

**Industrial & Infrastructure Fund Investment Corporation**

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

**(Semi-Annual Report 14<sup>th</sup>)**

**January 1, 2014 – June 30, 2014**

 **Industrial & Infrastructure Fund Investment Corporation**

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

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

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

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

IIF 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 manages IIF's portfolio 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 your ongoing support.

This report provides an update on IIF's performance for the fiscal period ended June 30, 2014 (the 14<sup>th</sup> Period). First, with regard to external growth, IIF acquired eight new properties\* at a total acquisition price of 16.6 billion yen, which was financed through 7 billion yen raised in a public offering announced in January 2014, this was the fourth consecutive year for such an offering, and the remaining financing came from 7.4 billion yen in borrowings. Moreover, in May 2014, IIF additionally acquired the building portion of IIF Kawasaki Science Center upon the planned completion. As a result, the asset size as of June 30, 2014, the end of the 14<sup>th</sup> Period, stood at 182 billion yen based on acquisition price.

As for internal growth, in relation to the lease contract at IIF Kawaguchi Logistics Center that expired on June 30, 2014, IIF successfully concluded a lease contract with a new tenant without having any vacancy period as a result of well-planned leasing activities.

With respect to the finance strategy, capturing favorable market conditions, in June 2014, IIF issued public-offering investment corporation bonds with a term of 10 years and utilized the funding to make advance repayment of long-term borrowings that are maturing in less than 12 months, which contributed to the improvement in financial stability and reduction of borrowing costs.

As a result of the above measures, the distribution per unit improved by 3.6% to 16,617 yen from the previous period.

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.

\* Includes the acquisition of the building portion of a property.

Yasuyuki Kuratsu

Executive Director

Industrial & Infrastructure Fund Investment Corporation

## Topics of the 14<sup>th</sup> Period

- Eight additional properties in the amount of 16.6 billion yen were acquired through a public offering conducted for the fourth consecutive year; overall portfolio size grew to 182 billion yen, comprising 36 properties.
- An increase in unrealized gain was achieved through scheduled completion and acquisition of the building portion of IIF Kawasaki Science Center – a properly managed development-type project.
- Stable rental income was secured at IIF Kawaguchi Logistics Center by attracting a succeeding tenant without having any vacancy period, through well planned leasing activity that started from the time of acquisition.
- Improvement in the stability of the financial foundations and reduction of borrowing costs were achieved through issuance of investment corporation bonds taking account of the favorable market conditions.

### Highlight of the 14<sup>th</sup> Period

	The 11 <sup>th</sup> period	The 12 <sup>th</sup> period	The 13 <sup>th</sup> period	The 14 <sup>th</sup> period	The 15 <sup>th</sup> period (forecast)
Operating Revenue (million yen)	5,037	5,791	6,037	<b>6,576</b>	6,798
Net Income (million yen)	2,023	2,447	2,509	<b>2,750</b>	2,789
Total Asset (million yen)	154,502	175,196	175,150	<b>190,840</b>	—
Distribution per unit (yen)	14,387	15,643	16,043	<b>16,617</b>	16,850
Net Asset Value per unit (yen)	454,411	478,552	478,341	<b>495,397</b>	—

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

# IIF Focus

## Summary of the 14<sup>th</sup> Period (Fiscal period ended June 30, 2014)

In the period under review, IIF had a total of 36 properties under management (logistics facilities: 23; manufacturing and R&D facilities, etc.: 6; and infrastructure facilities: 7) after announcing a public offering for the fourth consecutive year in January 2014 and as a result of eight acquisitions\*. Mainly due to the increase in operating income that was contributed to by the eight properties acquired and having signed a leasing contract with a succeeding tenant without any vacancy period for the expiring lease, operating revenue increased by 538 million yen from the previous period to 6,576 million yen. Net income was 2,750 million yen, an increase of 241 million yen from the previous period. As a result, the distribution per unit was 16,617 yen, an increase of 574 yen (3.6%) from the previous period, making seven consecutive fiscal periods of an increase in distribution.

As of June 30, 2014, total acquisition price of the portfolio is 182,089 million yen, with a total leasable area of 763350.76 m<sup>2</sup> and an occupancy rate of 98.8%, which generates long-term, stable cash flows with an average remaining lease term of 10.2 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 while securing long-term stable lease terms by directly understanding the CRE needs of each company in one-on-one transactions and making a proposal that is tailored to their requests. We also believe that the credibility of Mitsubishi Corporation, IIF's sponsor, plays a significant role as a background factor.

During the period under review, IIF continued to carry out property sourcing activities by leveraging its strengths in CRE proposals, and as a result, opened up a new asset category in J-REIT – port infrastructure, through the acquisition of IIF Nagoya Port Tank Terminal, and acquired IIF Hiroshima Logistics Center as a hybrid PRE/CRE solution addressing the land divestment needs of Hiroshima Prefecture (PRE) and the tenant's need to develop a new distribution center.

In addition, during the 15<sup>th</sup> Period, on August 1, 2014, G.K. SBS Logi Fund 1, in which IIF makes a *tokumei kumiai* investment, acquired a 100% share of the trust beneficiary rights of Kyo-tanabe Logistics Center (an asset for which a preferential purchase right has been acquired). IIF will be able to acquire the property by executing the preferential purchase right.

\* Includes the acquisition of the building portion of a property.

### Characteristics and Strengths of IIF in Internal Growth: **Good Relations with Tenants and Realization of a Sustainable Society**

In addition to the established long-term, stable leasing contracts, IIF utilizes its own premier expertise in asset management, including its capabilities in leasing management and development risk management that are essential at the time of tenant change and in the case of acquiring land ahead of the completion of a building.

<Leasing Management>

At the time of acquisition of IIF Kawaguchi Logistics Center in December 2012, there was only a short remaining lease term of two years. As it was expected that the tenant will be vacating at the end of the lease term, leasing activities were conducted strategically. IIF has successfully attracted a creditable succeeding tenant without any vacancy period, which is strongly attributed to the property's strengths, including the location with strong demand as a logistics center; it being a versatile, high-specification facility that is capable of storage in a wide-range of temperature zones; and its capabilities in short-time delivery to the central Tokyo area and the southern part of Saitama Prefecture. Even in the case of a tenant vacating at the end of the lease term, IIF conducts leasing activities by themselves and realizes stable profit by resolving challenges.

#### <Development Risk Management>

The land portion of IIF Kawasaki Science Center was acquired in February 2013, and while receiving rent for the land, the development of the building took place. The building was acquired upon completion in May 2014 for 1,641 million yen. By taking part in the project from its development phase, IIF carried out a strategy of securing development profit as unrealized gain.

#### <Asset Management with a Focus on Profitability>

Along with leasing and development risk management, IIF is working to increase profitability by implementing environmental measures. For example, by installing solar power generating equipment on the rooftops of the properties, and closing leasing contracts with solar power companies, IIF is receiving rental income while contributing to the reduction of environmental load. Also, through renewal of air conditioning systems and installation of LED lighting, IIF is taking proactive measures on cost reduction while providing benefits to the tenants.

### 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."

In the recent public offering, IIF carried out ALM (Asset Liability Management)\* 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 1.3% 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.

In June 2014, IIF issued its third investment corporation bonds in the total amount of 2 billion yen, and made an advance repayment on long-term borrowings of 2 billion yen. As a result, the long-term debt ratio and the fixed debt ratio as of the end of June 2014 were kept at 100%, the same level as the end of the previous period, and IIF no longer has any debts maturing within the next 24 months. IIF's financial condition is extremely stable. IIF has structured its financial foundations with a focus on long-term stability, hedging against the risk of a rise in the interest rate, with the average interest rate of 1.36%, average remaining debt term of 6.1 years and LTV of 50.5%, as of June 30, 2014.

