

Translation

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

August 15, 2016

Name of issuer: Industrial & Infrastructure Fund Investment Corporation
("the Investment Corporation")
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3249
Website: <http://www.iif-reit.com/>
Representative of the Investment Corporation: Yasuyuki Kuratsu, Executive Director
Name of asset manager: Mitsubishi Corp.-UBS Realty Inc.
Representative of the asset manager: Toru Tsuji, President & CEO
Contact: Toshiaki Fukai, Executive officer, Head of Industrial Division
Tel: (03)5293-7091
Scheduled date for filing of securities report: September 29, 2016
Scheduled date for distributions payment: September 20, 2016
Supplementary materials for financial results: Otherwise prepared
Analyst meeting: Scheduled

(Amounts of less than one million yen are rounded down)

1. Financial results for the six months ended June 30, 2016 (January 1, 2016 to June 30, 2016)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2016	7,886	1.3	4,338	1.4	3,382	2.9	3,381	2.9
December 31, 2015	7,788	5.9	4,277	6.0	3,288	6.0	3,287	6.0

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
For the six months ended	Yen	%	%	%
June 30, 2016	9,590	3.6	1.6	42.9
December 31, 2015	9,324	3.5	1.5	42.2

(2) Distributions

	Distribution per unit (including distributions in excess of profit)	Distribution per unit (excluding distributions in excess of profit)	Distribution per unit in excess of profit	Total distributions (including distributions in excess of profit)	Total distributions (excluding distributions in excess of profit)	Total distributions in excess of profit	Payout ratio	Ratio of distributions to net assets
For the six months ended	Yen	Yen	Yen	Millions of yen	Millions of yen	Millions of yen	%	%
June 30, 2016	9,590	8,440	1,150	3,381	2,975	405	88.0	3.2
December 31, 2015	9,324	9,324	0	3,287	3,287	0	100.0	3.5

Note 1: Distribution per unit in excess of profit for the six months ended June 30, 2016 amounting to ¥1,150 consist only of allowance for temporary difference adjustments. Unitcapital refund from deduction of unitcapital under tax rules is not included.

Note 2: Payout ratio in the above table is calculated by following formula (A). Payout ratio for the six months ended June 30, 2016 calculated by following formula (B) is 100.0%.

(A) Payout ratio = Distribution per unit (excluding distributions in excess of profit) ÷ Net income per unit × 100

(B) Payout ratio = Distribution per unit (including distributions in excess of profit) ÷ Net income per unit × 100

Note 3: Ratio of distributions to net assets in the above table is calculated by following formula (A). Ratio of distributions to net assets for the six months ended June 30, 2016 calculated by following formula (B) is 3.6%.

(A) Ratio of distributions to net assets = Distribution per unit (excluding distributions in excess of profit) ÷ { (Net assets at beginning of period + Net assets at end of period) ÷ 2 } × 100

(B) Ratio of distributions to net assets = Distribution per unit (including distributions in excess of profit) ÷ { (Net assets at beginning of period + Net assets at end of period) ÷ 2 } × 100

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2016	216,639	93,799	43.3	266,048
December 31, 2015	215,694	93,817	43.5	266,100

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
For the six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2016	4,287	(6,081)	(1,688)	6,906
December 31, 2015	5,288	(1,195)	(3,102)	10,389

2. Outlook for the six months ending December 31, 2016 (July 1, 2016 to December 31, 2016)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2016	8,054	2.1	4,358	0.5	3,384	0.1	3,383	0.1

	Net income per unit	Distributions per unit (including distributions in excess of profit)	Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
For the six months ending	Yen	Yen	Yen	Yen
December 31, 2016	9,597	9,600	9,597	3

3. Others

(1) Changes in accounting policies and accounting estimates or restatements

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

Number of units issued at end of period (including treasury units):

As of June 30, 2016 352,564 units

As of December 31, 2015 352,564 units

Number of treasury units at end of period:

As of June 30, 2016 0 unit

As of December 31, 2015 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 26.

Forward-looking Statements and Other Notes

Forward-looking statements in this presentation are based on the information currently available and certain assumptions we believe reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. Furthermore, those statements do not guarantee the amount of future distributions.

For further information and assumptions regarding the forward-looking statements, please refer to "Earnings Forecast Assumptions for the 19th Period (July 1, 2016 to December 31, 2016)" on page 10-11.

1. Summary of related corporations of the Investment Corporation

There have been no significant changes to the “structure of the investment corporation” since the most recent financial report (submitted on March 24, 2016), and hence, description of these matters is omitted.

