

Industrial & Infrastructure Fund Investment Corporation

15th Asset Management Report

(Semi-Annual Report)

July 1, 2014 – December 31, 2014

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 December 31, 2014 (the 15th Period). During this fiscal period, the distribution per unit was 16,911 yen, an increase of 1.8% from the previous period due to the full-period management of nine properties* acquired during the 14th Period that contributed to the bottom line. As of the end of December 31, 2014, IIF holds 36 properties and the asset size stood at 182 billion yen based on acquisition price. Through CRE solution-based acquisition activity, which is one of IIF's strength, and other activities, IIF will continue to aim to achieve further growth in the asset size. As for the financial aspects, we continue to put our effort to further strengthen our financial condition by seeking to expand long-term borrowings ratio and fixed debt ratio, and to minimize debt costs.

As for the internal growth, IIF has successfully identified a succeeding tenant for IIF Nagoya Logistics Center as a result of strategic leasing activities. In addition, IIF's environmental initiatives have received recognition from external organizations. As a result of our continued efforts, IIF's properties were awarded DBJ Green Building certification and received high evaluation rating from BELS (Building Energy-efficiency Labeling System).

Moreover, IIF executed a two-for-one unit split with December 31, 2014 as the record date for the unit split and January 1, 2015 as the effective date to expand its investor base through improvement of the investment environment by reducing the market price per investment unit with the unit split.

IIF will continue to aim for maximization of unitholder value by securing stable profits and by enhancing growth potential 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 15th Period

- A new lease contract was concluded for IIF Nagoya Logistics Center at optimal rent level based on the best suited use that matches the characteristics of the property, securing long-term stable income.
- IIF's properties were awarded DBJ Green Building Certification and BELS Certification for environmental measures taken at each property and its potential for environmental load reduction and energy conservation.
- IIF was awarded a Green Star, the highest rank, for the second consecutive year in the GRESB survey for the recognition in sustainability efforts.
- Executed a two-for-one split of its investment units on the effective date of January 1, 2015.

Highlight of the 15th Period

	The 12 th period	The 13 th period	The 14 th period	The 15 th period ^{*1}	The 16 th period (forecast) ^{*1}
Operating Revenue (million yen)	5,791	6,037	6,576	6,775	7,347
Net Income (million yen)	2,447	2,509	2,750	2,799	3,041
Total Asset (million yen)	175,196	175,150	190,840	190,852	—
Distribution per Unit (yen) ^{*2}	15,643 (7,821)	16,043 (8,021)	16,617 (8,308)	16,911 (8,455)	8,625 ^{*3}
Net Asset Value per Unit (yen) ^{*2}	478,552 (239,276)	478,341 (239,170)	495,397 (247,698)	495,381 (247,690)	—

*1 Figures in this asset management report are as of February 24, 2015 unless otherwise noted.

*2 Effective as of January 1, 2015, IIF made a two-for-one split of its units. The figures in brackets are retroactively adjusted to reflect the unit split.

*3 Assuming issuance of new investment units (total of up to 21,500 units) announced on February 25, 2015 is exercised in full.

IIF Focus

Summary of the 15th Period (Fiscal period ended December 31, 2014)

During the 15th Period, operating revenue increased by 199 million yen to 6,775 million yen and net income increased by 48 million yen to 2,799 million yen from the previous period due to full-period management of nine properties acquired in the previous period^{*1}. As a result, distribution per unit increased by 294 yen (1.8%) to 16,911 yen from the previous period, and the eighth consecutive periods of increase was achieved. NAV (Net Asset Value) per unit^{*2} increased steadily from 467,421 yen in the June 2012 (10th) Period to 627,719 yen as of the end of the 15th Period.

IIF had a total of 36 properties worth 182,089 million yen in acquisition price under management as of the end of the 15th Period, which is unchanged from the previous period, with a total leasable area of 763,350.76 m² and an occupancy rate of 98.8% and an average remaining lease term of 10.0 years. Such long-term lease agreements have generated stable cash flow for the period.

*1 Includes two additionally acquired buildings.

*2 NAV per unit is based on the appraisal value (or researched value) as of the end of the relevant fiscal period,

Optimal Portfolio Management and Improvement in Value

◆ Evolving unique CRE solution based business model

IIF's unique feature is that it is the only J-REIT specializing in industrial properties. Capitalizing on its strength, IIF has worked on corporate real estate (CRE) and public real estate (PRE) solution based activities, building up acquisition track record, utilizing its asset management capability in strategic leasing activity and risk management of development projects.

In particular, in the area of CRE, IIF has acquired a number of properties through one-on-one transactions and by providing solutions tailored to each company's needs. We also believe that the credibility of Mitsubishi Corporation, IIF's sponsor, plays a significant role as a background factor and we aim to evolve our unique CRE solution based business model.

◆ Securing stable, long-term revenue through strategic leasing

During the period, IIF concluded a fixed-term lease agreement for IIF Nagoya Logistics Center with the new tenant, Japan Airways Co., Ltd on November 14, 2014 (lease commencement date is February 1, 2015). In this leasing, we believe that we successfully secured stable, long-term revenue by advancing negotiations while having several options such as sale and rebuilding, and attracting a tenant with needs which match the highly-convenient location and characteristic features of the facility.

◆ Properties receiving high evaluations from external institutions

IIF is working to improve profitability by reducing operating expense of its properties, and has gained recognition for its initiatives in environment-friendly and environmental load-reducing measures by leading institutions. On October 30, 2014, in addition to the two properties awarded in the past, three properties, IIF Hiroshima Logistics Center, IIF Kobe Logistics Center and IIF Tosu Logistics Center, were newly awarded four stars in DBJ Green Building Certification. On

November 20, 2014, IIF Hiroshima Logistics Center was awarded BELS (Building Energy efficiency Labeling System) certification, a certification system which was established by the Ministry of Land, Infrastructure, Transport and Tourism, Japan, and became the first logistics facility owned by a J-REIT to obtain the certification.

Furthermore, IIF obtained the “Green Star,” the highest rating, for a second consecutive year in the GRESB (Global Real Estate Sustainability Benchmark) survey, which evaluates initiatives in sustainability.

* For details of each award and certification system, please refer to “IIF’s Sustainability Management” (page7-9)

Characteristics and Strengths of IIF in Finance

◆ Improvement of level of distribution by reduction of debt cost

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.” IIF is working to reduce financing costs, lengthen lease term, level repayment amount and stagger maturity dates through various measures such as issuance of investment corporation bonds and early repayment of borrowings.

As a result, the long-term debt ratio and the fixed debt ratio as of the end of February 2015 were kept at 100%, with the average remaining debt term of 7.9 years and average interest rate of 1.4%.

