664
Operating expenses		
Expenses related to property rental business (Note 4).....	1,934,410	2,100,349
Asset management fees	511,779	529,839
Directors' compensations.....	5,820	5,820
Asset custody fees	5,922	5,996
Administrative service fees.....	27,898	28,112
Other.....	70,389	58,718
Total operating expenses.....	2,556,220	2,728,836
Operating income	3,235,365	3,308,827
Non-operating income		
Interest income	687	889
Interest on refund.....	—	1,578
Reversal of distribution payable	856	876
Total non-operating income	1,544	3,343
Non-operating expenses		
Interest expenses.....	498,917	516,655
Interest expenses on investment corporation bonds.....	48,731	49,268
Amortization of investment corporation bonds issuance costs	4,855	4,855
Borrowing related expenses.....	165,237	155,990
Amortization of investment unit issuance costs.....	67,909	73,649
Other.....	3,224	1,230
Total non-operating expenses	788,876	801,650
Ordinary income	2,448,033	2,510,520
Income before income taxes	2,448,033	2,510,520
Income taxes		
Current.....	958	925
Deferred.....	0	1
Total income taxes	958	927
Net income	2,447,075	2,509,593
Retained earnings brought forward	56	65
Unappropriated retained earnings	2,447,131	2,509,659

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

IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 2013

	Unitholders' equity				Valuation and translation adjustments		
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
		Retained earnings	Total surplus				
Balance as of January 1, 2013	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

For the six months ended December 31, 2013

for the six months ended December 31, 2013

	Unitholders' equity				Valuation and translation adjustments		
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
		Retained earnings	Total surplus				
Balance as of July 1, 2013	72,437,583	2,447,131	2,447,131	74,884,714	(23,754)	(23,754)	74,860,959
Changes during the period							
Dividends from surplus	—	(2,447,065)	(2,447,065)	(2,447,065)	—	—	(2,447,065)
Net income	—	2,509,593	2,509,593	2,509,593	—	—	2,509,593
Net changes of items other than unitholders' equity	—	—	—	—	(95,520)	(95,520)	(95,520)
Total changes during the period	—	62,527	62,527	62,527	(95,520)	(95,520)	(32,993)
Balance as of December 31, 2013	72,437,583	2,509,659	2,509,659	74,947,242	(119,275)	(119,275)	74,827,966

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) Securities

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (anonymous association) agreements are accounted for using the equity method of accounting.

(b) 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:

	For the six months ended	
	June 30, 2013	December 31, 2013
Buildings	13-63 years	13-63 years
Structures	7-20 years	7-20 years
Machinery and equipment	3 years	3-10 years
Tools, furniture and fixtures	6-15 years	6-15 years

(c) Other intangible assets

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

(d) Long-term prepaid expenses

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

(e) Investment unit issuance costs

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

(f) 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.

(g) 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 ¥222,974 thousand for the six months ended June 30, 2013. No taxes on property and equipment were capitalized for the six months period ended for December 31, 2013.

(h) 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 applied. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments with those of 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. An assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

(i) 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.

(j) Consumption taxes

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

Note 2 – Leasehold right

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

Note 3 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2013	December 31, 2013
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	156,432 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 June 30, 2013 and December 31, 2013 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2013	December 31, 2013
Rent revenue—real estate:		
Rental and parking revenue	5,554,478	5,730,408
Common area charges	218,725	288,856
Other	18,382	18,400
Total rent revenue—real estate	5,791,586	6,037,664
Expenses related to property rental business:		
Property management fees	27,123	27,554
Facility management fees	71,949	82,446
Utilities	207,618	283,612
Property-related taxes	358,374	439,934
Insurance	16,421	17,017
Repair and maintenance	77,833	54,753
Depreciation	842,578	863,316
Trust fees	10,588	10,805
Leasehold rents	321,594	320,479
Other	328	429
Total expenses related to property rental business	1,934,410	2,100,349
Operating income from property leasing activities	3,857,176	3,937,314

Note 5 – Income taxes

Deferred tax assets consist of the following:

	As of	
	June 30, 2013	December 31, 2013
Deferred tax assets, current:		
Enterprise tax payable	17	15
Total	17	15
Net deferred tax assets, current	17	15
Deferred tax assets, noncurrent:		
Deferred losses on hedges	8,114	40,744
Subtotal	8,114	40,744
Valuation allowance	(8,114)	(40,744)
Total	—	—
Net deferred tax assets, noncurrent	—	—

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

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

(Thousands of yen)

