

**Industrial & Infrastructure Fund Investment Corporation**

**17<sup>th</sup> Period Asset Management Report**

**(Semi-Annual Report)**

July 1, 2015 – December 31, 2015

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, 2015 (the 17<sup>th</sup> Period).

With regard to external growth, six properties acquired during the previous period were in full-period operation and IIF acquired IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) as a result of continued efforts on IIF's proprietary CRE solution proposal. IIF holds 43 properties, which is worth 204.5 billion yen in acquisition price as of the end of the 17<sup>th</sup> Period.

With respect to internal growth, IIF continues to promote the 3C Management Cycle\* which aims for internal growth through long-term stable management coupled with enhanced profitability and asset value by providing value to its tenants. At IIF Nishinomiya Logistics Center, IIF carried out internal growth measures by means of its first extension project, thereby securing an additional revenue stream while improving upon stability through long-term contracts. The initiative also provides development profit (unrealized gains) while minimizing risk. At IIF Noda Logistics Center, IIF was successful in concluding new lease contracts with its existing tenant and a new tenant without having any vacancy period in its effort of maintaining stable profit by securing long-term lease contracts. As part of efforts to promote the 3C Management Cycle, IIF is continuously working on initiatives relating to sustainability. One such effort consists of LED installation projects that take place at many of IIF properties. During the 17<sup>th</sup> Period, IIF completed the first phase of construction at IIF Haneda Airport Maintenance Center. As a result of such continuous efforts on sustainability, for the third consecutive year, IIF was designated as "Green Star", the highest rating of all categories in 2015 GRESB (Global Real Estate Sustainability Benchmark) Survey.

Finally, with respect to finance strategy, in order to further improve the long-term financial stability of IIF, IIF concluded a long-term commitment line agreement to secure funding flexibility and enhanced the stability of IIF's financial standing.

As a result of the above measures, distribution per unit increased by 6.0% to 9,324 yen from the previous period. The increase in distribution per unit has been continuing for ten consecutive periods from the 8<sup>th</sup> fiscal period and we expect to achieve further growth in the 18<sup>th</sup> fiscal period.

IIF will continue to aim for maximization of unitholder value by securing stable profits and by enhancing the value of quality assets in the portfolio. Moreover, sharing sustainability policy with its asset manager, IIF will work on sustainability measures such as installation of environmentally friendly facilities and monitoring of energy consumption. Together with the asset manager, Mitsubishi Corp.-UBS Realty Inc., we look forward to your continued support.

\* The 3C Management Cycle is a method of portfolio management that aims to determine tenants' true needs through close communication (Communicate), propose customized solutions to tenants' individual needs (Customize), and create value by providing solutions to tenants' needs and unitholder value through long-term stable management coupled with enhanced profitability and asset value (Create).

**Yasuyuki Kuratsu**  
Executive Director  
Industrial & Infrastructure Fund Investment Corporation

## Topics of the 17<sup>th</sup> Period

- Acquired IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) through continuous efforts on CRE solution proposals
- Completed phase one of the LED lighting installation project at IIF Haneda Airport Maintenance Center and increased the property's earning capacity as the result of an arrangement to collect 50% of the reduced costs for electricity usage
- Concluded lease agreements at IIF Noda Logistics Center with its existing tenant and a new tenant, realizing a stable, long-term revenue base
- Concluded a long-term commitment line agreement; together with the maximum borrowing amount set for the existing commitment-type term loan contract, IIF secured funding flexibility with total maximum borrowing amount of 20 billion yen
- For the third consecutive year, received the highest rating in GRESB, the "Green Star". This is a benchmark that assesses considerations with respect to sustainability on the part of real estate companies and asset managers

## Highlight of the 17<sup>th</sup> Period

	The 14 <sup>th</sup> period	The 15 <sup>th</sup> period	The 16 <sup>th</sup> period	The 17 <sup>th</sup> period	The 18 <sup>th</sup> period (forecast)
Operating Revenue (million yen)	6,576	6,775	7,357	<b>7,788</b>	7,958
Net Income (million yen)	2,750	2,799	3,101	<b>3,287</b>	3,367
Total Asset (million yen)	190,840	190,852	214,877	<b>215,694</b>	—
Distribution per Unit (yen)*	16,617 (8,308)	16,911 (8,455)	8,796	<b>9,324</b>	9,550
Net Asset Value per Unit (yen)*	495,397 (247,698)	495,381 (247,690)	265,703	<b>266,100</b>	—

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

# IIF Focus

## Summary of the 17<sup>th</sup> Period (Fiscal Period Ended December 31, 2015)

During the 17<sup>th</sup> Period, operating revenue increased by 431 million yen to 7,788 million yen and net income increased by 186 million yen to 3,287 million yen from the previous period. As a result, distribution per unit increased by 528 yen (6.0%) to 9,324 yen from the previous period, and the tenth consecutive periods of increase was achieved. NAV (Net Asset Value) per unit\* increased steadily from 340,527 yen in the previous period to 353,799 yen as of the end of the 17<sup>th</sup> Period.

IIF had a total of 43 properties worth 204.5 billion yen in acquisition price under management as of the end of December 2015, with a total leasable area of 924,582.32 m<sup>2</sup>, an occupancy rate of 99.7% and an average remaining lease term of 8.5 years. Such long-term lease agreements have generated stable cash flow for the period.

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

## Strength and Characteristics of IIF's External Growth

During the 17<sup>th</sup> Period, IIF acquired IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) in November 2015 through a privately negotiated deal based on IIF's proprietary CRE proposals. IIF determined that this property is not only highly profitable, but also excellent in terms of continuity and versatility.

IIF acquired the property through a privately negotiated deal, precisely capturing both the needs of AIR LIQUIDE Japan Ltd., the seller, to sell and of J Cylinder Service Co., Ltd., an affiliate of ITOCHU Corporation to develop a core facility as an integrated operating site. IIF invited J Cylinder Service as the new tenant. A stable cash flow has been secured by virtue of its location within an industrial park in the Tokyo metropolitan area that offers highly versatile features, such as a midsize/shaped/corner plot and a lease contract term of 30 years (early cancellation not permitted for the first 12 years). Even assuming the time of expiration of the contract, continuous asset management may prove to be promising, given that the property is located in the vicinity of a highly versatile area for industrial properties with a concentration of logistics centers and midsize manufacturing facilities, as an important point of traffic where a number of roads meet. In addition to that, the site scale of the property itself offers the versatility of a possible conversion to logistics/midsize manufacturing facilities, etc.

Through such continuous CRE proposals, IIF will continue to focus on the acquisition of manufacturing and R&D, and other non-logistics facilities and infrastructure facilities characterized by less competition for asset acquisition held by private sectors for which the liquidity is expected to be improved, and promote the acquisition of select assets while avoiding competition.