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

## Investment Unit Split

In the light of the launch of Nippon Individual Savings Account (“NISA”) on January 1, 2014, IIF will implement a two-for-one split of its investment units as of the record date of December 31, 2014\* to create an environment in which investors can more easily invest. NISA is a system offering tax exemptions on capital gains and dividend income from investments in stocks and investment trusts for a maximum investment amount of 1 million yen per year. We are looking forward to our investor base being broadened with this system.

\* As the record date of December 31, 2014 is a unitholder registry administrator’s holiday, the date will be December 30, 2014 in practice. The final trading day with rights at the Tokyo Stock Exchange is Thursday, December 25, 2014. From Friday, December 26, 2015, transactions are expected to be made at the investment unit price after the implementation of the investment unit split.

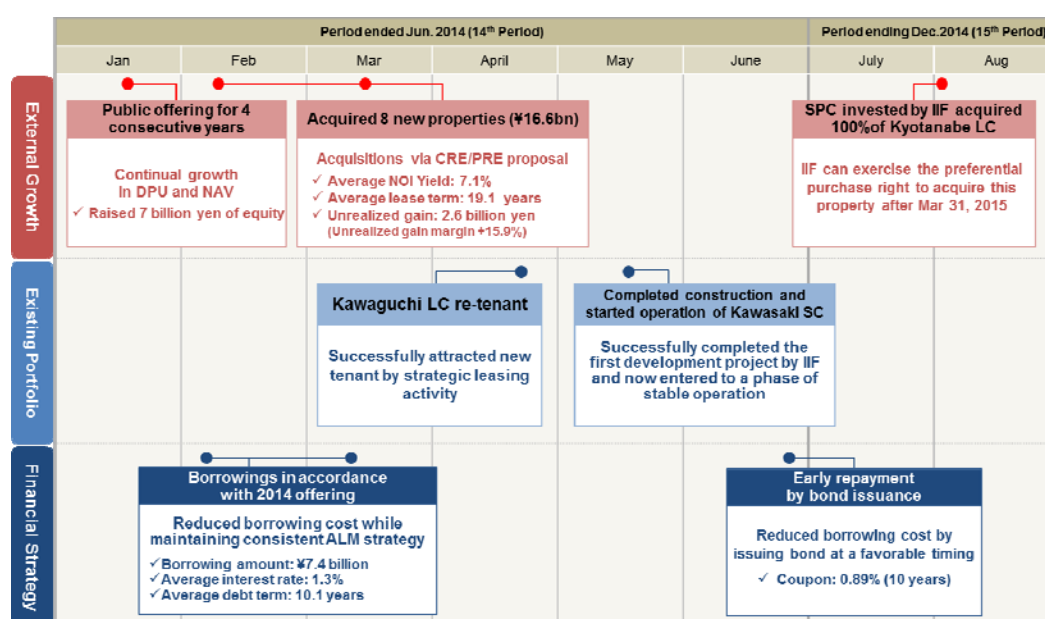
## Prospect for the 15<sup>th</sup> Period (Fiscal Period Ending December 31, 2014): Future Management Policies

In the fiscal period ending December 31, 2014, contributed by the eight newly acquired properties, it is expected that IIF will record operating revenue of 6,798 million yen and net income of 2,789 million yen. As a result of a set of measures taken to stably improve distributions over the long term for both external and internal growth, the distribution per unit is expected to increase for the eighth consecutive year to 16,850 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, avoiding overheated competition, and pursue stable property acquisition opportunities that contribute to an increase in unitholder value. In doing so, IIF will aim to further increase the quality and the size of its portfolio.

We are grateful to receive unitholders’ continuing understandings and ongoing supports for IIF’s activities.

## Major Activities during the 14<sup>th</sup> and 15<sup>th</sup> Fiscal Periods



# IIF's Sustainability Management

## IIF's Policy on Sustainability

The Asset Manager of IIF, Mitsubishi Corp.-UBS Realty Inc. has established “Responsible Property Investment Policy,” integrating ESG\* factors into asset management process. IIF, together with the Asset Manager, share and promote the policy on sustainability.

\* ESG stands for Environmental, Social and Governance. It is considered that if companies make consideration and put efforts on ESG issues in an appropriate manner, it will lead to resolve or improve global environment issues and moreover, promote sound development of capital markets.

## IIF's Activities on Sustainability

IIF takes following eight approaches to sustainability.

- Communications with stakeholders
  - Communication
- Measures against disaster and activities related to local communities
  - Social Contribution
- Environmental activities for reduction of environmental loads
  - Climate change
  - Environmental performance
  - Cyclical use of resource
  - Biodiversity
  - Prevention of contamination
  - Environmental certification

## External Evaluation and Certification

### ■ Certification from GRESB

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.



### ■ Certification from CASBEE

CASBEE (Comprehensive Assessment System for Building Environmental Efficiency) is an evaluation system that rates buildings and structures in terms of their environmental performance. Following two properties held by IIF have received



certification from CASBEE.

- IIF Kawasaki Science Center
- IIF Hiroshima Logistics Center



#### ■ DBJ Green Building Certification

DBJ Green Building Certification is certification program by Development Bank of Japan, which certifies real estate properties with high environmental and social awareness on a scale of one-to-five. Following two properties held by IIF have received “Gold 2012” certification.

- IIF Koshigaya Logistics Center
- IIF Noda Logistics Center



For further detail please refer to our webpage “IIF’s Sustainability”

<http://www.iif-reit.com/english/structure/csr.html>

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>
As of /for the six months ended			June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014
Operating revenues	Note 1	(Millions of yen)	4,458	5,037	5,791	6,037	6,576
(Rental revenues)	Note 1	(Millions of yen)	(4,458)	(5,037)	(5,791)	(6,037)	(6,575)
Operating expenses	Note 1	(Millions of yen)	1,985	2,202	2,556	2,728	2,936
(Rental expenses)	Note 1	(Millions of yen)	(1,455)	(1,626)	(1,934)	(2,100)	(2,259)
Operating income		(Millions of yen)	2,473	2,834	3,235	3,308	3,640
Ordinary income		(Millions of yen)	1,767	2,022	2,448	2,510	2,733
Net income	(a)	(Millions of yen)	1,852	2,023	2,447	2,509	2,750
Net assets	(b)	(Millions of yen)	63,734	63,904	74,860	74,827	82,004
(Period-on-period change)		(%)	(+46.9)	(+0.3)	(+17.1)	(-0.0)	(+9.6)
Total assets	(c)	(Millions of yen)	154,937	154,502	175,196	175,150	190,840
(Period-on-period change)		(%)	(+37.2)	(-0.3)	(13.4)	(-0.0)	(+9.0)
Unitholders' capital		(Millions of yen)	61,881	61,881	72,437	72,437	79,493
(Period-on-period change)		(%)	(+46.5)	(0.0)	(+17.1)	(0.0)	(+9.7)
Number of units issued and outstanding	(d)	(Units)	140,632	140,632	156,432	156,432	165,532
Net asset value per unit	(b)/(d)	(Yen)	453,200	454,411	478,552	478,341	495,397
Total distributions	(e)	(Millions of yen)	1,852	2,023	2,447	2,509	2,750
Distribution per unit	(e)/(d)	(Yen)	13,176	14,387	15,643	16,043	16,617
(Profit distribution per unit)		(Yen)	(13,176)	(14,387)	(15,643)	(16,043)	(16,617)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	1.3 (2.6)	1.3 (2.6)	1.5 (3.0)	1.4 (2.8)	1.5 (3.0)
Return on unitholders' equity	Note 3	(%)	3.5 (6.9)	3.2 (6.3)	3.5 (7.1)	3.4 (6.7)	3.5 (7.1)
Ratio of net assets to total assets	(b)/(c)	(%)	41.1	41.4	42.7	42.7	43.0
(Period-on-period change)			(+2.7)	(+0.3)	(+1.3)	(0.0)	(0.3)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 3	(Millions of yen)	3,697	4,175	4,699	4,800	5,272
Net profit margin	Note 3	(%)	41.6	40.2	42.3	41.6	41.8
Debt service coverage ratio	Note 3	(Multiple)	6.5	6.4	7.1	7.1	6.9
Funds from operation (FFO) per unit	Note 3	(Yen)	18,113	19,822	21,029	21,561	22,389
FFO multiples	Note 3	(Multiple)	14.2	16.4	22.8	20.5	20.1
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	12,387	13,019	15,031	15,229	16,387
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	17,325	18,454	20,417	20,747	22,159

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 182, 184, 181, 184 and 181 days for 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income / Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income / Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income / Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of investment corporation bonds issuance costs, amortization of investment unit insurance 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 36 properties whose total acquisition price amounted to 182,089 million yen as of June 30, 2014..