2. Management policy and results of operation

(1) Management policies

On August 15, 2016, the following changes will be made regarding “(iv) Portfolio Composition Policy” in “(1) Investment Policy,” “2. Investment Policy” under “i. Status of Fund,” “I. Information on Fund” and “(ii) Cash Distributions in Excess of Profits” in “(3) Distribution Policies” under the same in the financial report submitted on March 24, 2016:

Unless specifically mentioned, the terms defined in the financial report on March 24, 2016 will have the same meaning in this Summary of Financial Results for the Six Months Ended June 30, 2016. The underlined parts indicate changes.

Before the change:

I. Information on Fund

i. Status of Fund

2. Investment Policy

(iv) Portfolio Composition Policy

1. Target Portfolio

The Company sets the following target portfolio. Actual percentage may deviate from the target percentage on a temporary basis.

Target Portfolio		
Asset Category	Distribution Facilities and Manufacturing, research and development and other non-distribution facilities	50-80%
	Infrastructure Facilities (on appraisal price basis)	20-50%
Location Category	Urban, Suburban and Industrial-area properties	80% or more
	Other properties (on appraisal price basis)	20% or less
Lease Term	Less than 2 years	0-20%
	2 years or more and less than 10 years	20-40%
	10 years or more	40-80%
	(on rental revenue basis)	
Percentage of properties in operation shall be 80% or more of the overall portfolio. (on acquisition price basis)		

After the change:

II. Information on Fund

i. Status of Fund

2. Investment Policy

(iv) Portfolio Composition Policy

(A) Target Portfolio

The Company sets the following target portfolio. Actual percentage may deviate from the target percentage on a temporary basis.

Target Portfolio		
Asset Category	Distribution Facilities and Manufacturing, research and development and other non-distribution facilities	50-80%
	Infrastructure Facilities (on appraisal price basis)	20-50%
Location Category	Urban, Suburban and Industrial-area properties	80% or more
	Other properties (on appraisal price basis)	20% or less
Lease Term	Less than 2 years	0-20%
	2 years or more and less than 10 years	20-40%
	10 years or more	
	(on rental revenue basis)	40% or more
Percentage of properties in operation shall be 80% or more of the overall portfolio. (on appraisal price basis)		

The assets whose purpose of use has come to fall under none of the asset categories after acquisition (“Other Assets”) (Note) may be held continuously based on the risk/return characteristics of properties with such purpose of use, their ratio in the portfolio, their reusability as an industrial property, conditions of the real estate market and the status of individual investments.

In addition, the target percentage of the Other Assets shall be calculated based on the original asset categories. When the ratio of the Other Assets exceeds 10% of the entire portfolio (appraised value basis), proceedings necessary to eliminate such condition (including activities to sell properties) shall be carried out in principle unless there is a circumstance in which economic conditions, trends in the real estate trade market and various factors pertaining to individual properties have a material effect on the portfolio.

(Note) Including but not limited to cases in which the property had originally been acquired as a facility for research and development, etc. and was converted to office, etc. In addition, when the property after a change of use falls under any of the asset categories such as conversion of a factory into a distribution facility, the target percentage shall be calculated based on the asset category after the change.

(Omit)

3. Cash Distribution Policies

(ii) Cash distributions in excess of profits

In addition, IIFIC, in principle, will not make in each accounting period distribution in excess of profit continuously. In making temporary distribution in excess of profit, it shall principally be made based on the following principle and standards. In making distribution in excess of profit, distribution of profit and redemption of investments which falls under

distribution with decrease of investment capital under tax laws are separately disclosed. Furthermore, cares should be taken for matters which have impact on cash flows such as medium-to-long-term financing demands including long-term repair plans.

(A) Policy regarding Temporary Distribution in Excess of Profit

When dilution or incurrence of considerable expense in connection with the acquisition of assets or issuance of new investment units is expected and the amount of distribution per unit is likely to temporarily decrease in a certain amount, IIFIC may distribute the amount of cash determined by IIFIC as temporary distribution in excess of profit solely for the purpose of keep the level of distribution per unit.

(B) Standards of Temporary Distribution in Excess of Profit

The level of temporary distribution in excess of profit shall be up to the amount equivalent to 60% of the amount obtained by subtracting the total amount of accumulated depreciation recorded on the last day of the business period immediately preceding the corresponding business period from the total amount of accumulated depreciation recorded on the last day of the corresponding business period (Note) and shall be determined after comprehensive examination (Article 43 of the Rules on Real Estate Investment Trusts and Real Estate Investment Corporation).

(Note) Distributions of the amount equivalent to the increase of temporary differences adjustment reserve due to inconsistency between taxation and accounting such as deferred losses on hedges shall not be included.