## Initiatives of IIF for Internal Growth

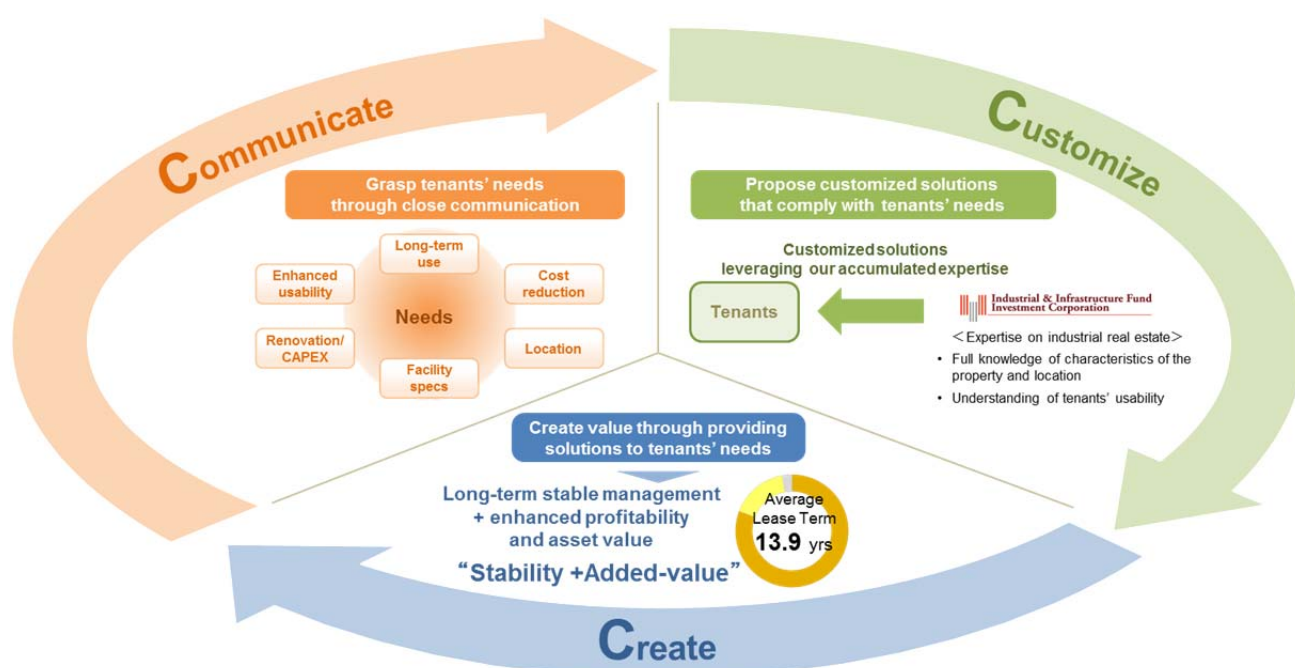
IIF promotes the 3C Management Cycle which aims for internal growth through long-term stable management coupled with enhanced profitability and asset value by providing value to its tenants.

During the 17<sup>th</sup> Period, IIF started its efforts toward internal growth through its first extension project at IIF Nishinomiya Logistics Center, one of the properties it owns, while utilizing this 3C Management Cycle method. IIF adopts a scheme that provides development profit (unrealized gains) while minimizing risk by extending a new logistics facility within the site of property owned, and by additionally acquiring the extended building after completion to lend to

the tenant of the existing building. In relation to this case, IIF concluded a twenty-year fixed-term building lease reservation contract. In addition, the lease term of the existing building has been extended. Thus, IIF is striving to improve the stability relating thereto by concluding a long-term contract.

As for IIF Noda Logistics Center, IIF renewed and concluded a contract with the existing tenant prior to the expiration of the fixed-term building lease contract in April 2016. It then invited a new tenant. IIF has improved profitability by securing an appropriate rent level without having any periods of vacancy, and achieved the securing of stability by means of concluding a five-year fixed-term building lease contract.

In October 2015, the master lessee and property management company of IIF Osaka Toyonaka Data Center was changed to MID Property Management Co., Ltd. Based on the track records for property management services in various asset categories, (including industrial properties) and based on the company's enthusiasm, IIF determined that the efficiency of management services and service level for this facility can be expected to improve.



## Financial Initiatives of IIF

IIF is procuring long-term fixed interest rate borrowings in line with long-term stable assets based on the ALM (Asset Liability Management) strategy used to build a stable balance sheet. The ratios of long-term and fixed interest rate borrowings are maintained at 100%, with the average remaining borrowing period of 5.1 years.

During the 17<sup>th</sup> Period, IIF concluded a new long-term commitment line of credit with a maximum borrowing amount of 10 billion yen for a period of three years starting from July 1, 2015 in preparation for future changes in financial environments. Together with the existing commitment-type term loan contract (maximum borrowing amount of 10 billion yen), a total maximum borrowing amount of 20 billion yen has been secured. Utilizing such financing measures, IIF has secured a certain level of liquidity relative to increases in asset size, thereby further strengthening the stability of its financial standing.

## **Prospect for the 18th Period (Fiscal Period Ending June 30, 2016) and Future Management Policies**

In terms of the outlook for the 18<sup>th</sup> period, in light of expected acquisition of one property under the category of “logistics facilities” and two properties\* under the category of “manufacturing and R&D, and other non-logistics facilities”, IIF projects that it will achieve an operating revenue of 7,958 million yen and a net income of 3,367 million yen. Moreover, distribution per unit is expected to increase for the eleventh consecutive period to 9,550 yen.

In terms of general conditions of the market surrounding logistics facilities, asking rent for new properties has risen, whereas tenants still maintain high awareness in relation to cost. Hence, contracted rent remains stable. In the future, it is expected that a large number of logistics facilities will be supplied within the Tokyo metropolitan area. However, IIF structures its portfolio with a focus on long-term contracts with tenants, and therefore determines that stable management will continue to be promising.

As for logistics facilities for which IIF has proceeded with prior investment since its listing, unrealized gain has increased remarkably as a result of improvements in liquidity. IIF will enjoy a first-mover advantage in the future by making a prior investment also in manufacturing and R&D, and other non-logistics facilities and infrastructure facilities ahead of other competitors, with an aim to gain a long-term competitive advantage. IIF will avoid overheated real estate acquisition competition, and develop new sectors or categories characterized by less competition that are not targeted by other J-REITs. This will be done with the company’s unique CRE proposal-based business model.

IIF received a notice from a tenant at IIF Shinonome R&D Center dated as of January 18, 2016 for the termination of the contract on September 30, 2016. This will have no impact on the results of operations for the fiscal period ending June 30, 2016. IIF has started leasing activities based on the characteristics of the location of and facilities at this property, and IIF is also going to work on maintaining and improving the profitability of its whole portfolio while taking into account multiple options, such as review of salability and the replacing of assets in light of current market conditions.

\* One of the two property acquisitions is an acquisition of 0.3% co-ownership interest in real estate trust beneficiary rights.

## **Received "Best IR Award for Small and Mid-cap Companies"**

The Asset Manager received the "Best IR Award for Small and Mid-cap Companies" from the Japan Investor Relations Association in November 2015. This system recognizes companies which have been highly accredited in the investment community for their understanding and promotion of IR activities. Its IR activities were highly acclaimed as consistently excellent, including its unique approaches to raise its profile and proactivity in terms of information disclosure. We will continue to pursue high quality IR activities and thereby proactively further promote information provision to investors.

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

# IIF's Sustainability Management

## 3C Management Cycle: Installation of LED Lighting

IIF is moving forward with the installation of LED lighting in phases at IIF Haneda Airport Maintenance Center for a total floor area of 81,995.81m<sup>2</sup> for two maintenance centers and at an office building. The first phase of construction was completed in December 2015, and the second phase of construction is scheduled to commence in the second half of 2016.