#### 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. Although the increase of the consumption tax rate in April 2014 has affected the economic situation in the short term, Japan’s economy is expected to recover steadily in the long run.

The J-REIT market is growing steadily with strong demand mainly from mutual funds, and the TSE REIT Index exceeded 1,600 points. Equity financing by J-REIT remained at a high level, although it is slower compared to 2013 which raised a total equity of over 1 trillion yen.

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. IIF acquired following eight properties (16,604 million yen in total acquisition price): IIF Narashino Logistics Center II (land with leasehold interest) for an acquisition price of 1,200 million yen, IIF Misato Logistics Center for an acquisition price of 3,550 million yen, IIF Iruma Logistics Center for an acquisition price of 3,184 million yen, IIF Tosu Logistics Center for an acquisition price of 1,570 million yen, IIF Inzai Logistics Center for an acquisition price of 1,060 million yen, IIF Morikoka Logistics Center for an acquisition price of 600 million yen, and IIF Nagoya Port Tank Terminal (land with leasehold interest) for an acquisition price of 1,900 million yen in February 2014; and IIF Hiroshima Logistics Center for an acquisition price of 3,540 million yen in March 2014.

In addition, after acquiring IIF Kawasaki Science Center (land) on February 7, 2013, IIF has been constructing the building in cooperation with Johnson & Johnson K.K. Medical Company, and acquired IIF Kawasaki Science Center (building) for an acquisition price of 1,641 million yen upon completion.

As a result, the properties IIF owned as of June 30, 2014 consisted of 23 logistics facilities, seven infrastructure facilities and six manufacturing, R&D and other facilities whose total acquisition price amounted to 182,089 million yen. The total leasable area as of June 30, 2014 was 763,350.76 m<sup>2</sup>, and the average occupancy rate was 98.8%.

### (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.

As with the previous year, in February and March 2014, IIF raised 7,000 million yen by issuing new investment units for funding for acquisition of new properties, aiming to continue external growth that realizes “increased distributions” and “growth in NAV” by property acquisition activities based on the CRE proposal. As a result, as of

the end of the current period, the total number of outstanding investment units increased by 9,100 to 165,532.

As for funding for interest-bearing debt for the current period, IIF raised 7,400 million yen in total; 3,800 million yen and 3,600 million yen on February 6, 2014 and March 13, 2014, respectively, for property acquisition in line with the issuance of new investment units as mentioned above. While lengthening borrowing periods by taking out long-term borrowings with an average borrowing period of 10.1 years, IIF improved its financial stability by concluding an interest rate swap agreement to fix the interest rate. In addition, IIF invited Nishi-Nippon City Bank, Ltd. as a new lender to further diversify lenders.

Also, IIF concluded a commitment-type term loan agreement (maximum borrowing limit: 10,000 million yen) with the Development Bank of Japan as of January 15, 2014. Except for the point that the term of agreement is extended from three years to four years, this agreement is the same as the one concluded as of February 21, 2011. This agreement allows IIF to continue flexibly taking out fixed-rate borrowings for seven years. IIF aims to further increase the level of distributions by utilizing this framework and making sure to seize attractive investment opportunities.

Furthermore, IIF succeeded in issuing public offering investment corporation bonds (10-year, 2,000 million yen) in June 2014, the third time for IIF, which turned out to be the funding with the most favorable conditions in the history of J-REIT (10-year bonds) at the time of issuance. With the funds raised as a resource, on June 30, 2014, IIF repaid the debt of 2,000 million yen with the remaining term of 0.5 years in advance of maturity. This refinancing leads to reduction in debt cost and contributes to further improve the level of distributions.

As a result of the above, the balance of interest bearing debt as of June 30, 2014 amounted to 96,400 million yen, including long-term borrowings of 84,400 million yen and investment corporation bonds of 12,000 million yen.

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

As a result of the abovementioned management activities, IIF recorded operating revenue of 6,756 million yen, operating income of 3,640 million yen, ordinary income of 2,733 million yen and net income of 2,750 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 16,617 yen.

### 3. Changes in unitholders' capital

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

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3
March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5
March 5, 2012	Public offering	44,762	138,394	18,705	60,946	Note 6
March 26, 2012	Allocation of investment units to a third party	2,238	140,632	935	61,881	Note 7
February 4, 2013	Public offering	15,424	156,056	10,304	72,186	Note 8
March 5, 2013	Allocation of investment units to a third party	376	156,432	251	72,437	Note 9
February 3, 2014	Public offering	8,884	165,316	6,888	79,326	Note 10
March 4, 2014	Allocation of investment units to a third party	216	165,532	167	79,493	Note 11

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 New investment units were issued at a price of ¥803,400 per unit (subscription price of ¥775,384 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 11 New investment units were issued at a price of ¥775,384 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 12 All investment units are common investment units.

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

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

(Yen)					
Fiscal period	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>
As of /for the six months ended	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014
Highest price	520,000	677,000	1,080,000	995,000	949,000
Lowest price	370,000	500,000	650,000	834,000	805,000
Closing price at end of period	515,000	646,000	965,000	877,000	907,000

## 4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended June 30, 2014 amounted to 16,617 yen.

Fiscal period	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>
As of /for the six months ended	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014
Net income (Thousands of yen)	1,852,958	2,023,301	2,447,075	2,509,593	2,750,710
Retained earnings carried forward (Thousands of yen)	27	56	65	20	85
Total cash distributions (Thousands of yen)	1,852,967	2,023,272	2,447,065	2,509,638	2,750,645
(Cash distribution per unit) (Yen)	(13,176)	(14,387)	(15,643)	(16,043)	(16,617)
Profit distributions (Thousands of yen)	1,852,967	2,023,272	2,447,065	2,509,638	2,750,645
(Profit distribution per unit) (Yen)	(13,176)	(14,387)	(15,643)	(16,043)	(16,617)
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, and Japan's economy is expected 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 June 30, 2014, the portfolio owned by IIF consisted of 36 properties for a total acquisition price of 182,089 million yen.

The average occupancy rate currently stands at 98.8%. The properties are managed under long-term lease contracts with an average remaining lease period of 10.2 years, generating 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

### *Unit split*

The Board of Directors of the Investment Corporation, at its meeting held on August 18, 2014, resolved to implement a unit split (the “Unit Split”) as follows:

#### *(1) Purpose of the Unit Split*

The Investment Corporation hopes to expand investors through improvement of an investment environment by reducing the market price per investment with the Unit Split.

#### *(2) Split method*

Each unit owned by unitholders listed in the final unitholders register on December 31, 2014, the day immediately prior to the effective date of the Unit Split, was split into two units.