(2) Operations

A Operations during the period

i. Major developments and management performance of IIF

IIF was established on March 26, 2007 based on “Act on Investment Trust and Investment Corporation” (hereinafter referred to as “Investment Trust Law”) and became listed on the J-REIT market of the Tokyo Stock Exchange on October 18, 2007 (ticker code: 3249). Based on the principle of aiming to “invest in social infrastructure as a source of power for the Japanese economy and support Japan’s industrial activities from a perspective of real estate,” IIF invests and manages logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities as the only listed J-REIT specializing in industrial properties.

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. IIF owned 47 properties whose total acquisition price amounted to 210,100 million yen as of June 30, 2016.

ii. Investment environment and management performance

During this fiscal period (January - June 2016), impacted by uncertainty in the global economy continuing from 2015, the state of the Japanese economy remained uncertain due to factors such as the hike in the consumption tax rate that had been scheduled for April 2017 being postponed in May due to uncertainties towards the future. This was despite Japan’s gross domestic product (GDP) for January to March becoming positive as a result of an increase in personal consumption and exports compared to the negative GDP during October to December 2015. Furthermore, political and economic uncertainty has spread with the release of the Brexit election results in the UK on June 24.

In terms of the Japanese stock market, the year started off with a downward trend as the Nikkei Stock Average also dropped as a result of turmoil in the Shanghai market at the beginning of the year. Confusion continued subsequently as the introduction of negative interest rates by the Bank of Japan was decided on at the end of January, and ten-year Japanese government bonds recorded a negative yield for the first time in history in February. The stock market weakened as a result due to the risk

aversive stance adopted by investors. Another shift towards low stock prices and a high yen has been seen with the release of the Brexit election results in the UK in late June.

The J-REIT market experienced a downward trend in line with the Nikkei Stock Average at the beginning of the year. However, with the decision to adopt negative interest rates at the end of January leading to a decline in interest expenses, J-REITs became more attractive due to the ability to expect increasing dividends and funds flowed into the market as a result. While the Tokyo Stock Exchange REIT Index fell down to 1620.89 points on January 21 along with the drop in the Nikkei Stock Average, it has been on an upward trend since then. After reaching 1970.72 points on April 25, it hovered between 1,800 and 1,900 points in May and June.

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 the period, IIF acquired the following five properties (5,571 million yen in total acquisition price): IIF Fukuoka Higashi Logistics Center for an acquisition price of 1,860 million yen, IIF Yokohama Shinyamashita R&D Center for an acquisition price of 11 million yen (0.3% co-ownership interest), IIF Urayasu Machinery Maintenance Center (land with leasehold interest) for an acquisition price of 1,300 million yen, IIF Kakegawa Manufacturing Center (land with leasehold interest) for an acquisition price of 1,540 million yen, and an extension building of IIF Nishinomiya Logistics Center for an acquisition price of 859 million yen. In addition, in June 2016, IIF decided to make an additional acquisition of IIF Yokohama Shinyamashita R&D Center for an acquisition price of 3,798 million yen (99.7% co-ownership interest) and IIF Osaka Konohana Logistics Center for an acquisition price of 4,437 million yen (51% co-ownership interest), for which acquisition was completed on July 1, 2016.

As a result, the properties IIF owned as of June 30, 2016 consisted of 28 logistics facilities, nine infrastructure facilities and ten manufacturing, R&D and other facilities, whose total acquisition price amounted to 210,100 million yen. The total leasable area as of June 30, 2016 was 1,016,549.70 m², and the average occupancy rate was 99.7%.

iii. Funding

a) Debt Financing

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

As for funding for interest-bearing debt for this fiscal period, as with the previous year, aiming to continue external growth that realizes "increased distributions" and "growth in NAV" by property acquisition activities based on a CRE proposal, IIF raised 1,600 million yen for funding for the acquisition of new properties on April 15, 2016. While lengthening borrowing periods by taking out long-term borrowings with an average borrowing period of 10 years, IIF improved its financial stability by fixing interest rate through the conclusion of interest rate swap agreements. In addition, IIF is working on lender diversification by introducing new lenders, namely The Bank of Fukuoka, Ltd. (800 million yen / 10 years).

Next, while IIF concluded a commitment line agreement on July 1, 2015 (3-year contract term, maximum borrowing period of 3 years upon execution, and maximum borrowing amount of 10,000 million yen), this commitment line agreement was extended to June 28, 2019 with the reaching of the agreement term end extension base date for this commitment line agreement in order to continually secure a flexible and stable means of financing. With this contract, IIF will be able to flexibly procure funds within the agreement period. The purpose of concluding the commitment line agreement is to further strengthen IIF's long-term stable financial position by maintaining a certain level of liquidity relative to the increase in the asset size.