### Communicate

#### Grasp tenant's needs through close communication

- Securing of a certain level of lighting for various operations within the facilities
- Response to energy saving required by ordinances and social demand as well as cost reduction

### Customize

#### Customized proposals to meet individual needs

- Proposal of a cost reduction scheme via installation of LED lighting
- Development of construction plan that will not interfere with tenant services

### Create

#### Create value by providing solutions to tenants' needs

- Reduction of environmental impact
- Improvement of functionality of lighting facility
- Revenue growth (receiving the amount equivalent to 50% of the reduced energy cost)



IIF Haneda Airport Maintenance Center



Securing illuminance for aircraft maintenance work

## Environmental Certification: Designated GRESB "Green Star" for the third consecutive year

For the third consecutive year, IIF was designated as "Green Star," the highest rating of the four categories in the GRESB Survey in 2015. IIF was highly evaluated especially in the aspects of "Management" and "Policy and Disclosure".

### Highly Evaluated Points

- Measurement and management of the energy consumption of all property holdings
- Establishment of the sustainability policy
- Acquired BELS (Building Energy-efficiency Labeling System) certification
- Acquired "DBJ Green Building" certification
- Proactive disclosure such as website renewal

### GRESB

GRESB is an organization established in 2009 which undertakes an annual survey that assesses environmental, social and governance factors in the real estate sector. The GRESB Survey does not target individual pieces of real estate, but evaluates the efforts of real estate companies and funds for sustainability. The survey is closely watched, as institutional investors use the GRESB Survey when they select investment targets.



## Environmental Initiative: Montreal Carbon Pledge

The Asset Manager has been conducting its management with due consideration to environmental and social responsibility. It became the first J-REIT asset management company to sign the "Montreal Carbon Pledge" on September 30, 2015.

IIF will continue work on the reduction of environmental impact for a sustainable society and initiatives as a signatory will include website disclosure of the amount of CO<sub>2</sub> emission.

### Montreal Carbon Pledge

Montreal Carbon Pledge was launched on September 25, 2014 at PRI in Person in Montreal, and is supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). The Montreal Carbon Pledge commits investors to measure, disclose and reduce their carbon footprints.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>
As of /for the six months ended			December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Operating revenues	Note 1	(Millions of yen)	6,037	6,576	6,775	7,357	7,788
(Rental revenues)	Note 1	(Millions of yen)	(6,037)	(6,575)	(6,775)	(7,356)	(7,788)
Operating expenses	Note 1	(Millions of yen)	2,728	2,936	3,071	3,320	3,511
(Rental expenses)	Note 1	(Millions of yen)	(2,100)	(2,259)	(2,371)	(2,578)	(2,736)
Operating income		(Millions of yen)	3,308	3,640	3,704	4,036	4,277
Ordinary income		(Millions of yen)	2,510	2,733	2,800	3,102	3,288
Net income	(a)	(Millions of yen)	2,509	2,750	2,799	3,101	3,287
Net assets	(b)	(Millions of yen)	74,827	82,004	82,001	93,677	93,817
(Period-on-period change)		(%)	(-0.0)	(+9.6)	(-0.0)	(14.2)	(0.1)
Total assets	(c)	(Millions of yen)	175,150	190,840	190,852	214,877	215,694
(Period-on-period change)		(%)	(-0.0)	(+9.0)	(0.0)	(12.6)	(0.4)
Unitholders' capital		(Millions of yen)	72,437	79,493	79,493	90,823	90,823
(Period-on-period change)		(%)	(0.0)	(+9.7)	(0.0)	(14.3)	(0.0)
Number of units issued and outstanding	(d)	(Units)	156,432	165,532	165,532	352,564	352,564
Net asset value per unit	Note 3 (b)/(d)	(Yen)	478,341	495,397	247,690	265,703	266,100
Total distributions	(e)	(Millions of yen)	2,509	2,750	2,799	3,101	3,287
Distribution per unit	(e)/(d)	(Yen)	16,043	16,617	16,911	8,796	9,324
(Profit distribution per unit)		(Yen)	(16,043)	(16,617)	(16,911)	(8,796)	(9,324)
(Distribution per unit in excess of profit)		(Yen)	(—)	(—)	(—)	(—)	(—)
Ratio of ordinary income to total assets	Note 4	(%)	1.4 (2.8)	1.5 (3.0)	1.5 (2.9)	1.5 (3.1)	1.5 (3.0)
Return on unitholders' equity	Note 4	(%)	3.4 (6.7)	3.5 (7.1)	3.4 (6.8)	3.5 (7.1)	3.5 (7.0)
Ratio of net assets to total assets	(b)/(c)	(%)	42.7	43.0	43.0	43.6	43.5
(Period-on-period change)			(-0.0)	(+0.3)	(-0.0)	(0.6)	(-0.1)
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)	4,800	5,272	5,400	5,825	6,125
Net profit margin	Note 4	(%)	41.6	41.8	41.3	42.2	42.2
Debt service coverage ratio	Note 4	(Multiple)	7.1	6.9	6.9	7.2	7.2
Funds from operation (FFO) per unit	Note 4	(Yen)	21,561	22,389	22,929	11,765	12,370
FFO multiples	Note 4	(Multiple)	20.5	20.1	24.4	23.3	23.5
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	15,229	16,387	16,603	8,671	9,091
FFO per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	20,747	22,159	22,621	11,640	12,137

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 asset value per unit for 15<sup>th</sup> 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 13<sup>th</sup>, 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup> and 17<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income / Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income / Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income / Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of investment corporation bonds issuance costs, amortization of investment 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 Trust and Investment Corporation” (hereinafter referred to as “Investment Trust Law”) and became listed on the J-REIT market of the Tokyo Stock Exchange on October 18, 2007 (ticker code: 3249). Based on the principle of aiming to “invest in social infrastructure as a source of power for the Japanese economy and support Japan’s industrial activities from a perspective of real estate,” IIF invests and manages logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities as the only listed J-REIT specializing in industrial properties.

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. IIF owned 43 properties whose total acquisition price amounted to 204,529 million yen as of December 31, 2015.

### (2) Investment environment and management performance

The Japanese economy maintained a modest recovery during the period (July-December 2015) despite the negative impact of the unstable global economy. The gross domestic product (GDP), which turned negative for the first time in three quarters in the April-June 2015 quarter, returned to positive territory in the July-September quarter. While it is at somewhat of a standstill, the economy has maintained a modest recovery. The stock market in Japan started on a downward trend due partly to the sovereign debt crisis in Greece and the plunge in the Chinese stock market since the second half of June. Although the market rebounded in July, it fell sharply following the global market turmoil and subsequent plunge caused by three-day renminbi devaluation in August by the People’s Bank of China (the central bank). The market has shown signs of moderating since mid-September and is picking up gradually. In December, the Federal Open Market Committee (FOMC) increased the federal funds rate for the first time since June 2006 based on the robust outlook for the US economy. While modest growth is expected to continue mainly in developed countries, there are concerns over unstable market conditions due partly to the economic slowdown in emerging countries including China.

While the J-REIT market dropped temporarily to about 1,500 points due partly to the aforementioned plunge in the Chinese stock market and the sovereign debt crisis in Greece since the second half of June as well as the devaluation of Chinese renminbi in mid-August, it recovered to about 1,700 points through the end of December. Meanwhile, the amount of equity finance by J-REITs including new listings reached 760 billion yen between January and December 2015, continuing to be active, as is the case with last year.