IIF is building stable financial ground while fixing liabilities in the long term. The LTV based on book value and LTV based on appraisal value decreased to 50.5% and 44.8%, respectively, as of the end of the fiscal period. IIF will continue to match assets and debt (liabilities) stably in the long term under ALM (Asset Liability Management) strategy and secure a positive spread and also work on diversification of lenders as well as methods of funding by leveraging the accumulated knowhow for the purpose of expanding the funding base.

Prospect for the 16th Period (Fiscal Period Ending June 30, 2015): Future Management Policies

In February 2015, IIF made an announcement on its public offering and expects to acquire a total of six properties worth 21.7 billion yen on an acquisition price basis.

In the fiscal period ending June 30, 2015, it is expected that IIF will record operating revenue of 7,347 million yen and net income of 3,041 million yen. As a result, the distribution per unit is expected to increase for the ninth consecutive year to 8,625 yen (based on the amount after the unit split) *.

As the total value of the J-REIT market exceeded 10 trillion yen in November 2014 and the view prevails which considers logistics facilities as a stable investment, competition over property acquisition is becoming overheated. Under these circumstances, IIF will continue to demonstrate its strength in proposal-based acquisition activities in the areas of both CRE and PRE, avoiding overheated competition, and pursue stable property acquisition opportunities that contribute to an increase in unitholder value.

* As of February 25, 2015

Investment Unit Split

◆ Improvement of investment environment

IIF implemented a two-for-one split of its investment units on the record date of December 31, 2014. This two-for-one split covers investment units owned by unitholders listed or registered on the registry of unitholders as of the

record date, and the price per unit declined as a result.

We expect that this split will lead to improvement of the investment environment for all investors and further stimulation of unit trading by expanding the investor base.

<Two-for-One Investment Unit Split>

	Before the Unit Split (~Dec. 31, 2014)	After the Unit Split (Jan. 1, 2015~)
Number of Investment Units	165,532 Units	331,064 Units
Number of Issuable Investment Units	4,000,000 Units	8,000,000 Units
Distribution per Unit	16,911 (8,455) yen ^{*1} (Actual result for the 15 th fiscal period)	8,625 yen ^{*2} (Forecast for the 16 th fiscal period)

*1 The distribution per unit figures in parentheses for the December 2014 (15th) fiscal period show the assumed figure adjusted to reflect the unit split.,

*2 Assuming that the issuance of new investment units (maximum of 21,500 units) announced on February 25, 2015 is exercised in full.

In addition, IIF actively participates in events for private individual investors such as the “J-REIT Fair 2014” co-hosted by the Association for Real Estate Securitization and Tokyo Stock Exchange, and proactively discloses information on its website. We believe that promotion of these IR activities, together with the growth of our portfolio, will lead to continuous improvement in unitholder value from a medium- and long-term perspective.

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

IIF's Sustainability Management

IIF's Policy on Sustainability

IIF, together with the Asset Manager, share and promote the policy on sustainability and have adopted and intend to maintain environmental initiatives. As part of the initiatives, while working to improve profitability, IIF has been taking environmental measures such as installation of solar panels and LED lightings for energy conservation and efficient use of energy, and received recognition from third party institutions. IIF will strengthen its environmental consciousness as well as measures for reduction of environmental burdens while balancing cost with such measures.

• External Evaluation and Certification

September 2013 - Certification from GRESB

IIF was the first J-REIT to be designated by 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.

Points evaluated

- Efforts for energy saving by improving management methods and introducing equipment
- Establishment of relationships with stakeholders including tenants and people in the local communities
- Measurement and management of energy consumption of all property holdings



September 2014 - Certification from GRESB

In the GRESB environmental responsiveness survey conducted in 2014, IIF received “Green Star,” GRESB’s highest rank of the four certification ranks. IIF was highly recognized in the aspects of “Management & Policy” and “Implementation & Management” and received this title for a second consecutive year.

Points evaluated

- Measurement and management of energy consumption of all property holdings
- Establishment of the sustainability policy
- Awarded CASBEE (Comprehensive Assessment System for Building Environmental Efficiency) certification
- Proactive approach to reduce environmental load (installation of solar power generation facilities and LED lightning)

- Awarded "DBJ Green Building" certification
- Website renewal and other proactive efforts regarding disclosure



About GRESB

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

The GRESB survey does not target individual pieces of real estate, but evaluates the efforts of real estate companies and funds for sustainability.

• External Evaluation and Certification for the Properties Owned by IIF

October 2012 - DBJ Green Building Certification

IIF Koshigaya Logistics Center and IIF Noda Logistics Center received "Gold" certification in DBJ Green Building Certification from Development Bank of Japan Inc. ("DBJ") as the first logistics properties owned by J-REIT.

Points evaluated

- Implementation of various environmentally friendly, energy conservation technologies such as solar power generation and LED lighting
- Disaster prevention measures actively promoted by IIF
- Implementation of seismic isolation structure designed to withstand earthquakes (IIF Noda Logistics Center)

February 2013 - Certification from CASBEE Hiroshima

IIF Hiroshima Logistics Center (main building) acquired CASBEE Hiroshima "B+" rank certification in recognition of its measures against global warming, which is adoption of energy conservation features on the entire property.



April 2013 - Certification from CASBEE Kawasaki

IIF Kawasaki Science Center acquired CASBEE Kawasaki "A" rank certification in recognition of its environmental performance across a variety of areas, including energy conservation from the development phase and its workplace comfort.



About CASBEE

CASBEE (Comprehensive Assessment System for Building Environmental Efficiency) is an evaluation system that evaluates and rates buildings in terms of their environmental performance. In addition to each building's ability to reduce its environmental impact across a variety of areas including energy and resource conservation as well as recycling, the system undertakes to comprehensively evaluate the environmental performance of each building and structure including its aesthetic appeal.

October 2014 - DBJ Green Building Certification

IIF Hiroshima Logistics Center, IIF Kobe Logistics Center and IIF Tosu Logistics Center received four stars from DBJ in recognition of environmental potential in each property.

IIF Koshigaya Logistics Center and IIF Noda Logistics Center were also reevaluated and awarded four stars in 2014.

Points evaluated

- Measures taken to reduce environmental loads such as installation of LED lighting and solar panels
- Installation of portable emergency batteries to support business continuity planning (BCP) of tenants, as well as promotion of disaster prevention measures

DBJ's certification system was revised in 2014 and the logo mark and the rating name have been renewed. The ranks formally known as "Platinum," "Gold," "Silver," "Bronze" and "Certified" are now indicated with number of stars. Four stars is equivalent to the former "Gold" rating.

About DBJ Green Building certification system

The DBJ Green Building Certification system is designed to promote real estate properties that demonstrate environmentally friendly building features, security measures, disaster prevention measures and take into account societal demands from various stakeholders surrounding the properties. Properties with excellence that meet the demands of the times are selected based on a scoring model developed by DBJ.