#### *(3) Number of units increased by the Unit Split*

- 1) Number of outstanding units of the Investment Corporation before the Unit Split: 165,532 units
- 2) Number of units increased by the Units Split: 165,532 units
- 3) Number of outstanding units of the Investment Corporation after the Unit Split: 331,064 units
- 4) Number of authorized units of the Investment Corporation after the Unit Split: 8,000,000 units

#### *(4) Schedule of the Units Split*

- 1) Record date: December 31, 2014
- 2) Effective date: January 1, 2015

#### *(5) Pro forma information*

Pro forma per unit information for the six months ended June 30, 2014 which has been adjusted to reflect the Unit Split as if it had been effective on the beginning of the period is as follows:

*(Yen)*

- 1) Net asset value per unit as of June 30, 2014: ¥247,698
- 2) Net income per unit for the six months ended June 30, 2014: ¥8,394



# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>
As of	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014
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)	140,632	140,632	156,432	156,432	165,532
Number of unitholders (People)	5,333	4,317	4,165	4,100	4,503

## 2. Unitholders

Major unitholders as of June 30, 2014 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	24,889	15.03
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	12,620	7.62
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Triton Square Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	12,323	7.44
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	8,378	5.06
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	6,317	3.81
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	3,836	2.31
JPMorgan Chase Bank 385174	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	3,247	1.96
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	3,200	1.93
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	3,200	1.93
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	2,580	1.55
Total		80,590	48.68

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 June 30, 2014 (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) 34,300

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

Note 2 The compensation for Independent auditor includes the audit fees for the financial statements prepared in English and the preparation fees of comfort letters with respect to the issuance of new investment units in February 2014 and investment corporation bonds in June 2014.

#### (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 December 31, 2013		As of June 30, 2014	
				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	10,061	5.8	11,760	6.2
			Osaka and Nagoya metropolitan areas	3,554	2.0	3,543	1.9
			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	45,451	25.9	45,200	23.7
			Osaka and Nagoya metropolitan areas	—	—	1,990	1.0
			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	68,173	38.9	77,252	40.5
			Osaka and Nagoya metropolitan areas	6,635	3.8	6,590	3.4
			Other area	—	—	3,596	1.9
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	2,205	1.2
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	5,436	3.1	5,400	2.8
			Osaka and Nagoya metropolitan areas	24,240	13.9	24,085	12.6
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				163,552	93.4	181,626	95.2
Investments in Tokumei Kumiai agreement (Note 3)				12	0.0	11	0.0
Bank deposits and other assets				11,585	6.6	9,201	4.8
Total assets				175,150	100.0	190,840	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 <sup>(i)</sup> , cities designated by government ordinance, or similar areas
Industrial-area properties	Generally, properties located in industrial zones <sup>(ii)</sup> that generate more than ¥1 trillion in manufactured product shipments
Other properties	Properties that do not fall within either of the above categories but have an expected risk/return profile suitable for investment

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

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

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

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 June 30, 2014 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	40,024	81,995.81	81,995.81	100.0	20.4	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,134	11,275.39	11,275.39	100.0	5.0	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,256	27,493.29	27,493.29	100.0	6.1	Logistics facility
IIF Mitaka Card Center	9,255	21,615.01	21,615.01	100.0	5.6	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	9,145	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 5)	7,490	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center	5,778	38,828.10	38,828.10	100.0	3.7	Logistics facility
IIF Osaka Toyonaka Data Center (Note 5)	5,651	20,027.14	20,027.14	100.0	—	Infrastructure facility
IIF Zama IT Solution Center (Note 5)	5,400	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Kobe Logistics Center (Note 5)	5,372	39,567.74	39,567.74	100.0	—	Logistics facility
Total	118,510	290,676.23	290,676.23	100.0	65.0	

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 June 30, 2014 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	15,476	13,256
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	7,560	5,778
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,530	5,256
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,030	1,770
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,460	1,884
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,630	1,218
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,340	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	5,830	4,660
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,550	3,328
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,910	2,371
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,880	1,529
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,180	1,145
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,740	2,353
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	3,500	1,919
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,200	5,372
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	2,730	2,397
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,450	1,880
IIF Misato Logistics Center	Misato Interchange A District, Land Readjustment Business Area 96, Reservation 33	Trust beneficial interest	19,019.71	4,320	3,589
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	3,710	3,281
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,790	1,592

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,160	1,075
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,100	612
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,030	3,596
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	4,960	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,290	1,172
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,480	9,255
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	11,400	9,145
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	7,890	7,490
IIF Kawasaki Science Center (Note 6)	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,730	2,234
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	17,134
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	39,600	40,024
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,400
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,760	5,175
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,050	5,651
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,270	1,299
IIF Nagoya Port Tank Terminal (land with leasehold interest)	37-31, Shiomi-cho, Minato-ku, Nagoya-shi, Aichi	Real property	51,583.70	2,180	1,990
Total (Note 7)			763,350.76	201,956	181,626

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. Furthermore, "Leasable area" of IIF Narashino Logistics Center II is total of the leasable area of the leased land and that of the building on the leased land.

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

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

Note 5 The name of property was changed from IIF Narashino Logistics Center II (land with leasehold interest) because the Investment Corporation acquired trust beneficial interest in IIF Narashino Logistics Center II (building with leasehold interest) on February 7, 2014. As a result of the acquisition, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, "Leasable area" of the property shows total of the leasable area of the leased land (58,070.00 m<sup>2</sup>) and that of the building on the leased land (25,835.16 m<sup>2</sup>).

Note 6 The name of property was changed from IIF Kawasaki Science Center (to be developed) because the building of the property was completed on May 16, 2014.

Note 7 "Leasable area" of IIF Narashino Logistics Center II is total of the leasable area of the leased land and that of the building on the leased land.

Operating results of each property for the six months ended December 31, 2013 and June 30, 2014 were as follows:

Name of property	For the six months ended							
	December 31, 2013				June 30, 2014			
	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	6.6	1	100.0	397	6.1
IIF Noda Logistics Center	2	100.0	244	4.0	2	100.0	243	3.7
IIF Shinsuna Logistics Center	1	100.0	173	2.9	1	100.0	173	2.6
IIF Atsugi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	1.2	1	100.0	75	1.1
IIF Nishinomiya Logistics Center	1	100.0	60	1.0	1	100.0	60	0.9
IIF Narashino Logistics Center (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Narashino Logistics Center II (Notes 3 and 5)	1	100.0	115	1.9	2	100.0	—	—
IIF Atsugi Logistics Center II (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Yokohama Tsuzuki Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Saitama Logistics Center	1	100.0	67	1.1	1	100.0	66	1.0
IIF Nagoya Logistics Center	1	100.0	48	0.8	0	0.0	68	1.0
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)	3	97.1	—	—	3	97.1	—	—
IIF Kashiwa Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Misato Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Iruma Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Tosu Logistics Center (Note 3)	—	—	—	—	2	100.0	—	—
IIF Inzai Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—

Name of property	For the six months ended							
	December 31, 2013				June 30, 2014			
	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 Morioka Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Hiroshima Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	2.6	1	100.0	154	2.4
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	1.0	1	100.0	57	0.9
IIF Mitaka Card Center	1	100.0	364	6.0	1	100.0	364	5.6
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 (Notes 3 and 6)	1	100.0	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center	2	100.0	330	5.5	2	100.0	330	5.0
IIF Haneda Airport Maintenance Center	1	100.0	1,337	22.2	1	100.0	1,341	20.4
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	—	—
IIF Nagoya Port Tank Terminal (land with leasehold interest) (Note 3)	—	—	—	—	1	100.0	—	—
Total (Notes 4 and 7)	33	99.9	6,037	100.0	41	98.8	6,575	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.