Given such an environment, IIF has continued to pursue property-sourcing activities based on a Corporate Real Estate (CRE) proposal, an approach with which IIF has strengths. In November 2015, IIF acquired IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) for an acquisition price of 690 million yen. In December 2015, IIF decided to acquire IIF Fukuoka Higashi Logistics Center for an acquisition price of 1,860 million yen (acquisition completed on January 18, 2016).

As a result, the properties IIF owned as of December 31, 2015 consisted of 27 logistics facilities, nine infrastructure facilities and seven manufacturing, R&D and other facilities, whose total acquisition price amounted to 204,529 million yen. The total leasable area as of December 31, 2015 was 924,582.32 m<sup>2</sup>, and the average occupancy rate was 99.7%.

### (3) Funding

#### a) Debt Financing

IIF did not raise funds through debt financing during the current period. As of December 31, 2015, our total interest bearing debt was 108,200 million yen, which was comprised of 96,200 million yen in long-term loans payable in the form of borrowings (including long-term loans to be repaid within one year) and 12,000 million yen in investment corporation bonds (including investment corporation bond to be redeemed within one year).

b) 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 7,788 million yen, operating income of 4,277 million yen, ordinary income of 3,288 million yen and net income of 3,287 million yen for the current period. For distributions, IIF includes 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). As a result, the distribution per unit for the period is 9,324 yen.

### 3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 2015. 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
January 1, 2015	Unit Split	165,532	331,064	—	79,493	Note 12
March 16, 2015	Public offering	20,988	352,052	11,059	90,553	Note 13
March 27, 2015	Allocation of investment units to a third party	512	352,564	269	90,823	Note 14

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 The Investment Corporation implemented a split of its investment units on a two-for-one basis with December 31, 2014 as the record date and January 1, 2015 as the effective date for the Unit Split.

Note 13 New investment units were issued at a price of ¥546,000 per unit (subscription price of ¥526,960 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 14 New investment units were issued at a price of ¥526,960 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 15 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	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>
As of /for the six months ended	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Highest price	995,000	949,000	(Note 1) 1,116,000 (Note 2) 558,000	620,000	585,000
Lowest price	834,000	805,000	(Note 1) 878,000 (Note 2) 540,000	541,000	445,000
Closing price at end of period	877,000	907,000	(Note 2) 555,000	553,000	576,000

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, 2015 amounted to ¥9,324.

Fiscal period	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>
As of /for the six months ended	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Net income (Thousands of yen)	2,509,593	2,750,710	2,799,330	3,101,182	3,287,384
Retained earnings carried forward (Thousands of yen)	20	85	104	134	212
Total cash distributions (Thousands of yen)	2,509,638	2,750,645	2,799,311	3,101,152	3,287,306
(Cash distribution per unit) (Yen)	(16,043)	(16,617)	(16,911)	(8,796)	(9,324)
Profit distributions (Thousands of yen)	2,509,638	2,750,645	2,799,311	3,101,152	3,287,306
(Profit distribution per unit) (Yen)	(16,043)	(16,617)	(16,911)	(8,796)	(9,324)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)
Refunds from allowance for temporary difference adjustment (Thousands of yen)	-	-	-	-	-
(Refunds from allowance for temporary difference adjustment per unit) (Yen)	(-)	(-)	(-)	(-)	(-)
Refunds from deduction from unitholders' capital under the tax law in Japan (Thousands of yen)	-	-	-	-	-
(Refunds from deduction from unitholders' capital per unit under the tax law in Japan) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and issues

### (1) Outlook for the overall management

Close attention must be paid to a risk of downward pressure on the global economy from concerns over a slowdown in the Chinese economy and overseas economic conditions as well as changes in the financial and capital markets. Amid continued improvement in the employment and income environment, the Japanese economy is projected to recover at a gradual pace, reflecting such factors as the effects of various government policies.

In the real estate market, the investment environment for properties in Japan continues to improve on the strength of the financing ease and a bottoming out of the rental market. Especially for logistics facilities, vacancy rates are continuing to be low 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 growth in e-commerce. 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 R&D facilities, key facilities are likely to continue to be maintained and new facilities are to be 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 solved and management policy going forward

Under the situation 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 expand the portfolio through acquisition of prime properties, leveraging its unique strengths as the only listed J-REIT specializing in industrial properties, creating a flexible 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, 2015, the portfolio owned by IIF consisted of 43 properties for a total acquisition price of 204,529 million yen.

The average occupancy rate currently stands at 99.7%. The properties are managed under long-term lease contracts with an average remaining lease period of 8.5 years, generating stable cash flows.

IIF continues to conduct "3C Management Cycle" portfolio management in order to achieve internal growth; that is to realize long-term stable management and enhanced profitability and asset value by providing value to tenants. "3C Management Cycle" is a portfolio management method of (i) grasping tenants' true needs through close communication (Communicate); (ii) strategically making custom-made proposals to meet

tenants' individual needs (Customize); and (iii) creating unitholder value through long-term stable management coupled with enhanced profitability and asset value (Create). As a result of such efforts, IIF started its first extension project at IIF Nishinomiya Logistics Center in September 2015, and in an effort to implement environmental and energy-saving measures and improve energy use efficiency, IIF started installation of LED lightings at IIF Haneda Airport Maintenance Center and received the amount equivalent to 50% of the reduced electricity costs from its tenant, which resulted to improve portfolio income.

As such, IIF will work to maintain the quality of its portfolio and further improve profitability through efforts based on 3C Management Cycle and by implementing the required management tasks to maintain and improve the functionality, safety and comfort 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 cancellations.

### iii Financial strategy

In consideration of how IIF's portfolio generates "long-term 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.



# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>
As of	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Number of units authorized (Units)	4,000,000	4,000,000	4,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	156,432	165,532	165,532	352,564	352,564
Number of unitholders (People)	4,100	4,503	4,226	5,160	4,804

## 2. Unitholders

Major unitholders as of December 31, 2015 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	62,805	17.81
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	49,645	14.08
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	30,995	8.79
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	14,808	4.20
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	11,907	3.37
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	7,774	2.20
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	6,400	1.81
The Juyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	5,558	1.57
Development Bank of Japan Inc.	9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	1.41
The Chukyo Bank, Ltd.	33-13, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi	4,606	1.30
Total		199,498	56.58

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, 2015 (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) 12,250

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.

#### (3) Administrative order suspending independent auditor from operation

- (i) Subject of the administrative order: Ernst & Young ShinNihon LLC (the “Firm”)
- (ii) Content of the administrative order: Suspending the Firm from accepting new engagements for three months from January 1, 2016 to March 31, 2016
- (iii) Reason of the administrative order: The Firm and seven certified public accountants of the Firm had, in negligence of due care, attested the financial statements of TOSHIBA CORPORATION for fiscal years that ended March 31, 2010, 2012 and 2013 containing material misstatements as if the statements contained no material misstatements and the Firm’s operations are significantly inappropriate.

#### 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, 2015		As of December 31, 2015	
				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	11,794	5.5	11,757	5.5
			Osaka and Nagoya metropolitan areas	4,538	2.1	4,562	2.1
			Other area	907	0.4	907	0.4
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	44,723	20.8	45,310	21.0
			Osaka and Nagoya metropolitan areas	1,998	0.9	1,998	0.9
			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	80,025	37.3	79,719	37.0
			Osaka and Nagoya metropolitan areas	16,636	7.7	16,572	7.7
			Other area	3,546	1.7	3,521	1.6
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	2,175	1.0	2,160	1.0
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,822	6.0	12,788	5.9
			Osaka and Nagoya metropolitan areas	23,830	11.1	23,704	11.0
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				202,998	94.5	203,003	94.1
Bank deposits and other assets				11,878	5.5	12,691	5.9
Total assets				214,877	100.0	215,694	100.0

Note 1 "Location category" is classified as bellow.