November 2014 - Certification from BELS

IIF Hiroshima Logistics Center became the first logistics property owned by a J-REIT to receive BELS certification. BEI used for the evaluation is 0.55, which is equivalent to four stars in BELS rating.

IIF has taken evaluation on energy saving features of the property by BELS as its new environmental initiative and achieved a high score, which also has contributed to raise GRESB score.

About BELS

BELS (Building Energy-efficiency Labeling System) is established in April 2014 evaluates the energy conservation performance of non-residential buildings. Ratings are indicated by number of stars (from one to five stars). When the BEI (Building Energy Index) used for evaluation is 1.0 or lower, it means the energy-saving standard is met.

ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			11 th	12 th	13 th	14 th	15 th
As of /for the six months ended			December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014	December 31, 2014
Operating revenues	Note 1	(Millions of yen)	5,037	5,791	6,037	6,576	6,775
(Rental revenues)	Note 1	(Millions of yen)	(5,037)	(5,791)	(6,037)	(6,575)	(6,775)
Operating expenses	Note 1	(Millions of yen)	2,202	2,556	2,728	2,936	3,071
(Rental expenses)	Note 1	(Millions of yen)	(1,626)	(1,934)	(2,100)	(2,259)	(2,371)
Operating income		(Millions of yen)	2,834	3,235	3,308	3,640	3,704
Ordinary income		(Millions of yen)	2,022	2,448	2,510	2,733	2,800
Net income	(a)	(Millions of yen)	2,023	2,447	2,509	2,750	2,799
Net assets	(b)	(Millions of yen)	63,904	74,860	74,827	82,004	82,001
(Period-on-period change)		(%)	(+0.3)	(+17.1)	(-0.0)	(+9.6)	(-0.0)
Total assets	(c)	(Millions of yen)	154,502	175,196	175,150	190,840	190,852
(Period-on-period change)		(%)	(-0.3)	(13.4)	(-0.0)	(+9.0)	(0.0)
Unitholders' capital		(Millions of yen)	61,881	72,437	72,437	79,493	79,493
(Period-on-period change)		(%)	(0.0)	(+17.1)	(0.0)	(+9.7)	(0.0)
Number of units issued and outstanding	(d)	(Units)	140,632	156,432	156,432	165,532	165,532
Net asset value per unit	Note 3 (b)/(d)	(Yen)	454,411	478,552	478,341	495,397	247,690
Total distributions	(e)	(Millions of yen)	2,023	2,447	2,509	2,750	2,799
Distribution per unit	(e)/(d)	(Yen)	14,387	15,643	16,043	16,617	16,911
(Profit distribution per unit)		(Yen)	(14,387)	(15,643)	(16,043)	(16,617)	(16,911)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 4	(%)	1.3 (2.6)	1.5 (3.0)	1.4 (2.8)	1.5 (3.0)	1.5 (2.9)
Return on unitholders' equity	Note 4	(%)	3.2 (6.3)	3.5 (7.1)	3.4 (6.7)	3.5 (7.1)	3.4 (6.8)
Ratio of net assets to total assets	(b)/(c)	(%)	41.4	42.7	42.7	43.0	43.0
(Period-on-period change)			(+0.3)	(+1.3)	(-0.0)	(+0.3)	(-0.0)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 4	(Millions of yen)	4,175	4,699	4,800	5,272	5,400
Net profit margin	Note 4	(%)	40.2	42.3	41.6	41.8	41.3
Debt service coverage ratio	Note 4	(Multiple)	6.4	7.1	7.1	6.9	6.9
Funds from operation (FFO) per unit	Note 4	(Yen)	19,822	21,029	21,561	22,389	22,929
FFO multiples	Note 4	(Multiple)	16.4	22.8	20.5	20.1	24.4
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	13,019	15,031	15,229	16,387	16,603
FFO per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	18,454	20,417	20,747	22,159	22,621

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 The Investment Corporation executed a two-for-one unit split (the "Unit Split") on January 1, 2015 as the effective date. Net income per unit for 15th fiscal period in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on July 1, 2014.

Note 4 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 181, 184, 181 and 184 days for 11th, 12th, 13th, 14th and 15th 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 units issuance costs and depreciation / Interest expenses
Funds from operation (FFO) per unit	(Net income + Loss on sales of real estate properties – Gain on sales of real estate properties + Depreciation + Other depreciation related property) / Number of units issued and outstanding
FFO multiples	Market price per unit at end of period/Annualized FFO per unit

Note 5 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property, plant and equipment were not capitalized but charged to income in the periods in which were incurred. These figures are unaudited.

2. Outline of asset management operation

(1) Major developments and management performance of IIF

IIF was established on March 26, 2007 based on Act on Investment Trusts and Investment Corporations of Japan 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 December 31, 2014.

(2) Investment environment and management performance

Recovery in the Japanese economy slowed slightly. The main factor behind this is that gross domestic product growth was negative for two consecutive quarters, reflecting slower personal consumption after the consumption tax hike in April 2014. However, the Japanese economy is expected to continue on a moderate recovery path from now on, given that corporate income remains steady, the employment and income environments are showing signs of improvement, and effects are expected from the expansion of “quantitative and qualitative monetary easing” measures by the Bank of Japan since October 2014.

The J-REIT market continues to be strong, with the Tokyo Stock Exchange REIT Index being close to 1,900 points and capitalization exceeding 10 trillion yen. This, combined with buying demand from a broad range of investors, has led to an increase in the depth of the J-REIT market. The amount of equity finance by J-REIT topped 1 trillion yen in 2013; after that it has decreased a little. Yet, the amount of funds raised by J-REITs remains at a high level, totaling over 600 billion yen in 2014.

As a result, the properties IIF owned as of December 31, 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 December 31, 2014 was 763,350.76 m², and the average occupancy rate was 98.8%.

(3) Funding

i. Debt Financing

IIF did not raise funds through debt financing during the current period. As of December 31, 2014, our total interest bearing debt was 96,400 million yen, which was comprised of 84,400 million yen in long-term loans payable in the form of borrowings and 12,000 million yen in investment corporation bonds.

ii. Equity Financing

IIF did not raise funds through equity financing during the current period.

(4) Overview of financial results and distribution

As a result of the abovementioned management activities, IIF recorded operating revenue of 6,775 million yen, operating income of 3,704 million yen, ordinary income of 2,800 million yen and net income of 2,799 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 16,911 yen.