Note 5 The name of property was changed from IIF Narashino Logistics Center II (land with leasehold interest) because the Investment Corporation acquired trust beneficial interest in IIF Narashino Logistics Center II (building with leasehold interest) on February 7, 2014. As a result of the acquisition, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Number of tenants” as of June 30, 2014 shows total of the number of tenant of leased land and that of the building.

Note 6 The name of property was changed from IIF Kawasaki Science Center (to be developed) because the building of the property was completed on May 16, 2014.

Note 7 “Number of tenants” of IIF Narashino Logistics Center II as of June 30, 2014 is total of the number of tenant of leased land and that of the building.



## 4. Details of investment securities

The investment securities as of June 30, 2014 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	—	—	11	—	12	0	—
Total		—	—	11	—	12	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 June 30, 2014 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)	68,700	68,700	(1,665)
Total		68,700	68,700	(1,665)

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 Standards 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 June 30, 2014.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2014 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2014	Total of advanced payment
IIF Kawaguchi Logistics Center	Kawaguchi-shi, Saitama	Floor construction for installment of moving rack	July 2014	96	—	—
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of protective relay equipment	December 2014	28	—	—
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Repair of rest room	September 2014	27	—	—
IIF Yokohama Tsuzuki Logistics Center	Yokohama-shi, Kanagawa	Installment of LED lighting equipment	July 2014	13	—	—

### 2. Capital expenditures for the six months ended June 30, 2014

Maintenance expenditures on property for the six months ended June 30, 2014 were totaling to ¥343 million consisting of ¥287 million of capital expenditures stated as below and ¥55 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	January 2014 to March 2014	178
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of air conditioning system	June 2014	15
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of disaster prevention equipment	May 2014 to June 2014	9
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
Other	—	—	—	65
Total				287

### 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.

Fiscal period	(Millions of yen)				
	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>
As of /for the six months ended	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014
Reserved funds at beginning of period	629	826	815	1,000	1,141
Increase	331	383	424	435	458
Decrease	134	395	239	294	394
Reserved funds at end of period	826	815	1,000	1,141	1,205

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	13 <sup>th</sup>	14 <sup>th</sup>
Item	For the six months ended December 31, 2013	For the six months ended June 30, 2014
(a) Asset management fees	529,839	569,167
(b) Asset custody fees	5,996	6,240
(c) Administrative service fees	28,112	29,313
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	58,718	66,506
Total	628,487	677,046

### 2. Loans payable

Loans payable as of June 30, 2014 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2013 (Millions of yen)	June 30, 2014 (Millions of yen)					
Long-term loans payable	MetLife Alico	December 25, 2009	2,000	—	1.7	December 25, 2014 (Note 4)	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 2)	March 9, 2018	Lump sum (Note 3)	Notes 5 and 6	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 2)	August 31, 2016	Lump sum (Note 3)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 2)	September 29, 2017	Lump sum (Note 3)	Note 5	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 2)	March 6, 2017	Lump sum (Note 3)	Note 6	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 2)	March 6, 2017	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 2)	March 29, 2019	Lump sum (Note 3)	Note 6	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 2)	March 30, 2022	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 2)	March 31, 2020	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 2)	March 31, 2022	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 2)	March 29, 2019	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 2)	June 28, 2019	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 2)	June 28, 2019	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 2)	September 30, 2019	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 2)	September 30, 2019	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 2)	February 6, 2023	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2013 (Millions of yen)	June 30, 2014 (Millions of yen)					
	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 3)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 2)	February 6, 2023	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 2)	February 6, 2023	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 2)	February 6, 2023	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 2)	February 4, 2022	Lump sum (Note 3)	Note 6	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 2)	February 4, 2022	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 2)	June 30, 2023	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 2)	June 30, 2022	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 2)	June 30, 2020	Lump sum (Note 3)	Note 5	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	3,900	1.4 (Note 2)	October 18, 2023	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 2)	December 29, 2023	Lump sum (Note 3)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	—	700	1.3	August 6, 2024	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	—	900	1.2 (Note 2)	February 6, 2024	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	—	500	1.1	August 4, 2023	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	—	500	1.0 (Note 2)	August 5, 2022	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	—	451	0.9 (Note 2)	February 4, 2022	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	417					
	Sumitomo Mitsui Trust Bank, Limited		—	331					
	Development Bank of Japan Inc.	March 13, 2014	—	1,000	1.7	March 13, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	—	376	1.7 (Note 2)	March 13, 2026	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	348					
	Sumitomo Mitsui Trust Bank, Limited		—	276					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	—	601	1.3 (Note 2)	March 13, 2024	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	556					
	Sumitomo Mitsui Trust Bank, Limited		—	441					
	Total		79,000	84,400					

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

Note 2 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 3 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 4 The principal was repaid in full on June 30, 2014 in advance of the maturity date.

Note 5 The funds were appropriated to repayment of outstanding loans payable.

Note 6 The funds were mainly appropriated to acquisition of real estate property, etc.

Note 7 The funds were appropriated to redemption of outstanding investment corporation bonds.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		December 31, 2013 (Millions of yen)	June 30, 2014 (Millions of yen)					
The 1 <sup>st</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	0.56	December 27, 2016	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2 <sup>nd</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	1.40	December 27, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3 <sup>rd</sup> Unsecured Investment Corporation Bond	June 26, 2014	—	2,000	0.89	June 26, 2024	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		10,000	12,000					

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

### 4. Short-term investment corporation bonds

None

## Condition of investment transactions

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

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Narashino Logistics Center II (building with leasehold interest)	February 7, 2014	1,200	—	—	—	—
IIF Misato Logistics Center	February 7, 2014	3,550	—	—	—	—
IIF Iruma Logistics Center	February 7, 2014	3,184	—	—	—	—
IIF Tosu Logistics Center	February 7, 2014	1,570	—	—	—	—
IIF Inzai Logistics Center	February 7, 2014	1,060	—	—	—	—
IIF Morioka Logistics Center	February 7, 2014	600	—	—	—	—
IIF Nagoya Port Tank Terminal (land with leasehold interest)	February 7, 2014	1,900	—	—	—	—
IIF Hiroshima Logistics Center	March 14, 2014	3,540	—	—	—	—
IIF Kawasaki Science Center (building)	May 16, 2014	1,641	—	—	—	—
Total	—	18,245	—	—	—	—

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

### 2. Transactions of other assets

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

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

#### (1) Property

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	IIF Narashino Logistics Center II (building with leasehold interest)	February 7, 2014	1,200	1,410	Japan Real Estate Institute	December 1, 2013
Acquisition	IIF Misato Logistics Center	February 7, 2014	3,550	4,220	CBRE K.K.	November 30, 2013
Acquisition	IIF Iruma Logistics Center	February 7, 2014	3,184	3,590	Japan Real Estate Institute	December 1, 2013
Acquisition	IIF Tosu Logistics Center	February 7, 2014	1,570	1,740	CBRE K.K.	November 30, 2013
Acquisition	IIF Inzai Logistics Center	February 7, 2014	1,060	1,140	CBRE K.K.	November 30, 2013
Acquisition	IIF Morioka Logistics Center	February 7, 2014	600	1,080	CBRE K.K.	November 30, 2013
Acquisition	IIF Nagoya Port Tank Terminal (land with leasehold interest)	February 7, 2014	1,900	2,180	Japan Real Estate Institute	December 1, 2013
Acquisition	IIF Hiroshima Logistics Center	March 14, 2014	3,540	3,890	CBRE K.K.	December 17, 2013
Acquisition	IIF Kawasaki Science Center (building)	May 16, 2014	1,641	1,780	Japan Real Estate Institute	May 16, 2014