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

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

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

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

## 2. Major property

The principal properties (top ten properties in net book value) as of December 31, 2015 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	39,403	81,995.81	81,995.81	100.0	17.4	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,772	11,292.79	11,292.79	100.0	4.2	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,154	27,493.29	27,493.29	100.0	5.1	Logistics facility
IIF Mitaka Card Center	9,211	21,615.01	21,615.01	100.0	4.7	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center (Note 5)	9,060	17,045.30	17,045.30	100.0	—	Manufacturing and R&D facility, etc.
IIF Shinagawa IT Solution Center (Note 5)	7,494	7,089.62	5,394.62	76.1	—	Infrastructure facility
IIF Kamata R&D Center (Note 5)	7,436	21,896.56	21,896.56	100.0	—	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center (Note 5)	5,925	33,243.99	33,243.99	100.0	—	Logistics facility
IIF Osaka Toyonaka Data Center (Note 5)	5,660	20,027.14	20,027.14	100.0	—	Infrastructure facility
IIF Noda Logistics Center (Note 5)	5,609	38,828.10	38,828.10	100.0	—	Logistics facility
Total	119,730	280,527.61	278,832.61	99.4	55.1	

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, 2015 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	16,536	13,154
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	8,350	5,609
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,710	5,222
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,160	1,681
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,610	1,849
IIF Nishinomiya Logistics Center	2, Nishinomiya 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,740	1,199
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,430	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,190	4,656
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,800	3,279
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	3,080	2,349
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	2,030	1,506
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,400	1,169
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,940	2,350
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	3,860	2,043
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,670	5,270
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	3,040	2,431
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,660	1,860
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	4,660	3,549
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	3,980	3,211
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,830	1,563
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,230	1,058
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,160	597
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,240	3,521
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	39, Nagisa-cho, Izumiotsu-shi, Osaka, etc.	Trust beneficial interest	48,932.00	4,310	4,176

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,020	962
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	6,700	5,925
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka, etc.	Real property	30,815.97	957	907
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	5,240	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,340	1,164
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,950	9,211
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	12,100	9,060
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,320	7,436
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,900	2,186
IIF Sagami-hara R&D Center	41-1, Minamihashimoto 3-chome, Chuo-ku, Sagami-hara-shi, Kanagawa	Trust beneficial interest	14,304.37	3,570	3,257
IIF Kobe District Heating and Cooling Center	77-1, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,292.79	14,700	16,772
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,100	39,403
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,293
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,890	5,179
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	5,990	5,660
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,330	1,271
IIF Nagoya Port Tank Terminal (land with leasehold interest)	37-31, Shiomi-cho, Minato-ku, Nagoya-shi, Aichi	Real property	51,583.70	2,250	1,998
IIF Shinagawa IT Solution Center	31-18, Nishi-Gotanda 4-chome, Shinagawa-ku, Tokyo	Trust beneficial interest	7,089.62	7,660	7,494
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	744	727
Total (Note 6)			924,582.32	236,917	203,003

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 Shinshu 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 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 With respect to IIF Narashino Logistics Center II, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, "Leasable area" of the property shows total of the leasable area of the leased land (58,070.00 m<sup>2</sup>) and that of the building on the leased land (25,835.16 m<sup>2</sup>).

Note 6 "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, 2015 and December 31, 2015 were as follows:

Name of property	For the six months ended							
	June 30, 2015				December 31, 2015			
	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	5.4	1	100.0	400	5.1
IIF Noda Logistics Center (Note 3)	2	100.0	—	—	2	100.0	—	—
IIF Shinsuna Logistics Center	1	100.0	173	2.4	1	100.0	173	2.2
IIF Atsugi Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Koshigaya Logistics Center	1	100.0	75	1.0	1	100.0	75	1.0
IIF Nishinomiya Logistics Center	1	100.0	60	0.8	1	100.0	60	0.8
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	0.9	1	100.0	66	0.9
IIF Nagoya Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
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	—	—	2	96.2	—	—
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	—	—
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 Izumiotsu e-shop Logistics Center (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Izumisano Food Processing and Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—



Name of property	For the six months ended							
	June 30, 2015				December 31, 2015			
	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 Kyotanabe Logistics Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	2.1	1	100.0	154	2.0
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	0.8	1	100.0	58	0.8
IIF Mitaka Card Center	1	100.0	364	5.0	1	100.0	364	4.7
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 Sagamihara R&D Center (Note 3)	7	100.0	—	—	6	98.8	—	—
IIF Kobe District Heating and Cooling Center	2	100.0	330	4.5	3	100.0	330	4.2
IIF Haneda Airport Maintenance Center	1	100.0	1,348	18.3	1	100.0	1,351	17.4
IIF Zama IT Solution Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Shinagawa Data Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Osaka Toyonaka Data Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Osaka Nanko IT Solution Center (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Nagoya Port Tank Terminal (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Shinagawa IT Solution Center (Note 3)	5	82.5	—	—	5	76.1	—	—
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) (Note 3)	—	—	—	—	1	100.0	—	—
Total (Notes 4 and 6)	58	99.8	7,356	100.0	58	99.7	7,788	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 With respect to IIF Narashino Logistics Center II, 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” 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

Not applicable.

#### 5. Details of renewable electrical energy equipments

Not applicable.

#### 6. Details of right to operate public facilities

Not applicable.

#### 7. Details of specified transaction

The details of specified transaction as of December 31, 2015 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)	75,800	73,800	(1,916)
Total		75,800	73,800	(1,916)

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.

#### 8. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property." There was no other significant specified asset as of December 31, 2015.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant improvement plan for capital expenditures on property as of December 31, 2015 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, 2015	Total of advanced payment
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of earth leakage breakers	May 2016	28	—	—
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall	May 2016	25	—	—
IIF Higashi-Osaka Logistics Center	Higashi Osaka-shi, Osaka	Renewal of vertical conveyance machine	February 2016	9	—	—

### 2. Capital expenditures for the six months ended December 31, 2015

Maintenance expenditures on property for the six months ended December 31, 2015 were totaling to ¥350 million consisting of ¥285 million of capital expenditures stated as below and ¥65 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal construction of kitchen equipment	November 2015 to December 2015	39
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of LED lighting equipment	October 2015 to December 2015	38
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Renewal of VCB	November 2015	28
IIF Osaka Toyonaka Data Center	Toyonaka-shi, Osaka	Renewal of air conditioning system at DC area	December 2015	20
Other	—	—	—	159
Total				285

### 3. Reserved funds for long-term maintenance plan

The Investment Corporation had 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)				
	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>
As of /for the six months ended	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Reserved funds at beginning of period	1,000	1,141	1,205	1,251	1,385
Increase	435	458	460	486	—
Decrease	294	394	414	351	1,385
Reserved funds at end of period	1,141	1,205	1,251	1,385	—

Note The funds is not reserved from the six months ended 31, 2015.