3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 2014. The outline of changes in unitholders' capital for the previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3
March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5
March 5, 2012	Public offering	44,762	138,394	18,705	60,946	Note 6
March 26, 2012	Allocation of investment units to a third party	2,238	140,632	935	61,881	Note 7
February 4, 2013	Public offering	15,424	156,056	10,304	72,186	Note 8
March 5, 2013	Allocation of investment units to a third party	376	156,432	251	72,437	Note 9
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	11 th	12 th	13 th	14 th	15 th
As of /for the six months ended	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014	December 31, 2014
Highest price	677,000	1,080,000	995,000	949,000	(Note 1) 1,116,000 (Note 2) 558,000
Lowest price	500,000	650,000	834,000	805,000	(Note 1) 878,000 (Note 2) 540,000
Closing price at end of period	646,000	965,000	877,000	907,000	(Note 2) 555,000

Note 1 The market price (before December 25, 2014) does not reflect the Unit Split.

Note 2 The market price (on or after December 26, 2014) reflects the Unit Split.

4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended December 31, 2014 amounted to ¥16,911.

Fiscal period	11 th	12 th	13 th	14 th	15 th
As of /for the six months ended	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014	December 31, 2014
Net income (Thousands of yen)	2,023,301	2,447,075	2,509,593	2,750,710	2,799,330
Retained earnings carried forward (Thousands of yen)	56	65	20	85	104
Total cash distributions (Thousands of yen)	2,023,272	2,447,065	2,509,638	2,750,645	2,799,311
(Cash distribution per unit) (Yen)	(14,387)	(15,643)	(16,043)	(16,617)	(16,911)
Profit distributions (Thousands of yen)	2,023,272	2,447,065	2,509,638	2,750,645	2,799,311
(Profit distribution per unit) (Yen)	(14,387)	(15,643)	(16,043)	(16,617)	(16,911)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and issues

(1) Outlook for the overall management

Overall, the world economy is expected to continue improving steadily centering on the U.S., despite a slight slowdown in the economies of emerging countries. The Japanese economy is also projected to recover continuously at a gradual pace, reflecting such factors as the effects of monetary policies.

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.

Especially for logistics facilities, occupancy rates and rent levels are expected to be maintained at a stable level, 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 corporate sector's performance, IIF is expected to see a rise in investment opportunities through its property acquisition activities based on the CRE (Corporate Real Estate) proposal, which is an expertise of IIF. As for manufacturing and R&D facilities, key facilities are likely to continue to be maintained and established in Japan, and the properties managed by IIF based on long-term lease contracts are expected to see continuous, stable usage given the importance in their businesses. In the infrastructure facilities segment, sales of properties are anticipated as the trend of separation of ownership and

management is expected to accelerate in both the public and private sectors.

(2) Issues to be resolved

Under the environment described above, IIF will seek to create and maintain a portfolio that generates stable income to achieve sustainable growth of unitholder's value through the strategies described below.

i. External growth

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

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.

ii. Internal growth

As of December 31, 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 10.0 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.

iii. Financial strategy

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

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

6. Subsequent events

Unit Split

The Investment Corporation executed the Unit Split with December 31, 2014 as the record date and January 1, 2015 as the effective date.

(1) Purpose of the Unit Split

The Company hopes to expand its investor base through improvement of the investment environment by reducing the market price per investment unit 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, has been split into two units.

(3) Increase in the number of units due to the Unit Split

- | | |
|---|-----------------|
| 1) Number of outstanding units of the Investment Corporation before the Unit Split: | 165,532 units |
| 2) Increase in the number of units due to the Unit 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 |

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on February 25, 2015, 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 (“Japanese Offering”) and in international markets, consisting mainly of the U.S., European and Asian 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 “International Offering” and collectively with the Japanese Offering, the “Offerings”).

Number of new investment units to be offered:

20,988 investment units, out of which 10,238 new units are to be offered through the Japanese Offering and 10,750 new units are to be offered through the International Offering consisting of 10,238 new units to be underwritten and purchased by international underwriters and an option to purchase up to an aggregate of 512 additional new units granted to the international underwriters, although the breakdown of the number of new investment units to be offered shall be finally determined within 20,988 investment units considering demand and other factors at the Board of Directors Meeting to be held early in March, 2015 (hereinafter referred to as the called “Determination Date of the Issue Price”).

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

Number of new investment units: 512 investment units

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 decrease accordingly due to forfeiture, or such allotment itself may be cancelled entirely.

(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.

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

Outline of the Investment Corporation

1. Investment unit

Fiscal period	11 th	12 th	13 th	14 th	15 th
As of	December 31, 2012	June 30, 2013	December 31, 2013	June 30, 2014	December 31, 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	156,432	156,432	165,532	165,532
Number of unitholders (People)	4,317	4,165	4,100	4,503	4,226

2. Unitholders

Major unitholders as of December 31, 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	26,525	16.02
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	16,730	10.10
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Triton Square Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	13,343	8.06
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	7,293	4.40
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	7,103	4.29
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	3,836	2.31
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	3,200	1.93
JPMorgan Chase Bank 385174	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	2,651	1.60
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	2,580	1.55
The Joyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	2,519	1.52
Total		85,780	51.82

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

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 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) 12,500

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

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

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

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

4. Name of asset manager and other administrator

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

Condition of investment assets

1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of June 30, 2014		As of December 31, 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	11,760	6.2	11,840	6.2
			Osaka and Nagoya metropolitan areas	3,543	1.9	3,554	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	45,200	23.7	44,967	23.6
			Osaka and Nagoya metropolitan areas	1,990	1.0	1,998	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	77,252	40.5	76,981	40.3
			Osaka and Nagoya metropolitan areas	6,590	3.4	6,545	3.4
			Other area	3,596	1.9	3,571	1.9
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	2,205	1.2	2,190	1.1
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	5,400	2.8	5,365	2.8
			Osaka and Nagoya metropolitan areas	24,085	12.6	23,981	12.6
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total			181,626	95.2	180,996	94.8	
Investments in Tokumei Kumiai agreement (Note 3)			11	0.0	10	0.0	
Bank deposits and other assets			9,201	4.8	9,844	5.2	
Total assets			190,840	100.0	190,852	100.0	

Note 1 “Location category” is classified as below.