	As of					
	June 30, 2013			December 31, 2013		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	6,293,712	6,293,712	—	7,284,416	7,284,416	—
(2) Cash and bank deposits in trust	2,442,343	2,442,343	—	2,369,289	2,369,289	—
Total assets	8,736,055	8,736,055	—	9,653,706	9,653,706	—
(1) Current portion of long-term loans payable	7,500,000	7,500,000	—	2,000,000	2,028,553	28,553
(2) Investment corporation bonds—unsecured	10,000,000	9,954,100	(45,900)	10,000,000	10,066,800	66,800
(3) Long-term loans payable	71,500,000	73,242,448	1,742,448	77,000,000	79,126,810	2,126,810
(4) Tenant leasehold and security deposits	48,000	47,882	(117)	48,000	47,947	(52)
(5) Tenant leasehold and security deposits in trust	987,923	886,681	(101,242)	987,833	903,722	(84,110)
Total liabilities	90,035,923	91,631,112	1,595,189	90,035,833	92,173,833	2,138,000
Derivative (derivatives liabilities), net	(23,754)	(23,754)	—	(119,275)	(119,275)	—

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 June 30, 2013 (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)	-

As of December 31, 2013 (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	(119,275)	Note (c)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	58,000,000	58,000,000	Note (a)	-

Note:

- (a) As disclosed in "Note 1 - Summary of significant accounting policies (h) 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	
	June 30, 2013	December 31, 2013
Investment securities	—	12,702
Total assets	—	12,702
Tenant leasehold and security deposits	1,824,834	1,919,989
Tenant leasehold and security deposits in trust	6,234,975	6,234,513
Total liabilities	8,059,810	8,154,502

The investment securities (equity interests in anonymous association) are not traded in markets, and it is difficult to estimate reasonable future cash flow. Also, the above carrying amounts of tenant lease hold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

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

(Thousands of yen)

As of June 30, 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	-	-	-	-	-

(Thousands of yen)

As of December 31, 2013	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,284,416	-	-	-	-	-
Cash and bank deposits in trust	2,369,289	-	-	-	-	-
Total	9,653,706	-	-	-	-	-

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

(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

(Thousands of yen)

As of December 31, 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	2,000,000	-	2,000,000	20,600,000	13,500,000	40,900,000
Total	2,000,000	-	7,000,000	20,600,000	13,500,000	45,900,000

Note7 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended June 30, 2013 and December 31, 2013.

		(Thousands of yen)	
		As of / For the six months ended	
		June 30, 2013	December 31, 2013
Net book value⁽ⁱ⁾			
Balance at the beginning of the period		147,464,375	164,053,231
Net increase (decrease) during the period ⁽ⁱⁱ⁾		16,588,856	(500,581)
Balance at the end of the period		<u>164,053,231</u>	<u>163,552,650</u>
Fair value⁽ⁱⁱⁱ⁾		175,289,000	177,119,000

Note:

(i) The net book value includes leasehold right.

(ii) 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	Increase (decrease) in net book value (Thousands of yen)
	IIF Kobe Logistics Center	1,882,149
	IIF Kawasaki Science Center(to be developed)	5,440,594
	IIF Osaka Toyonaka Data Center	540,593
	IIF Osaka Nanko IT Solution Center	5,704,190
	IIF Higashi-Osaka Logistics Center	1,328,034
		2,373,193

For the six months ended December 31, 2013:
Decrease in the net book value is mainly due to depreciation.

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

For rental revenues and expenses for the six months ended June 30, 2013 and December 31, 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 demolishes 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 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 ⁽ⁱ⁾	3,604,000	Long-term loans payable ⁽ⁱ⁾	11,523,000
				Drawing of long-term loans payable	2,500,000		
				Interest expenses ⁽ⁱ⁾	54,822	Accrued expenses	620
				Interest rate swap contracts ⁽ⁱⁱ⁾	—	Derivatives liabilities ⁽ⁱⁱ⁾	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.

For the six months ended December 31, 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	—	—	—	Long-term loans payable ⁽ⁱ⁾	11,523,000
				Interest expenses ⁽ⁱ⁾	52,946	Accrued expenses	421
				—	—	Derivatives liabilities ⁽ⁱⁱ⁾	119,275

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 June 30, 2013 and December 31, 2013 was ¥478,552 and ¥478,341, respectively. Net income per unit for the six months ended June 30, 2013 and December 31, 2013 was ¥15,951 and ¥16,042, respectively.