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	16 <sup>th</sup>	17 <sup>th</sup>
Item	For the six months ended June 30, 2015	For the six months ended December 31, 2015
(a) Asset management fees	626,217	651,166
(b) Asset custody fees	6,536	6,651
(c) Administrative service fees	31,654	32,398
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	71,745	78,607
Total	741,974	774,644

### 2. Loans payable

Loans payable as of December 31, 2015 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 2015 (Millions of yen)	December 31, 2015 (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 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 3)	March 9, 2018	Lump sum (Note 4)	Notes 5 and 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,950	2,950					
	Sumitomo Mitsui Trust Bank, Limited		2,350	2,350					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	August 31, 2011	2,000	2,000	1.2 (Note 3)	August 31, 2016	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	2,823	2,823	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,603	2,603					
	Sumitomo Mitsui Trust Bank, Limited		2,074	2,074					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	1,500	1,500	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			June 30 2015 (Millions of yen)	December 31, 2015 (Millions of yen)					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 3)	June 30, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 3)	June 30, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 3)	June 30, 2020	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Resona Bank, Limited.		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 18, 2013	3,900	3,900	1.4 (Note 3)	October 18, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 3)	December 29, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	700	700	1.3	August 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 3)	February 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	500	500	1.0 (Note 3)	August 5, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	451	451	0.9 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	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 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	376	376	1.7 (Note 3)	March 13, 2026	Lump sum (Note 4)	Note 6	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 3)	March 13, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		556	556					
	Sumitomo Mitsui Trust Bank, Limited		441	441					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,350	1,350	1.0	March 14, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,334	1,334	0.9 (Note 3)	September 13, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,235	1,235					
	Sumitomo Mitsui Trust Bank, Limited		979	979					
	The Chugoku Bank, LTD.	March 16, 2015	700	700	0.7 (Note 3)	September 15, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 6	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31,2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2015	1,500	1,500	1.0	March 31, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2015	432	432	0.9 (Note 3)	September 30, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		400	400					
	Sumitomo Mitsui Trust Bank, Limited		317	317					
Total			96,200	96,200					

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

Note 2 Long-term loans payable current portion.

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

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

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

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

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

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		June 30, 2015 (Millions of yen)	June 30, 2015 (Millions of yen)					
The 1 <sup>st</sup> Unsecured Investment Corporation Bond (Note 1)	December 27, 2012	5,000	5,000	0.56	December 27, 2016	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2 <sup>nd</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	1.40	December 27, 2022	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3 <sup>rd</sup> Unsecured Investment Corporation Bond	June 26, 2014	2,000	2,000	0.89	June 26, 2024	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		12,000	12,000					

Note 1 Investment corporation bonds redeemable within one year from December 31, 2015.

Note 2 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

Not applicable.

### 5. Investment unit warrants

Not applicable.

## Condition of investment transactions

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

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	November 13, 2015	690				
Total	—	690	—	—	—	—

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

### 2. Transactions of other assets

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

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

#### (1) Property

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	November 13, 2015	690	744	Japan Real Estate Institute	October 27, 2015

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

#### (2) Other transaction

Not applicable.

#### 4. Transactions with interested parties

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

Not applicable.

##### (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	152,020	NIKKEN CORPORATION	4,297	2.8

Note 1 "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.

Note 2 In addition to above transaction, The Investment Corporation made a payments of ¥39,261 thousand to AGP CORPORATION which was capitalized as buildings.

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

Not applicable.



## **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**

Not applicable.

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

Not applicable.

## **Outline of overseas real estate investment corporation**

### **1. Disclosure relating to overseas real estate investment corporation**

Not applicable.

### **2. Disclosure relating to property held by overseas real estate investment corporation**

Not applicable.

## 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)
January 1, 2015	(Note) 600	—	1,200
Accumulated number	1,200	—	1,200

Note The Investment Corporation implemented a split of its investment units on a two-for-one basis with January 1, 2015 as the effective date.

#### (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 8 <sup>th</sup> fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%
The 9 <sup>th</sup> fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 <sup>th</sup> fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 <sup>th</sup> fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 <sup>th</sup> fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 <sup>th</sup> fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 <sup>th</sup> fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15 <sup>th</sup> fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	0.4%
The 16 <sup>th</sup> fiscal period (January 1, 2015 to June 30, 2015)	1,200	663,600	0.3%
The 17 <sup>th</sup> fiscal period (July 1, 2015 to December 31, 2015)	1,200	691,200	0.3%

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

### 2. Notice

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended December 31, 2015 was as follows:

Approval day	Item	Summary
December 9, 2015	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.
December 9, 2015	Partial modification of general administration agreement regarding special account	Agreement of general administration regarding special accounts was partially modified and entered into with Mitsubishi UFJ Trust and Banking Corporation.

### 3. Other

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

## II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits	6,350,807	7,211,502
Cash and bank deposits in trust	3,047,778	3,177,858
Rental receivables	366,794	698,710
Prepaid expenses	298,950	348,800
Deferred tax assets	15	15
Consumption taxes refundable	366,539	-
Other	43	122
<b>Total current assets</b>	<b>10,430,930</b>	<b>11,437,009</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost	32,049,131	32,235,836
Less: Accumulated depreciation	(4,155,130)	(4,495,639)
Buildings, net	27,894,000	27,740,196
Structures, at cost	91,230	92,223
Less: Accumulated depreciation	(7,905)	(10,752)
Structures, net	83,324	81,471
Machinery and equipment, at cost	11,892	11,892
Less: Accumulated depreciation	(10,064)	(11,725)
Machinery and equipment, net	1,828	166
Tools, furniture and fixtures, at cost	10,059	10,983
Less: Accumulated depreciation	(1,361)	(1,922)
Tools, furniture and fixtures, net	8,698	9,061
Land	16,126,579	16,857,861
Construction in progress	12,766	15,377
Buildings in trust, at cost	54,614,090	54,754,015
Less: Accumulated depreciation	(6,314,097)	(7,027,124)
Buildings in trust, net	48,299,992	47,726,890
Structures in trust, at cost	459,679	461,751
Less: Accumulated depreciation	(329,635)	(343,591)
Structures in trust, net	130,043	118,160
Machinery and equipment in trust, at cost	11,006	13,202
Less: Accumulated depreciation	(1,756)	(2,383)
Machinery and equipment in trust, net	9,250	10,819
Tools, furniture and fixtures in trust, at cost	9,935	9,935
Less: Accumulated depreciation	(3,803)	(4,476)
Tools, furniture and fixtures in trust, net	6,131	5,458
Land in trust	90,590,979	90,602,846
<b>Total net property, plant and equipment</b>	<b>183,163,595</b>	<b>183,168,309</b>
<b>Intangible assets:</b>		
Leasehold rights (Note 2)	19,833,966	19,833,966
Other	1,355	1,259
<b>Total intangible assets</b>	<b>19,835,321</b>	<b>19,835,225</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits	11,696	11,878
Long-term prepaid expenses	1,110,566	1,011,609
<b>Total investments and other assets</b>	<b>1,122,263</b>	<b>1,023,488</b>
<b>Total noncurrent assets</b>	<b>204,121,180</b>	<b>204,027,023</b>
<b>Deferred assets:</b>		
Investment units issuance costs	274,137	185,174
Investment corporation bonds issuance costs	51,094	45,259
<b>Total deferred assets</b>	<b>325,231</b>	<b>230,434</b>
<b>TOTAL ASSETS</b>	<b>214,877,341</b>	<b>215,694,466</b>