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

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

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

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

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

2. Major property

The principal properties (top ten properties in net book value) as of December 31, 2014 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	39,792	81,995.81	81,995.81	100.0	19.9	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,009	11,275.39	11,275.39	100.0	4.9	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,209	27,493.29	27,493.29	100.0	5.9	Logistics facility
IIF Mitaka Card Center	9,258	21,615.01	21,615.01	100.0	5.4	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	9,112	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Kamata R&D Center (Note 5)	7,472	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Noda Logistics Center (Note 5)	5,719	38,828.10	38,828.10	100.0	—	Logistics facility
IIF Osaka Toyonaka Data Center (Note 5)	5,681	20,027.14	20,027.14	100.0	—	Infrastructure facility
IIF Zama IT Solution Center (Note 5)	5,365	10,931.89	10,931.89	100.0	—	Infrastructure facility
IIF Kobe Logistics Center (Note 5)	5,337	39,567.74	39,567.74	100.0	—	Logistics facility
Total	117,958	290,676.23	290,676.23	100.0	63.3	

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

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

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

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

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

3. Details of property

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of December 31, 2014 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	15,741	13,209
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	7,700	5,719
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,660	5,244
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,070	1,743
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,510	1,862
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,650	1,207
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,390	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	5,940	4,656
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,610	3,313
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	2,970	2,374
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	1,950	1,527
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,300	1,152
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,780	2,346
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	3,560	2,043
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,500	5,337
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	2,810	2,402
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,540	1,874
IIF Misato Logistics Center	Misato Interchange A District, Land Readjustment Business Area 96, Reservation 33	Trust beneficial interest	19,019.71	4,400	3,572
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	3,840	3,258
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,790	1,582

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,180	1,069
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,110	607
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,090	3,571
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	5,030	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,290	1,171
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,620	9,258
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	11,600	9,112
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,020	7,472
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,780	2,213
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	17,009
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	40,400	39,792
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,365
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,910	5,175
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	5,980	5,681
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	1,290
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	1,998
Total (Note 6)			763,350.76	205,411	180,996

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 m²) and that of the building on the leased land (25,835.16 m²).

Note 6 "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 June 30, 2014 and December 31, 2014 were as follows:

Name of property	For the six months ended							
	June 30, 2014				December 31, 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	6.1	1	100.0	397	5.9
IIF Noda Logistics Center (Note 3)	2	100.0	—	—	2	100.0	—	—
IIF Shinsuna Logistics Center	1	100.0	173	2.6	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	1.1	1	100.0	75	1.1
IIF Nishinomiya Logistics Center	1	100.0	60	0.9	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)	2	100.0	—	—	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	66	1.0	1	100.0	66	1.0
IIF Nagoya Logistics Center	0	0.0	68	1.0	0	0.0	—	—
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	—	—	1	100.0	—	—
IIF Iruma Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Tosu Logistics Center (Note 3)	2	100.0	—	—	2	100.0	—	—
IIF Inzai Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—

Name of property	For the six months ended							
	June 30, 2014				December 31, 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	—	—	1	100.0	—	—
IIF Hiroshima Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	2.4	1	100.0	154	2.3
IIF Yokohama Tsuzuki Technology Center	1	100.0	57	0.9	1	100.0	58	0.9
IIF Mitaka Card Center	1	100.0	364	5.6	1	100.0	364	5.4
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)	1	100.0	—	—	1	100.0	—	—
IIF Kobe District Heating and Cooling Center	2	100.0	330	5.0	2	100.0	330	4.9
IIF Haneda Airport Maintenance Center	1	100.0	1,341	20.4	1	100.0	1,346	19.9
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	—	—	1	100.0	—	—
Total (Notes 4 and 6)	41	98.8	6,575	100.0	41	98.8	6,775	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 “Number of tenants” of IIF Narashino Logistics Center II 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 December 31, 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	—	—	10	—	11	1	—
Total		—	—	10	—	11	1	—

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

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

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

5. Details of specified transaction

The details of specified transaction as of December 31, 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	(1,933)
Total		68,700	68,700	(1,933)

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 December 31, 2014.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 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 December 31, 2014	Total of advanced payment
IIF Shinonome Logistics Center	Koto-ku, Tokyo	Renewal of LED lighting equipment	June 2015	37	—	—
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Renewal of Elevator	May 2015	28	—	—
IIF Nagoya Logistics Center	Nagoya-shi, Aichi	Renewal of facilities	February 2015	27	—	—
IIF Higashi-Osaka Logistics Center	Higashi Osaka-shi, Osaka	Renewal of LED lighting equipment	January 2015	22	—	—

2. Capital expenditures for the six months ended December 31, 2014

Maintenance expenditures on property for the six months ended December 31, 2014 were totaling to ¥414 million consisting of ¥356 million of capital expenditures stated as below and ¥58 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 Kawaguchi Logistics Center	Kawaguchi-shi, Saitama	Floor construction for installment of moving rack	April 2014 to July 2014	97
IIF Osaka Toyonaka Data Center	Toyonaka-shi, Osaka	Renewal of automatic fire alarm	December 2014	27
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of protective relay equipment	July 2014 to December 2014	25
IIF Yokohama Tsuzuki Logistics Center	Yokohama-shi, Kanagawa	Installment of LED lighting equipment	June 2014 to July 2014	14
Other	—	—	—	191
Total				356

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)				
	11 th December 31, 2012	12 th June 30, 2013	13 th December 31, 2013	14 th June 30, 2014	15 th December 31, 2014
As of /for the six months ended					
Reserved funds at beginning of period	826	815	1,000	1,141	1,205
Increase	383	424	435	458	460
Decrease	395	239	294	394	414
Reserved funds at end of period	815	1,000	1,141	1,205	1,251

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	14 th	15 th
Item	For the six months ended June30, 2014	For the six months ended December 31, 2014
(a) Asset management fees	569,167	577,243
(b) Asset custody fees	6,240	6,310
(c) Administrative service fees	29,313	29,899
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	66,506	80,468
Total	677,046	699,742

2. Loans payable

Loans payable as of December 31, 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
			June 30, 2014 (Millions of yen)	December 31 2014 (Millions of yen)					
Long-term loans payable	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 4	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 4 and 5	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 6	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 4	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 5	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 5	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 5	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 5	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 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 2)	March 31, 2022	Lump sum (Note 3)	Note 5	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 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 4	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 4	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 2)	June 28, 2019	Lump sum (Note 3)	Note 4	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 4	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 4	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 5	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 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					

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

Note 5 The funds were mainly appropriated to acquisition of real estate property, etc.

Note 6 The funds were appropriated to redemption of outstanding investment corporation bonds.

3. Investment corporation bonds

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

5. Investment unit warrants

None

Condition of investment transactions

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

None

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

None

(2) Other transaction

None

4. Transactions with interested parties

(1) Outline of specified assets transactions

None

(2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	86,065	NIKKEN CORPORATION	3,433	4.0
		Japan Facility Solutions, Inc.	5,312	6.2

Note1 "Interested parties" means the interested parties 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.

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 6 th fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 th fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%
The 8 th fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%
The 9 th fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 th fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 th fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 th fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 th fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 th fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15 th fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	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. Disclosure relating to overseas real estate investment corporation

None

3. Disclosure relating to property held by overseas real estate investment corporation

None

4. Notice

(1) The General Meeting for Unitholders

The 5th General Meeting for Unitholders was held on September 30, 2014 and following matters were resolved at the meeting.