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

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

	(Thousands of yen)	
	For the six months ended	
	June 30, 2013	December 31, 2013
Net income	2,447,075	2,509,593
Effect of dilutive unit	-	-
Net income available to common unitholders	2,447,075	2,509,593
Weighted-average number of units outstanding for the period	153,403 units	156,432 units

Note 11 – Subsequent events

For the six months ended June 30, 2013:

None

For the six months ended December 31, 2013:

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on January 15, 2014 and January 27, 2014, 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:

8,884 investment units, out of which 4,334 new units to be offered through the Domestic Public Offering and 4,550 new units to be offered through the Overseas Offering consisting of 4,334 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 216 additional new units granted to the overseas underwriters.

(ii) Issue price (Offer price): ¥803,400 per unit

(iii) Total issue price (Total offer price): ¥7,137,405,600

(iv) Issue value (Amount to be paid in): ¥775,384 per unit

(v) Total issue value (Total amount to be paid in): ¥6,888,511,456

(vi) Payment date: February 3, 2014

(vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2014 and ending on June 30, 2014.

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

(i) Number of new investment units: 216 investment units

(ii) Issue value (Amount to be paid in): ¥775,384 per unit

(iii) Total issue value (Total amount to be paid in): ¥167,482,944

(iv) Payment date: Scheduled on March 4, 2014

(v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on January 1, 2014 and ending on June 30, 2014.

(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 ¥79,326,094,765 and number of investment units issued and outstanding increased to 165,316 units on February 3, 2014.

VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2013	December 31, 2013
Unappropriated retained earnings	2,447,131,283	2,509,659,009
Cash distribution declared	2,447,065,776	2,509,638,576
<i>(Cash distribution declared per unit)</i>	<i>(15,643)</i>	<i>(16,043)</i>
Retained earnings carried forward	65,507	20,433

Note:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended June 30, 2013 and December 31, 2013 were ¥2,447,065,776 and ¥2,509,638,576, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

Note

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 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	
	June 30, 2013	December 31, 2013
Net cash provided by (used in) operating activities:		
Income before income taxes.....	2,448,033	2,510,520
Depreciation and amortization.....	842,578	863,316
Amortization of investment corporation bonds issuance costs	4,855	4,855
Amortization of investment unit issuance costs	67,909	73,649
Interest income.....	(687)	(889)
Interest expenses	547,649	565,924
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable.....	(70,280)	22,770
Decrease (increase) in consumption taxes refundable.....	(242,209)	242,209
Decrease (increase) in prepaid expenses	(299,653)	294,864
Increase in long-term prepaid expenses.....	(201,108)	(168,273)
Increase (decrease) in operating accounts payable.....	75,445	(32,273)
Increase (decrease) in accounts payable – other.....	31,566	(5,812)
Increase (decrease) in accrued expenses	(43)	85
Increase (decrease) in accrued consumption taxes	(167,201)	216,238
Increase (decrease) in advances received	439,783	(336,691)
Decrease in other noncurrent liabilities	(8,074)	(8,150)
Other, net	43,826	(18,313)
Subtotal	3,512,389	4,224,031
Interest income received.....	687	889
Interest expenses paid.....	(549,532)	(567,854)
Income taxes paid	(988)	(998)
Net cash provided by operating activities.....	2,962,556	3,656,066
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(4,939,864)	(158,354)
Purchases of property, plant and equipment in trust	(12,572,962)	(177,428)
Purchases of intangible assets.....	(286)	(188)
Proceeds from tenant leasehold and security deposits.....	78,458	56,181
Payments of tenant leasehold and security deposits	—	(180)
Proceeds from tenant leasehold and security deposits in trust	340,914	—
Payments of tenant leasehold and security deposits in trust.....	(38,566)	(552)
Purchase of investment securities	—	(10,000)
Net cash used in investing activities.....	(17,132,306)	(290,523)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable.....	16,500,000	9,500,000
Repayments of long-term loans payable.....	(7,500,000)	(9,500,000)
Payments of investment corporation bonds issuance costs	(4,249)	—
Proceeds from issuance of investment units	10,556,138	—
Payments for investment unit issuance expenses	(206,552)	(54)
Dividends paid.....	(2,023,432)	(2,447,838)
Net cash provided by (used in) financing activities	17,321,903	(2,447,893)
Net change in cash and cash equivalents	3,152,153	917,650
Cash and cash equivalents at beginning of period.....	5,583,902	8,736,055
Cash and cash equivalents at end of period ⁽ⁱⁱ⁾	8,736,055	9,653,706

Note:

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

(Thousands of yen)

	As of	
	June 30, 2013	December 31, 2013
Cash and bank deposits	6,293,712	7,284,416
Cash and bank deposits in trust	2,442,343	2,369,289
Cash and cash equivalents	8,736,055	9,653,706

Other Information

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

IIF Website

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

Contact

Asset Manager

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

Transfer Agent

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

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

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