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

(2) Other transaction

For the six months ended June 30, 2014, the Investment Corporation entered into 5 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

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(Thousands of yen)
		Name of counter party	Amount of payment (B)	(B) / (A) (%)
Facility management fees	83,248	NIKKEN CORPORATION	3,109	3.7
		Japan Facility Solutions, Inc.	2,655	3.2

Note1 "Interested parties or major shareholders" means the interested parties or major shareholders related with the asset management company of the Investment Corporation as prescribed under Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

Note2 In addition to above transaction, the Investment Corporation paid Japan Facility Solutions, Inc. ¥7,000 thousand for repairs and ¥176,327 thousand 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 5 <sup>th</sup> fiscal period (July 1, 2009 to December 31, 2009)	600	147,240	0.8%
The 6 <sup>th</sup> fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 <sup>th</sup> fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%
The 8 <sup>th</sup> fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%
The 9 <sup>th</sup> fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 <sup>th</sup> fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 <sup>th</sup> fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 <sup>th</sup> fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 <sup>th</sup> fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 <sup>th</sup> fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	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

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended June 30, 2014 was as follows:

Approval day	Item	Summary
January 15, 2014	Underwriting agreements of new investment units in connection with public offering	In connection with the public offering of new investment units, the Board of Directors of the Investment Corporation approved entering into the underwriting agreements with Nomura Securities Co., Ltd., SMBC Nikko Securities Inc., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and Nomura International plc, Morgan Stanley & Co. International plc and SMBC Nikko Capital Markets Limited as international joint lead managers.
May 28, 2014	Comprehensive approval of issuance of investment corporation bonds and appointment of administrators	The Board of Directors of the Investment Corporation approved issuance of investment corporation bonds within ¥2 billion in total from May 28, 2014 to June 30, 2014, and appointment of underwriters, financial agency and other general administrator regarding investment corporation bonds. Other relating matters were entrusted to Executive Director.

Note With above comprehensive approval on May 28, 2014, the Investment Corporation issued the 3<sup>rd</sup> Unsecured Investment Corporation Bond (¥2 billion of 10-year) on June 26, 2014. Administrators relating to the investment corporation bonds were appointed as follows.

(i) Underwriter	Mizuho Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. SMBC Nikko Securities Inc.
(ii) Financial agency and other general administrator	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

### **3. Other**

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

## II. Balance sheets

(Thousands of yen)

	As of	
	December 31, 2013	June 30, 2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits.....	7,284,416	3,431,240
Cash and bank deposits in trust .....	2,369,289	3,052,874
Rental receivables.....	95,249	122,531
Prepaid expenses .....	435,023	764,937
Deferred tax assets.....	15	17
Consumption taxes refundable .....	—	296,886
Other.....	117	44
<b>Total current assets.....</b>	<b>10,184,112</b>	<b>7,668,532</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost.....	29,467,309	31,150,820
Less: Accumulated depreciation .....	(3,180,830)	(3,491,529)
Buildings, net.....	26,286,478	27,659,291
Structures, at cost.....	26,882	76,235
Less: Accumulated depreciation .....	(1,872)	(2,897)
Structures, net .....	25,010	73,337
Machinery and equipment, at cost .....	11,892	11,892
Less: Accumulated depreciation .....	(4,106)	(6,092)
Machinery and equipment, net.....	7,786	5,800
Tools, furniture and fixtures, at cost.....	1,919	7,469
Less: Accumulated depreciation .....	(149)	(359)
Tools, furniture and fixtures, net.....	1,769	7,110
Land.....	12,911,098	14,901,983
Construction in progress .....	539	12,766
Buildings in trust, at cost .....	41,927,857	49,159,196
Less: Accumulated depreciation .....	(4,380,585)	(4,996,288)
Buildings in trust, net.....	37,547,272	44,162,908
Structures in trust, at cost.....	378,387	455,753
Less: Accumulated depreciation .....	(255,054)	(280,016)
Structures in trust, net.....	123,333	175,737
Machinery and equipment in trust, at cost .....	1,229	11,006
Less: Accumulated depreciation .....	(20)	(538)
Machinery and equipment in trust, net .....	1,209	10,468
Tools, furniture and fixtures in trust, at cost.....	6,515	6,515
Less: Accumulated depreciation .....	(2,481)	(2,886)
Tools, furniture and fixtures in trust, net.....	4,033	3,628
Land in trust.....	66,736,180	74,778,890
Construction in progress in trust .....	73,973	-
<b>Total net property, plant and equipment.....</b>	<b>143,718,684</b>	<b>161,791,922</b>
<b>Intangible assets:</b>		
Leasehold right (Note 2) .....	19,833,966	19,833,966
Other .....	390	1,547
<b>Total intangible assets.....</b>	<b>19,834,356</b>	<b>19,835,514</b>
<b>Investments and other assets:</b>		
Investment securities.....	12,702	11,787
Lease and guarantee deposits .....	10,000	11,333
Long-term prepaid expenses .....	1,125,263	1,173,080
<b>Total investments and other assets.....</b>	<b>1,147,966</b>	<b>1,196,200</b>
<b>Total noncurrent assets .....</b>	<b>164,701,007</b>	<b>182,823,637</b>
<b>Deferred assets:</b>		
Investment unit issuance costs.....	217,229	285,074
Investment corporation bonds issuance costs .....	48,047	62,762
<b>Total deferred assets.....</b>	<b>265,276</b>	<b>347,837</b>
<b>TOTAL ASSETS.....</b>	<b>175,150,396</b>	<b>190,840,007</b>

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

(Thousands of yen)

	As of	
	December 31, 2013	June 30, 2014
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable .....	369,347	244,156
Current portion of long-term loans payable .....	2,000,000	-
Accounts payable – other .....	317,642	399,762
Accrued expenses .....	13,907	6,328
Income taxes payable .....	745	737
Accrued consumption taxes .....	205,844	-
Advances received .....	1,036,721	1,557,505
Other .....	10,977	114,508
<b>Total current liabilities .....</b>	<b>3,955,186</b>	<b>2,322,998</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bonds – unsecured .....	10,000,000	12,000,000
Long-term loans payable .....	77,000,000	84,400,000
Tenant leasehold and security deposits .....	1,967,989	2,114,725
Tenant leasehold and security deposits in trust .....	7,222,346	7,700,977
Derivatives liabilities .....	119,275	240,248
Other .....	57,631	56,998
<b>Total noncurrent liabilities .....</b>	<b>96,367,243</b>	<b>106,512,949</b>
<b>TOTAL LIABILITIES .....</b>	<b>100,322,429</b>	<b>108,835,947</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	72,437,583	79,493,577
Surplus:		
Retained earnings .....	2,509,659	2,750,730
Total surplus .....	2,509,659	2,750,730
<b>Total unitholders' equity .....</b>	<b>74,947,242</b>	<b>82,244,308</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges .....	(119,275)	(240,248)
<b>Total valuation and translation adjustments .....</b>	<b>(119,275)</b>	<b>(240,248)</b>
<b>TOTAL NET ASSETS (Note 3) .....</b>	<b>74,827,966</b>	<b>82,004,059</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>175,150,396</b>	<b>190,840,007</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2013	June 30, 2014
<b>Operating revenue</b>		
Rent revenue—real estate (Note 4).....	6,037,664	6,575,945
Dividend income from investment in Tokumei Kumiai.....	-	335
Total operating revenue .....	6,037,664	6,576,281
<b>Operating expenses</b>		
Expenses related to property rental business (Note 4).....	2,100,349	2,259,145
Asset management fees .....	529,839	569,167
Directors' compensations.....	5,820	5,820
Asset custody fees .....	5,996	6,240
Administrative service fees.....	28,112	29,313
Other.....	58,718	66,506
Total operating expenses.....	2,728,836	2,936,192
<b>Operating income .....</b>	<b>3,308,827</b>	<b>3,640,088</b>
<b>Non-operating income</b>		
Interest income .....	889	929
Interest on refund.....	1,578	-
Reversal of distribution payable .....	876	500
Total non-operating income .....	3,343	1,429
<b>Non-operating expenses</b>		
Interest expenses.....	516,655	594,942
Interest expenses on investment corporation bonds.....	49,268	48,926
Amortization of investment corporation bonds issuance costs .....	4,855	5,018
Borrowing related expenses.....	155,990	166,784
Amortization of investment unit issuance costs.....	73,649	89,600
Other.....	1,230	2,496
Total non-operating expenses .....	801,650	907,769
<b>Ordinary income.....</b>	<b>2,510,520</b>	<b>2,733,748</b>
<b>Extraordinary income</b>		
Insurance income .....	-	17,954
Total extraordinary income.....	-	17,954
<b>Income before income taxes .....</b>	<b>2,510,520</b>	<b>2,751,702</b>
<b>Income taxes</b>		
Current.....	925	994
Deferred.....	1	(2)
Total income taxes .....	927	992
<b>Net income.....</b>	<b>2,509,593</b>	<b>2,750,710</b>
<b>Retained earnings brought forward.....</b>	<b>65</b>	<b>20</b>
<b>Unappropriated retained earnings.....</b>	<b>2,509,659</b>	<b>2,750,730</b>