Resolution proposal	Summary
Resolution Proposal 1 - Partial amendment of the Articles of Incorporation	Following amendments were resolved as proposal. (1) Amendments pursuant to the Act Partially Amending the Financial Instruments and Exchange Act, etc. promulgated in June 19, 2013, carried into effect in association with the amendment of the Act on Investment Trusts and Investment Corporations (2) Modifications to state the provision to the effect that assets would be managed primarily by investing in Real Estate Assets in association with the amendment of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (3) Establishment of provisions to clarify and expand the scope of investment destinations of the Investment Corporation if and when any assets falling under the categories of Specified Assets in association with the amendment of Order for Enforcement of the Act on Investment Trusts and Investment Corporations, and partially expand the scope of investment destinations other than the Specified Assets of the Investment Corporation (4) Amendments in order to make it possible to appraise assets by the more appropriate method and standard with respect to the equity interest of the Silent Real Estate Partnership (5) Modifications in order to make it possible to clearly articulate that the Investment Corporation bears the costs and expenses associated with the issuance of the Investment Corporation bonds (6) Other amendments in order to modify the words and phrases and to adjust provisions
Resolution Proposal 2 - Appointment of one executive director	Yasuyuki Kuratsu was appointed as proposal.
Resolution Proposal 3 - Appointment of two supervisory directors	Katsuaki Takiguchi and Kumi Honda were appointed as proposal.
Resolution Proposal 4 - Appointment of one alternate executive director	Toshiaki Fukai was appointed as proposal.
Resolution Proposal 5 - Appointment of one alternate supervisory director	Yutaka Usami was appointed as proposal.

(2) The Board of Directors Meeting

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended December 31, 2014 was as follows:

Approval day	Item	Summary
November 26, 2014	Partial modification of general administration agreement regarding investment units	Agreement of general administration regarding investment units was partially modified and entered into with Mitsubishi UFJ Trust and Banking Corporation.

5. Other

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

II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2014	December 31, 2014
ASSETS		
Current assets:		
Cash and bank deposits.....	3,431,240	5,229,854
Cash and bank deposits in trust	3,052,874	2,744,697
Rental receivables.....	122,531	90,242
Prepaid expenses	764,937	473,240
Deferred tax assets.....	17	15
Consumption taxes refundable	296,886	-
Other.....	44	129
Total current assets.....	7,668,532	8,538,180
Noncurrent assets:		
Property, plant and equipment:		
Buildings, at cost.....	31,150,820	31,334,512
Less: Accumulated depreciation	(3,491,529)	(3,819,501)
Buildings, net.....	27,659,291	27,515,011
Structures, at cost.....	76,235	81,215
Less: Accumulated depreciation	(2,897)	(5,153)
Structures, net	73,337	76,062
Machinery and equipment, at cost	11,892	11,892
Less: Accumulated depreciation	(6,092)	(8,078)
Machinery and equipment, net.....	5,800	3,814
Tools, furniture and fixtures, at cost.....	7,469	7,469
Less: Accumulated depreciation	(359)	(826)
Tools, furniture and fixtures, net.....	7,110	6,642
Land.....	14,901,983	14,911,969
Construction in progress	12,766	12,766
Buildings in trust, at cost	49,159,196	49,322,785
Less: Accumulated depreciation	(4,996,288)	(5,633,676)
Buildings in trust, net.....	44,162,908	43,689,109
Structures in trust, at cost.....	455,753	459,679
Less: Accumulated depreciation	(280,016)	(305,168)
Structures in trust, net.....	175,737	154,510
Machinery and equipment in trust, at cost	11,006	11,006
Less: Accumulated depreciation	(538)	(1,147)
Machinery and equipment in trust, net	10,468	9,859
Tools, furniture and fixtures in trust, at cost.....	6,515	6,515
Less: Accumulated depreciation	(2,886)	(3,291)
Tools, furniture and fixtures in trust, net.....	3,628	3,223
Land in trust.....	74,778,890	74,778,890
Total net property, plant and equipment.....	161,791,922	161,161,860
Intangible assets:		
Leasehold rights (Note 2).....	19,833,966	19,833,966
Other	1,547	1,451
Total intangible assets.....	19,835,514	19,835,417
Investments and other assets:		
Investment securities.....	11,787	10,334
Lease and guarantee deposits	11,333	11,515
Long-term prepaid expenses	1,173,080	1,043,759
Total investments and other assets.....	1,196,200	1,065,609
Total noncurrent assets	182,823,637	182,062,887
Deferred assets:		
Investment units issuance costs	285,074	194,058
Investment corporation bonds issuance costs	62,762	56,928
Total deferred assets.....	347,837	250,987
TOTAL ASSETS.....	190,840,007	190,852,054

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

(Thousands of yen)

	As of	
	June 30, 2014	December 31, 2014
LIABILITIES		
Current liabilities:		
Operating accounts payable	244,156	351,910
Accounts payable – other	399,762	371,207
Accrued expenses	6,328	13,843
Income taxes payable	737	721
Consumption taxes payable	-	363,098
Advances received	1,557,505	1,186,304
Other	114,508	7,851
Total current liabilities	2,322,998	2,294,937
Noncurrent liabilities:		
Investment corporation bonds – unsecured	12,000,000	12,000,000
Long-term loans payable	84,400,000	84,400,000
Tenant leasehold and security deposits	2,114,725	2,125,210
Tenant leasehold and security deposits in trust	7,700,977	7,691,091
Derivative liabilities	240,248	291,573
Other	56,998	47,821
Total noncurrent liabilities	106,512,949	106,555,697
TOTAL LIABILITIES	108,835,947	108,850,634
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	79,493,577	79,493,577
Surplus:		
Retained earnings	2,750,730	2,799,415
Total surplus	2,750,730	2,799,415
Total unitholders' equity	82,244,308	82,292,993
Valuation and translation adjustments:		
Deferred gains or (losses) on hedges	(240,248)	(291,573)
Total valuation and translation adjustments	(240,248)	(291,573)
TOTAL NET ASSETS (Note 3)	82,004,059	82,001,420
TOTAL LIABILITIES AND NET ASSETS	190,840,007	190,852,054

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

III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2014	December 31, 2014
Operating revenue		
Rent revenue—real estate (Note 4).....	6,575,945	6,775,253
Dividend income from investment in Tokumei Kumiai.....	335	319
Total operating revenue	6,576,281	6,775,573
Operating expenses		
Expenses related to property rental business (Note 4).....	2,259,145	2,371,395
Asset management fees	569,167	577,243
Directors' compensations.....	5,820	5,820
Asset custody fees	6,240	6,310
Administrative service fees.....	29,313	29,899
Other.....	66,506	80,468
Total operating expenses.....	2,936,192	3,071,137
Operating income	3,640,088	3,704,436
Non-operating income		
Interest income	929	683
Interest on refund.....	-	1,205
Reversal of distribution payable	500	746
Total non-operating income	1,429	2,635
Non-operating expenses		
Interest expenses.....	594,942	602,566
Interest expenses on investment corporation bonds.....	48,926	58,217
Amortization of investment corporation bonds issuance costs	5,018	5,834
Borrowing related expenses.....	166,784	148,376
Amortization of investment units issuance costs	89,600	91,015
Other.....	2,496	802
Total non-operating expenses	907,769	906,813
Ordinary income.....	2,733,748	2,800,258
Extraordinary income		
Insurance income	17,954	-
Total extraordinary income.....	17,954	-
Income before income taxes	2,751,702	2,800,258
Income taxes		
Current.....	994	925
Deferred.....	(2)	2
Total income taxes	992	927
Net income.....	2,750,710	2,799,330
Retained earnings brought forward.....	20	85
Unappropriated retained earnings.....	2,750,730	2,799,415