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

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable	357,940	724,118
Current portion of investment corporation bonds – unsecured	—	5,000,000
Current portion of long-term loans payable	—	2,000,000
Accounts payable – other	464,889	407,527
Accrued expenses	10,799	14,248
Income taxes payable	705	737
Consumption taxes payable	—	410,749
Advances received	1,119,061	1,139,099
Other	58,213	48,446
<b>Total current liabilities</b>	<b>2,011,609</b>	<b>9,744,927</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bonds – unsecured	12,000,000	7,000,000
Long-term loans payable	96,200,000	94,200,000
Tenant leasehold and security deposits	2,254,485	2,198,484
Tenant leasehold and security deposits in trust	8,447,994	8,410,746
Derivative liabilities	247,187	293,119
Other	38,748	29,572
<b>Total noncurrent liabilities</b>	<b>119,188,415</b>	<b>112,131,922</b>
<b>TOTAL LIABILITIES</b>	<b>121,200,024</b>	<b>121,876,849</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital	90,823,217	90,823,217
Surplus:		
Retained earnings	3,101,287	3,287,518
Total surplus	3,101,287	3,287,518
<b>Total unitholders' equity</b>	<b>93,924,504</b>	<b>94,110,736</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges	(247,187)	(293,119)
<b>Total valuation and translation adjustments</b>	<b>(247,187)</b>	<b>(293,119)</b>
<b>TOTAL NET ASSETS (Note 3)</b>	<b>93,677,316</b>	<b>93,817,617</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>214,877,341</b>	<b>215,694,466</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
<b>Operating revenue</b>		
Rent revenue—real estate (Note 4)	7,356,857	7,788,664
Dividend income from investment in Tokumei Kumiai	406	—
Total operating revenue	7,357,263	7,788,664
<b>Operating expenses</b>		
Expenses related to property rental business (Note 4)	2,578,708	2,736,578
Asset management fees	626,217	651,166
Directors' compensations	5,820	5,820
Asset custody fees	6,536	6,651
Administrative service fees	31,654	32,398
Other	71,745	78,607
Total operating expenses	3,320,682	3,511,222
<b>Operating income</b>	4,036,580	4,277,442
<b>Non-operating income</b>		
Interest income	720	954
Interest on refund	—	1,918
Reversal of distribution payable	311	913
Total non-operating income	1,032	3,786
<b>Non-operating expenses</b>		
Interest expenses	624,819	661,117
Interest expenses on investment corporation bonds	57,582	58,217
Amortization of investment corporation bonds issuance costs	5,834	5,834
Borrowing related expenses	153,472	178,408
Amortization of investment units issuance costs	89,647	88,963
Other	4,139	373
Total non-operating expenses	935,496	992,914
<b>Ordinary income</b>	3,102,117	3,288,314
<b>Income before income taxes</b>	3,102,117	3,288,314
<b>Income taxes</b>		
Current	934	930
Deferred	0	(0)
Total income taxes	934	930
<b>Net income</b>	3,101,182	3,287,384
<b>Retained earnings brought forward</b>	104	134
<b>Unappropriated retained earnings</b>	3,101,287	3,287,518

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, 2015

	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, 2015	79,493,577	2,799,415	2,799,415	82,292,993	(291,573)	(291,573)	82,001,420
<u>Changes during the period</u>							
Issuance of new investment units	11,329,640	—	—	11,329,640	—	—	11,329,640
Dividends from surplus	—	(2,799,311)	(2,799,311)	(2,799,311)	—	—	(2,799,311)
Net income	—	3,101,182	3,101,182	3,101,182	—	—	3,101,182
Net changes of items other than unitholders' equity	—	—	—	—	44,385	44,385	44,385
<u>Total changes during the period</u>	<u>11,329,640</u>	<u>301,871</u>	<u>301,871</u>	<u>11,631,511</u>	<u>44,385</u>	<u>44,385</u>	<u>11,675,896</u>
Balance as of June 30, 2015	90,823,217	3,101,287	3,101,287	93,924,504	(247,187)	(247,187)	93,677,316

### For the six months ended December 31, 2015

For the six months ended December 31, 2015

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	
		Retained earnings	Total surplus				
Balance as of July 1, 2015	90,823,217	3,101,287	3,101,287	93,924,504	(247,187)	(247,187)	93,677,316
Changes during the period							
Dividends from surplus	—	(3,101,152)	(3,101,152)	(3,101,152)	—	—	(3,101,152)
Net income	—	3,287,384	3,287,384	3,287,384	—	—	3,287,384
Net changes of items other than unitholders' equity	—	—	—	—	(45,931)	(45,931)	(45,931)
Total changes during the period	—	186,231	186,231	186,231	(45,931)	(45,931)	140,300
Balance as of December 31, 2015	90,823,217	3,287,518	3,287,518	94,110,736	(293,119)	(293,119)	93,817,617

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:

	<b>For the six months ended</b>	
	<b>June 30, 2015</b>	<b>December 31, 2015</b>
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 ¥125,668 thousand and ¥489 thousand for the six months ended June 30, 2015 and December 31, 2015.

***(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, 2015	December 31, 2015
Authorized	8,000,000 units	8,000,000 units
Issued and outstanding	352,564 units	352,564 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, 2015 and December 31, 2015 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	6,947,726	7,321,343
Common area charges	377,502	415,968
Other	31,628	51,353
Total rent revenue—real estate	7,356,857	7,788,664
<b>Expenses related to property rental business:</b>		
Property management fees	35,441	39,996
Facility management fees	118,032	152,020
Utilities	358,824	414,001
Property-related taxes	576,788	604,462
Insurance	23,387	24,602
Repair and maintenance	69,817	65,603
Depreciation	1,046,949	1,073,898
Trust fees	14,247	18,642
Leasehold rents	334,773	340,624
Other	446	2,724
Total expenses related to property rental business	2,578,708	2,736,578
<b>Operating income from property leasing activities</b>	<b>4,778,149</b>	<b>5,052,086</b>

## Note 5 – Income taxes

Deferred tax assets consist of the following:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Deferred tax assets, current:		
Enterprise tax payable	15	15
Total	15	15
Net deferred tax assets, current	15	15
Deferred tax assets, noncurrent:		
Deferred losses on hedges	79,866	94,706
Subtotal	79,866	94,706
Valuation allowance	(79,866)	(94,706)
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, 2015	December 31, 2015
Statutory tax rates	34.15%	32.31%
Deductible cash distributions	(34.14)	(32.30)
Other	0.02	0.02
Effective tax rates	0.03%	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, 2015 and December 31, 2015.

(Thousands of yen)

	As of					
	June 30, 2015			December 31, 2015		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	6,350,807	6,350,807	—	7,211,502	7,211,502	—
(2) Cash and bank deposits in trust	3,047,778	3,047,778	—	3,177,858	3,177,858	—
Total assets	9,398,586	9,398,586	—	10,389,361	10,389,361	—
(1) Current portion of investment corporation bonds — unsecured	—	—	—	5,000,000	5,017,200	17,200
(2) Current portion of long-term loans payable	—	—	—	2,000,000	2,013,842	13,842
(3) Investment corporation bonds — unsecured	12,000,000	12,302,760	302,760	7,000,000	7,332,870	332,870
(4) Long-term loans payable	96,200,000	99,205,980	3,005,980	94,200,000	97,790,564	3,590,564
(5) Tenant leasehold and security deposits in trust	1,028,296	982,636	(45,659)	984,450	957,551	(26,898)
Total liabilities	109,228,296	112,491,377	3,263,081	109,184,450	113,112,027	3,927,577
Derivative (derivative liabilities), net	(247,187)	(247,187)	—	(293,119)	(293,119)	—

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

Assets

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

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

Liabilities

*(1) Current portion of investment corporation bonds — unsecured and (3) Investment corporation bonds — unsecured*

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

*(2) Current portion of long-term loans payable and (4) 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.