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

## IV. Statements of changes in net assets

(Thousands of yen)

### For the six months ended December 31, 2013

for the six months ended December 31, 2013

		Unitholders' equity			Valuation and translation adjustments		
		Surplus				Total valuation and translation adjustments	
	Unitholders' capital (Note 3)	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges		Total net assets
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
<u>Changes during the period</u>							
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)
<u>Total changes during the period</u>	—	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

### For the six months ended June 30, 2014

for the six months ended June 30, 2014

	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				
<b>Balance as of January 1 , 2014</b>	72,437,583	2,509,659	2,509,659	74,947,242	(119,275)	(119,275)	74,827,966
<u>Changes during the period</u>							
Issuance of new investment units	7,055,994	—	—	7,055,994	—	—	7,055,994
Dividends from surplus	—	(2,509,638)	(2,509,638)	(2,509,638)	—	—	(2,509,638)
Net income	—	2,750,710	2,750,710	2,750,710	—	—	2,750,710
Net changes of items other than unitholders' equity	—	—	—	—	(120,972)	(120,972)	(120,972)
<u>Total changes during the period</u>	7,055,994	241,071	241,071	7,297,065	(120,972)	(120,972)	7,176,093
<b>Balance as of June 30, 2014</b>	79,493,577	2,750,730	2,750,730	82,244,308	(240,248)	(240,248)	82,004,059

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 (excluding leased assets)***

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

	<b>For the six months ended</b>	
	<b>December 31, 2013</b>	<b>June 30, 2014</b>
Buildings	13-63 years	13-68 years
Structures	7-20 years	4-20 years
Machinery and equipment	3-10 years	3-10 years
Tools, furniture and fixtures	6-15 years	6-15 years

Depreciation policy for depreciable leased assets under finance lease transactions that transfer ownership of the leased property to the lessee is consistent with that for depreciable assets that are owned. Such finance leased properties are mainly machinery and equipment.

#### ***(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 ¥89,062 thousand for the six months ended June 30, 2014. 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	
	December 31, 2013	June 30, 2014
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	156,432 units	165,532 units

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

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

Rent revenue—real estate and expenses related to property rental business for the six months ended December 31, 2013 and June 30, 2014 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	December 31, 2013	June 30, 2014
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	5,730,408	6,232,791
Common area charges	288,856	275,911
Other	18,400	67,242
Total rent revenue—real estate	6,037,664	6,575,945
<b>Expenses related to property rental business:</b>		
Property management fees	27,554	50,814
Facility management fees	82,446	83,248
Utilities	283,612	259,739
Property-related taxes	439,934	498,740
Insurance	17,017	17,669
Repair and maintenance	54,753	55,942
Depreciation	863,316	955,519
Trust fees	10,805	12,404
Leasehold rents	320,479	324,701
Other	429	366
Total expenses related to property rental business	2,100,349	2,259,145
<b>Operating income from property leasing activities</b>	<b>3,937,314</b>	<b>4,316,799</b>

## Note 5 – Income taxes

Deferred tax assets consist of the following:

	As of	
	December 31, 2013	June 30, 2014
Deferred tax assets, current:		
Enterprise tax payable	15	17
Total	15	17
Net deferred tax assets, current	15	17
Deferred tax assets, noncurrent:		
Deferred losses on hedges	40,744	82,068
Subtotal	40,744	82,068
Valuation allowance	(40,744)	(82,068)
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	
	December 31, 2013	June 30, 2014
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 December 31, 2013 and June 30, 2014.

(Thousands of yen)

	As of					
	December 31, 2013			June 30, 2014		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,284,416	7,284,416	—	3,431,240	3,431,240	—
(2) Cash and bank deposits in trust	2,369,289	2,369,289	—	3,052,874	3,052,874	—
Total assets	9,653,706	9,653,706	—	6,484,115	6,484,115	—
(1) Current portion of long-term loans payable	2,000,000	2,028,553	28,553	—	—	—
(2) Investment corporation bonds—unsecured	10,000,000	10,066,800	66,800	12,000,000	12,273,770	273,770
(3) Long-term loans payable	77,000,000	79,126,810	2,126,810	84,400,000	87,474,945	3,074,945
(4) Tenant leasehold and security deposits	48,000	47,947	(52)	48,000	47,982	(17)
(5) Tenant leasehold and security deposits in trust	987,833	903,722	(84,110)	1,051,826	991,330	(60,496)
Total liabilities	90,035,833	92,173,833	2,138,000	97,499,826	100,788,028	3,288,201
Derivative (derivatives liabilities), net	(119,275)	(119,275)	—	(240,248)	(240,248)	—

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

Assets

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

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

Liabilities

*(1) Current portion of long-term loans payable and (3) Long-term loans payable*

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

*(2) Investment corporation bonds—unsecured*

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

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

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

## Derivative instruments

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

### As of December 31, 2013

(Thousands of yen)

As of December 31, 2015						(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	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(119,275)	Note (b)
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)	-

### As of June 30, 2014

(Thousands of yen)

As of June 30, 2014							(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	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(240,248)	Note (b)	
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	63,200,000	63,200,000	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 fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

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

(Thousands of yen)

	As of	
	December 31, 2013	June 30, 2014
Investment securities	12,702	11,787
Total assets	12,702	11,787
Tenant leasehold and security deposits	1,919,989	2,066,725
Tenant leasehold and security deposits in trust	6,234,513	6,649,150
Total liabilities	8,154,502	8,715,875

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

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

(Thousands of yen)

As of December 31, 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	-	-	-	-	-

(Thousands of yen)

As of June 30, 2014	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	3,431,240	-	-	-	-	-
Cash and bank deposits in trust	3,052,874	-	-	-	-	-
Total	6,484,115	-	-	-	-	-

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

(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

(Thousands of yen)

As of June 30, 2014	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	-	-	7,000,000
Long-term loans payable	-	-	11,000,000	25,100,000	4,000,000	44,300,000
Total	-	-	16,000,000	25,100,000	4,000,000	51,300,000

## Note7 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2013 and June 30, 2014.

(Thousands of yen)

	As of / For the six months ended	
	December 31, 2013	June 30, 2014
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	164,053,231	163,552,650
Net increase (decrease) during the period <sup>(ii)</sup>	(500,581)	18,074,335
Balance at the end of the period	163,552,650	181,626,985
<b>Fair value<sup>(iii)</sup></b>	177,119,000	201,956,000

Note:

(i) The net book value includes leasehold right.