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

IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 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				
Balance as of January 1, 2014	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
Balance as of June 30, 2014	79,493,577	2,750,730	2,750,730	82,244,308	(240,248)	(240,248)	82,004,059

For the six months ended December 31, 2014

for the six months ended December 31, 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				
Balance as of July 1, 2014	79,493,577	2,750,730	2,750,730	82,244,308	(240,248)	(240,248)	82,004,059
Changes during the period							
Dividends from surplus	—	(2,750,645)	(2,750,645)	(2,750,645)	—	—	(2,750,645)
Net income	—	2,799,300	2,799,300	2,799,300	—	—	2,799,330
Net changes of items other than unitholders' equity	—	—	—	—	(51,325)	(51,325)	(51,325)
Total changes during the period	—	48,685	48,685	48,685	(51,325)	(51,325)	(2,639)
Balance as of December 31, 2014	79,493,577	2,799,415	2,799,415	82,292,993	(291,573)	(291,573)	82,001,420

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 by using the equity method of accounting.

(b) Property, plant and equipment

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

	For the six months ended	
	June 30, 2014	December 31, 2014
Buildings	13-68 years	13-68 years
Structures	4-20 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 units issuance costs

Investment units 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, 2014.

(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 rights

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

Note 3 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2014	December 31, 2014
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	165,532 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 June 30, 2014 and December 31, 2014 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2014	December 31, 2014
Rent revenue—real estate:		
Rental and parking revenue	6,232,791	6,474,256
Common area charges	275,911	281,482
Other	67,242	19,515
Total rent revenue—real estate	6,575,945	6,775,253
Expenses related to property rental business:		
Property management fees	50,814	31,903
Facility management fees	83,248	86,065
Utilities	259,739	278,669
Property-related taxes	498,740	557,661
Insurance	17,669	20,090
Repair and maintenance	55,942	58,414
Depreciation	955,519	996,273
Trust fees	12,404	13,001
Leasehold rents	324,701	328,922
Other	366	394
Total expenses related to property rental business	2,259,145	2,371,395
Operating income from property leasing activities	4,316,799	4,403,858

Note 5 – Income taxes

Deferred tax assets consist of the following:

	As of	
	June 30, 2014	December 31, 2014
(Thousands of yen)		
Deferred tax assets, current:		
Enterprise tax payable	17	15
Total	17	15
Net deferred tax assets, current	17	15
Deferred tax assets, noncurrent:		
Deferred losses on hedges	82,068	99,572
Subtotal	82,068	99,572
Valuation allowance	(82,068)	(99,572)
Total	—	—
Net deferred tax assets, noncurrent	—	—

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

	For the six months ended	
	June 30, 2014	December 31, 2014
Statutory tax rates	36.59%	34.16%
Deductible cash distributions	(36.58)	(34.15)
Other	0.03	0.02
Effective tax rates	0.04%	0.03%

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 by using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated fair value may differ.

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of June 30, 2014 and December 31, 2014.

(Thousands of yen)

	As of					
	June 30, 2014			December 31, 2014		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	3,431,240	3,431,240	—	5,229,854	5,229,854	—
(2) Cash and bank deposits in trust	3,052,874	3,052,874	—	2,744,697	2,744,697	—
Total assets	6,484,115	6,484,115	—	7,974,552	7,974,552	—
(1) Investment corporation bonds — unsecured	12,000,000	12,273,770	273,770	12,000,000	12,405,180	405,180
(2) Long-term loans payable	84,400,000	87,474,945	3,074,945	84,400,000	87,867,068	3,467,068
(3) Tenant leasehold and security deposits	48,000	47,982	(17)	—	—	—
(4) Tenant leasehold and security deposits in trust	1,051,826	991,330	(60,496)	1,054,472	1,011,130	(43,341)
Total liabilities	97,499,826	100,788,028	3,288,201	97,454,472	101,283,378	3,828,906
Derivative (derivative liabilities), net	(240,248)	(240,248)	—	(291,573)	(291,573)	—

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) Investment corporation bonds — unsecured

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

(2) Long-term loans payable

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

(3) Tenant leasehold and security deposits and (4) Tenant leasehold and security deposits in trust

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

Derivative instruments

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

As of June 30, 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)	-	

As of December 31, 2014

(Thousands of yen)

As of December 31, 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	(291,573)	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, (2) 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	
	June 30, 2014	December 31, 2014
Investment securities	11,787	10,334
Total assets	11,787	10,334
Tenant leasehold and security deposits	2,066,725	2,125,210
Tenant leasehold and security deposits in trust	6,649,150	6,636,619
Total liabilities	8,715,875	8,761,830

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 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	-	-	-	-	-

(Thousands of yen)

As of December 31, 2014	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	5,229,854	-	-	-	-	-
Cash and bank deposits in trust	2,744,697	-	-	-	-	-
Total	7,974,552	-	-	-	-	-

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

(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

(Thousands of yen)

As of December 31, 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	-	2,000,000	20,600,000	13,500,000	7,900,000	40,400,000
Total	-	7,000,000	20,600,000	13,500,000	7,900,000	47,400,000

Note7 – Fair value of investment and rental property

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

(Thousands of yen)

		As of / For the six months ended	
		June 30, 2014	December 31, 2014
Net book value⁽ⁱ⁾			
	Balance at the beginning of the period	163,552,650	181,626,985
	Net increase (decrease) during the period ⁽ⁱⁱ⁾	18,074,335	(630,100)
	Balance at the end of the period	181,626,985	180,996,885
Fair value⁽ⁱⁱⁱ⁾		201,956,000	205,411,000

Note:

(i) The net book value includes leasehold rights.

(ii) 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

For the six months ended December 31, 2014:
Decrease in the net book value is mainly due to depreciation.

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

For rental revenues and expenses for the six months ended June 30, 2014 and December 31, 2014, please refer to “Note 4 - Rent revenue—real estate and expenses related to property rental business.”