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

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

## Derivative instruments

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

As of June 30, 2015

(Thousands of yen)

As of June 30, 2015						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(247,187)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	70,300,000	Note (a)	-

As of December 31, 2015

(Thousands of yen)

As of December 31, 2015						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(293,119)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	68,300,000	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) Current portion of long-term loans payable and (4) 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, 2015	December 31, 2015
Tenant leasehold and security deposits	2,254,485	2,198,484
Tenant leasehold and security deposits in trust	7,419,698	7,426,296
Total liabilities	9,674,183	9,624,781

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, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	6,350,807	-	-	-	-	-
Cash and bank deposits in trust	3,047,778	-	-	-	-	-
Total	9,398,586	-	-	-	-	-

(Thousands of yen)

As of December 31, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,211,502	-	-	-	-	-
Cash and bank deposits in trust	3,177,858	-	-	-	-	-
Total	10,389,361	-	-	-	-	-

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

(Thousands of yen)

As of June 30, 2015	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	7,900,000	48,200,000
Total	-	16,000,000	25,100,000	4,000,000	7,900,000	55,200,000

(Thousands of yen)

As of December 31, 2015	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	4,000,000	48,200,000
Total	7,000,000	20,600,000	13,500,000	7,900,000	4,000,000	55,200,000

## 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, 2015 and December 31, 2015.

		(Thousands of yen)	
		As of / For the six months ended	
		June 30, 2015	December 31, 2015
<b>Net book value<sup>(i)</sup></b>			
Balance at the beginning of the period		180,996,885	202,998,583
Net increase during the period <sup>(ii)</sup>		22,001,697	4,676
Balance at the end of the period		202,998,583	203,003,259
<b>Fair value<sup>(iii)</sup></b>		232,233,000	236,917,000

Note:

(i) The net book value includes leasehold rights.

(ii) For the six months ended June 30, 2015:  
Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

Acquisitions:	IIF Sagamiyama R&D Center	Increase in net book value (Thousands of yen)
	IIF Shinagawa IT Solution Center	3,275,350
	IIF Izumitsu e-shop Logistics Center (land with leasehold interest)	7,500,181
	IIF Izumisano Food Processing and Logistics Center	4,176,535
	IIF Kyotanabe Logistics Center	933,150
	IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	5,974,099
		907,225

For the six months ended December 31, 2015:  
Changes in the net book value are mainly due to the following acquisition offset by depreciation.

Acquisition:	IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	Increase in net book value (Thousands of yen)
		727,205

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

For rental revenues and expenses for the six months ended June 30, 2015 and December 31, 2015, please refer to “Note 4 - Rent revenue—real estate and expenses related to property rental business.”

## Note 8 – Restriction on Asset Management

Not applicable.

## 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, 2015:

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	2,797,200	Long-term loans payable <sup>(i)</sup>	15,369,000
				Interest expenses <sup>(i)</sup>	85,727	—	—
				—	—	Derivative liabilities <sup>(ii)</sup>	247,187

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, 2015:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	—	—	Long-term loans payable <sup>(i)</sup>	15,369,000
				Interest expenses <sup>(i)</sup>	92,110	—	—
				—	—	Derivative liabilities <sup>(ii)</sup>	293,119

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 net asset value per unit as of June 30, 2015 and December 31, 2015 was ¥265,703 and ¥266,100, respectively. Net income per unit for the six months ended June 30, 2015 and December 31, 2015 was ¥9,021 and ¥9,324, respectively.

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

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

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
Net income	3,101,182	3,287,384
Amount not attributable to common unitholders	-	-
Net income attributable to common unit	3,101,182	3,287,384
Adjusted weighted-average number of units outstanding for the period	343,742 units	352,564 units

## Note 12 – Subsequent events

Not applicable.

## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Unappropriated retained earnings	3,101,287,169	<b>3,287,518,906</b>
Cash distribution declared	3,101,152,944	<b>3,287,306,736</b>
<i>(Cash distribution declared per unit)</i>	<i>(8,796)</i>	<i>(9,324)</i>
Retained earnings carried forward	134,225	<b>212,170</b>

### 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, 2015 and December 31, 2015 were ¥3,101,152,944 and ¥3,287,306,736, 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, 2015 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, 2015	December 31, 2015
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes.....	3,102,117	3,288,314
Depreciation and amortization.....	1,046,949	1,073,898
Amortization of investment corporation bonds issuance costs .....	5,834	5,834
Amortization of investment units issuance costs.....	89,647	88,963
Interest income.....	(720)	(954)
Interest expenses .....	682,401	719,335
Changes in assets and liabilities:		
Increase in operating accounts receivable .....	(276,552)	(331,915)
Decrease (increase) in consumption taxes refundable.....	(363,503)	363,503
Decrease (increase) in prepaid expenses .....	174,290	(49,849)
Decrease (increase) in long-term prepaid expenses .....	(66,806)	98,956
Increase in operating accounts payable .....	114,413	332,537
Increase in accounts payable – other .....	35,840	3,243
Increase (decrease) in accrued expenses .....	704	(617)
Increase (decrease) in consumption taxes payable.....	(370,092)	415,446
Increase (decrease) in advances received .....	(67,243)	20,038
Decrease in other noncurrent liabilities .....	(8,077)	(8,180)
Other, net .....	42,384	(14,643)
Subtotal .....	4,141,585	6,003,911
Interest income received .....	720	950
Interest expenses paid .....	(686,149)	(715,268)
Income taxes paid .....	(950)	(899)
Net cash provided by operating activities.....	3,455,205	5,288,694
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment .....	(1,989,843)	(884,409)
Purchases of property, plant and equipment in trust .....	(21,105,386)	(222,793)
Proceeds from tenant leasehold and security deposits.....	129,364	9,315
Payments of tenant leasehold and security deposits .....	(90)	(95,315)
Proceeds from tenant leasehold and security deposits in trust .....	819,514	33,287
Payments of tenant leasehold and security deposits in trust.....	(54,332)	(35,566)
Payments for lease and guarantee deposits .....	(181)	(181)
Proceeds from refund of investment securities.....	10,334	—
Net cash used in investing activities .....	(22,190,619)	(1,195,664)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from long-term loans payable.....	11,800,000	—
Proceeds from issuance of investment units .....	11,159,914	—
Dividends paid.....	(2,799,470)	(3,101,259)
Other.....	(995)	(995)
Net cash provided by (used in) financing activities .....	20,159,448	(3,102,255)
<b>Net change in cash and cash equivalents .....</b>	<b>1,424,034</b>	<b>990,774</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>7,974,552</b>	<b>9,398,586</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>9,398,586</b>	<b>10,389,361</b>

Note:

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

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Cash and bank deposits	6,350,807	7,211,502
Cash and bank deposits in trust	3,047,778	3,177,858
Cash and cash equivalents	9,398,586	10,389,361