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

For the six months ended June 30, 2014:  
Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

		Increase in net book value
		(Thousands of yen)
Acquisitions:	IIF Narashino Logistics Center II (building with leasehold interest)	1,229,533
	IIF Misato Logistics Center	3,603,768
	IIF Iruma Logistics Center	3,301,058
	IIF Tosu Logistics Center	1,600,416
	IIF Inzai Logistics Center	1,080,296
	IIF Morioka Logistics Center	617,330
	IIF Nagoya Port Tank Terminal (land with leasehold interest)	1,990,885
	IIF Hiroshima Logistics Center	3,613,372
	IIF Kawasaki Science Center (building)	1,696,566

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

For rental revenues and expenses for the six months ended December 31, 2013 and June 30, 2014, 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 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 <sup>(i)</sup>	11,523,000
				Interest expenses <sup>(i)</sup>	52,946	Accrued expenses	421
				—	—	Derivatives liabilities <sup>(ii)</sup>	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.

### For the six months ended June 30, 2014:

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	—	Borrowing of long-term loans payable	1,048,800	Long-term loans payable <sup>(i)</sup>	12,571,800
				Interest expenses <sup>(i)</sup>	79,378	—	—
				—	—	Derivatives liabilities <sup>(ii)</sup>	240,248

Notes:

- (i) The interest rates of the loans payable have been decided similarly as other banks of the syndicate. All of the loans payable were unsecured.
- (ii) The terms and conditions of interest rate swap contracts are decided based on third party transactions.

## Note 10 – Per unit information

The net asset value per unit as of December 31, 2013 and June 30, 2014 was ¥478,341 and ¥495,397, respectively. Net income per unit for the six months ended December 31, 2013 and June 30, 2014 was ¥16,042 and ¥16,789, respectively.

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

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

	(Thousands of yen)	
	For the six months ended	
	December 31, 2013	June 30, 2014
Net income	2,509,593	2,750,710
Effect of dilutive unit	-	-
Net income available to common unitholders	2,509,593	2,750,710
Weighted-average number of units outstanding for the period	156,432 units	163,838 units

## **Note 11 – Subsequent events**

### **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.

**For the six months ended June 30, 2014:**

***Unit split***

The Board of Directors of the Investment Corporation, at its meeting held on August 18, 2014, resolved to implement a unit split (the "Unit Split") as follows:

*(1) Purpose of the Unit Split*

The Investment Corporation hopes to expand investors through improvement of an investment environment by reducing the market price per investment with the Unit Split.

*(2) Split method*

Each unit owned by unitholders listed in the final unitholders register on December 31, 2014, the day immediately prior to the effective date of the Unit Split, was split into two units.

*(3) Number of units increased by the Unit Split*

- 1) Number of outstanding units of the Investment Corporation before the Unit Split: 165,532 units
- 2) Number of units increased by the Units Split: 165,532 units
- 3) Number of outstanding units of the Investment Corporation after the Unit Split: 331,064 units
- 4) Number of authorized units of the Investment Corporation after the Unit Split: 8,000,000 units

*(4) Schedule of the Units Split*

- 1) Record date: December 31, 2014
- 2) Effective date: January 1, 2015

*(5) Pro forma information*

Pro forma per unit information for the six months ended June 30, 2014 which has been adjusted to reflect the Unit Split as if it had been effective on the beginning of the period is as follows:

*(Yen)*

- 1) Net asset value per unit ad of June 30, 2014: ¥247,698
- 2) Net income per unit for the six months ended June 30, 2014: ¥8,394



## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	December 31, 2013	June 30, 2014
Unappropriated retained earnings	2,509,659,009	2,750,730,604
Cash distribution declared	2,509,638,576	2,750,645,244
<i>(Cash distribution declared per unit)</i>	<i>(16,043)</i>	<i>(16,617)</i>
Retained earnings carried forward	20,433	85,360

### Note:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended December 31, 2013 and June 30, 2014 were ¥2,509,638,576 and ¥2,750,645,244, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

### **Note**

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended June 30, 2014 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

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

(Thousands of yen)

	For the six months ended	
	December 31, 2013	June 30, 2014
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes.....	2,510,520	2,751,702
Depreciation and amortization.....	863,316	955,519
Amortization of investment corporation bonds issuance costs .....	4,855	5,018
Amortization of investment unit issuance costs .....	73,649	89,600
Interest income.....	(889)	(929)
Interest expenses .....	565,924	643,868
Insurance income .....	—	(17,954)
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable.....	22,770	(27,282)
Decrease (increase) in consumption taxes refundable.....	242,209	(289,803)
Decrease (increase) in prepaid expenses .....	294,864	(329,913)
Increase in long-term prepaid expenses.....	(168,273)	(47,816)
Decrease in operating accounts payable.....	(32,273)	(14,819)
Increase (decrease) in accounts payable – other.....	(5,812)	33,531
Increase (decrease) in accrued expenses .....	85	(3,857)
Increase (decrease) in accrued consumption taxes .....	216,238	(216,238)
Increase (decrease) in advances received .....	(336,691)	520,783
Decrease in other noncurrent liabilities .....	(8,150)	(8,115)
Other, net .....	(18,313)	54,014
Subtotal .....	4,224,031	4,097,309
Interest income received.....	889	928
Interest expenses paid .....	(567,854)	(647,590)
Insurance income received .....	—	68,968
Payments for loss on disaster .....	—	(5,126)
Income taxes paid .....	(998)	(1,002)
Net cash provided by operating activities.....	3,656,066	3,513,487
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment .....	(158,354)	(3,716,999)
Purchases of property, plant and equipment in trust .....	(177,428)	(15,406,873)
Purchases of intangible assets .....	(188)	(1,100)
Proceeds from tenant leasehold and security deposits.....	56,181	194,910
Payments of tenant leasehold and security deposits .....	(180)	(36)
Proceeds from tenant leasehold and security deposits in trust .....	—	639,474
Payments of tenant leasehold and security deposits in trust.....	(552)	(160,843)
Payments for lease and guarantee deposits .....	—	(1,333)
Purchase of investment securities .....	(10,000)	(2,702)
Proceeds from refund of investment securities.....	—	915
Net cash used in investing activities.....	(290,523)	(18,454,589)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from long-term loans payable.....	9,500,000	7,400,000
Repayments of long-term loans payable .....	(9,500,000)	(2,000,000)
Proceeds from issuance of investment corporation bonds .....	—	2,000,000
Payments of investment corporation bonds issuance costs .....	—	(16,116)
Proceeds from issuance of investment units .....	—	7,055,994
Payments for investment unit issuance expenses .....	(54)	(157,445)
Dividends paid.....	(2,447,838)	(2,509,961)
Other.....	—	(959)
Net cash provided by (used in) financing activities .....	(2,447,893)	11,771,511
<b>Net change in cash and cash equivalents .....</b>	<b>917,650</b>	<b>(3,169,590)</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>8,736,055</b>	<b>9,653,706</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>9,653,706</b>	<b>6,484,115</b>

**Note:**

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

(Thousands of yen)

	As of	
	December 31, 2013	June 30, 2014
Cash and bank deposits	7,284,416	3,431,240
Cash and bank deposits in trust	2,369,289	3,052,874
Cash and cash equivalents	9,653,706	6,484,115

## 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 (toll-free number for domestic calls within Japan).

## Disclaimer

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

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

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