Note 8 – Restriction on Asset Management

None

Note 9 – Asset retirement obligations

As the Investment Corporation owns IIF Haneda Airport Maintenance Center with the permission for use of the underlying land granted by the Secretary of Tokyo Regional Civil Aviation Bureau under the National Property Act of Japan, the Investment Corporation is obliged to demolish the building and restore the land if the permission is not 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 10 – Related-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 ⁽ⁱ⁾	12,571,800
				Interest expenses ⁽ⁱ⁾	79,378	—	—
				—	—	Derivative liabilities ⁽ⁱⁱ⁾	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.

For the six months ended December 31, 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	—	—	—	Long-term loans payable ⁽ⁱ⁾	12,571,800
				Interest expenses ⁽ⁱ⁾	81,994	Accrued expenses	442
				—	—	Derivative liabilities ⁽ⁱⁱ⁾	291,573

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 11 – Per unit information

The Investment Corporation executed a two-for-one unit split (the “Unit Split”) with December 31, 2014 as the record date and January 1, 2015 as the effective date for the Unit Split. Following table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on July 1, 2014.

	(Yen)
	<u>As of / For the six months ended</u>
	<u>December 31, 2014</u>
Pro forma net asset value per unit	247,690
Pro forma net income per unit	8,455

The pro forma net income per unit is calculated by dividing the net income attributable to unitholders by the adjusted weighted average number of units outstanding during the six-month period as if the Unit Split had been effective on July 1, 2014. The Investment Corporation has no potentially dilutive units.

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

	(Thousands of yen)
	<u>For the six months ended</u>
	<u>December 31, 2014</u>
Net income	2,799,330
Effect of dilutive unit	-
Net income attributable to common unitholders	2,799,330
Adjusted weighted-average number of units outstanding for the period	331,064 units

Per unit information for the six months ended June 30, 2014 was as follows:

	(Thousands of yen)
	<u>As of / For the six months ended</u>
	<u>June 30, 2014</u>
Net asset value per unit	495,397
Net income per unit	16,789
Net income	2,750,710
Effect of dilutive unit	-
Net income attributable to common unitholders	2,750,710
Weighted-average number of units outstanding for the period	163,838 units

Note 12 – Subsequent events

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 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

For the six months ended December 31, 2014:

Unit split

The Investment Corporation executed the Unit Split with December 31, 2014 as the record date and January 1, 2015 as the effective date.

(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 for 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, has been 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 Unit 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

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on February 25, 2015, 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 (“Japanese Offering”) and in international markets, consisting mainly of the U.S., European and Asian 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 “International Offering” and collectively with the Japanese Offering, the “Offerings”).

Number of new investment units to be offered:

20,988 investment units, out of which 10,238 new units are to be offered through the Japanese Offering and 10,750 new units are to be offered through the International Offering consisting of 10,238 new units to be underwritten and purchased by international underwriters and an option to purchase up to an aggregate of 512 additional new units granted to the international underwriters, although the breakdown of the number of new investment units to be offered shall be finally determined within 20,988 investment units considering demand and other factors at the Board of Directors Meeting to be held early in March, 2015 (hereinafter referred to as the called “Determination Date of the Issue Price”).

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

Number of new investment units: 512 investment units

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 decrease accordingly due to forfeiture, or such allotment itself may be cancelled entirely.

(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.

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

VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2014	December 31, 2014
Unappropriated retained earnings	2,750,730,604	2,799,415,931
Cash distribution declared	2,750,645,244	2,799,311,652
<i>(Cash distribution declared per unit)</i>	<i>(16,617)</i>	<i>(16,911)</i>
Retained earnings carried forward	85,360	104,279

Note:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended June 30, 2014 and December 31, 2014 were ¥2,750,645,244 and ¥2,799,311,652, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

Note

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 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	
	June 30, 2014	December 31, 2014
Net cash provided by (used in) operating activities:		
Income before income taxes.....	2,751,702	2,800,258
Depreciation and amortization.....	955,519	996,273
Amortization of investment corporation bonds issuance costs	5,018	5,834
Amortization of investment units issuance costs.....	89,600	91,015
Interest income.....	(929)	(683)
Interest expenses	643,868	660,784
Insurance income	(17,954)	-
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable.....	(27,282)	32,289
Decrease (increase) in consumption taxes refundable.....	(289,803)	290,292
Decrease (increase) in prepaid expenses	(329,913)	291,696
Decrease (increase) in long-term prepaid expenses	(47,816)	129,320
Increase (decrease) in operating accounts payable.....	(14,819)	71,638
Increase in accounts payable – other	33,531	9,090
Increase (decrease) in accrued expenses	(3,857)	3,767
Increase (decrease) in consumption taxes payable.....	(216,238)	370,092
Increase (decrease) in advances received	520,783	(371,200)
Decrease in other noncurrent liabilities	(8,115)	(8,181)
Other, net	54,014	(48,157)
Subtotal.....	4,097,309	5,324,129
Interest income received.....	928	683
Interest expenses paid	(647,590)	(657,036)
Insurance income received	68,968	-
Payments for loss on disaster	(5,126)	(45,888)
Income taxes paid	(1,002)	(941)
Net cash provided by operating activities.....	3,513,487	4,620,947
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(3,716,999)	(192,687)
Purchases of property, plant and equipment in trust.....	(15,406,873)	(125,790)
Purchases of intangible assets	(1,100)	(118)
Proceeds from tenant leasehold and security deposits.....	194,910	63
Payments of tenant leasehold and security deposits	(36)	(48,000)
Proceeds from tenant leasehold and security deposits in trust	639,474	3,924
Payments of tenant leasehold and security deposits in trust.....	(160,843)	(13,810)
Payments for lease and guarantee deposits	(1,333)	(181)
Purchase of investment securities	(2,702)	-
Proceeds from refund of investment securities.....	915	1,452
Net cash used in investing activities	(18,454,589)	(375,149)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable.....	7,400,000	-
Repayments of long-term loans payable.....	(2,000,000)	-
Proceeds from issuance of investment corporation bonds	2,000,000	-
Payments of investment corporation bonds issuance costs	(16,116)	(3,618)
Proceeds from issuance of investment units	7,055,994	-
Payments for investment units issuance expenses	(157,445)	-
Dividends paid.....	(2,509,961)	(2,750,748)
Other.....	(959)	(995)
Net cash provided by (used in) financing activities	11,771,511	(2,755,361)
Net change in cash and cash equivalents	(3,169,590)	1,490,436
Cash and cash equivalents at beginning of period.....	9,653,706	6,484,115
Cash and cash equivalents at end of period ⁽ⁱⁱ⁾	6,484,115	7,974,552

Note:

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

(Thousands of yen)

	As of	
	June 30, 2014	December 31, 2014
Cash and bank deposits	3,431,240	5,229,854
Cash and bank deposits in trust	3,052,874	2,744,697
Cash and cash equivalents	6,484,115	7,974,552