As a result, as of June 30, 2016, our total interest bearing debt was 109,800 million yen, which

was comprised of 97,800 million yen in long-term loans payable in the form of borrowings (including long-term loans to be repaid within one year in total of 11,000 million yen) and 12,000 million yen in investment corporation bonds (including investment corporation bond to be redeemed within one year in total of 5,000 million yen).

b) Equity Financing

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

iv. Overview of financial results and distribution

As a result of the abovementioned management activities, IIF recorded operating revenue of 7,886 million yen, operating income of 4,338 million yen, ordinary income of 3,382 million yen and net income of 3,381 million yen for this fiscal 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 profit distributions (do not include distributions in excess of profit) declared for the six months ended June 30, 2016 were ¥2,975,640,160 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan, except for fractional distribution per unit less than one yen. In addition, the Investment Corporation makes distributions in excess of profit considering an effect of items deducted from net assets and distributions in excess of profit for the six months ended June 30, 2016 were amounting to ¥405,448,600 which were corresponding to ¥405,704,266 of deferred losses on hedges at the end of period, except for fractional distribution per unit in excess of profit less than one yen. All of the distributions in excess of profit for the six months ended June 30, 2016 amounting to ¥405,448,600 consist only of allowance for temporary difference adjustments. As a result, the distribution per unit for the period is 9,590 yen.

B Outlook for the next period

i. Outlook for the overall management

The world economy is once again becoming more uncertain in response to the release of the Brexit election results in the UK on June 24, 2016. It is believed that stock prices could fall due to the advance of yen appreciation as investors move to the yen out of risk aversion and concerns heighten towards declines in business performance among export-focused companies. On the other hand, J-REITs are expected to remain strong as they tend to be relatively stable and favored over stocks.

In the real estate market, the investment environment for properties in Japan continues to improve on the strength of the financing ease as a result of the ongoing monetary easing measures of the Bank of Japan and a bottoming out of the rental market. Especially for logistics facilities, vacancy rates are continuing to be low in main areas 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. In the infrastructure facilities segment, if the benefits of privatization are recognized following the start of the private

sector operation of Kansai International Airport/Itami Airport (a form of public infrastructure) in April 2016, this could trigger moves towards the privatization of other public infrastructure, and real estate sales could be expected as a result.

ii. 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.

a) External growth

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

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

IIF will strive to 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 warehousing structure.

b) Internal growth

As of June 30, 2016, the portfolio owned by IIF consisted of 47 properties for a total acquisition price of 210,100 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 8.8 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, tenant replacement was conducted without any downtime at IIF Noda Logistics Center in April 2016, and the construction of extension building of IIF Nishinomiya Logistics Center was completed in May, which was the first extension project for IIF.

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 by carrying out suitable repair work as necessary. At the same time, IIF will continue to exert efforts in building favorable relationships with lessees based on continuously making close communications in order to maintain and improve the rent level and prevent cancellations.

Note that for the IIF Shinonome R&D Center for which a cancellation notice was received on January 18, 2016, with a focus on single-tenant leasing that will best utilize the characteristics of the building, IIF is in the process of considering both leasing and selling while paying close

attention to timing.

c) 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.

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.

iii. Prospects for results in the next period

IIF expects to record operating revenue of 8,054 million yen, ordinary income of 3,384 million yen, net income of 3,383 million yen and distribution per unit of 9,597 yen (exclusive of distribution of excess profit) for the 19th Period (July 1, 2016 to December 31, 2016).

For details of the assumptions made in this forecast, please see "Earnings Forecast Assumptions for the 19th Period (July 1, 2016 to December 31, 2016)" below.

IIF assumes that the following factors will mainly cause an increase or decrease from the 18th Period (fiscal period ended June 30, 2016).

Operating revenue (increase of 168 million yen from the previous period)

- Rental revenue from the eight properties acquired in the 18th Period (the period ended on June 30, 2016) and expected to be acquired in the 19th Period (the period ending in December 31, 2016)

Operating expense (increase of 148 million yen from the previous period)

- Property-related taxes on seven properties acquired in the 16th Period (the period ended on June 30, 2015) and the 17th Period (the period ended on December 31, 2015)
- Accrual of property management fees on the eight properties acquired in the 18th Period (the period ended on June 30, 2016) and expected to be acquired in the 19th Period (the period ending on December 31, 2016).
- Other increase in operating expense

Note: The forecasts mentioned above are calculated based on certain assumptions as of the time of this reporting. Actual net income and distribution may fluctuate due to changes in the circumstances. This forecasts do not guarantee the amount of distribution.

Earnings Forecast Assumptions for the 19th Period (July 1, 2016 to December 31, 2016)

Item	Assumptions
Calculation period	19th Period: July 1, 2016 to December 31, 2016 (184 days)
Properties owned	<p>Assumption is made based on the 47 real properties and trust beneficiary interests owned by IIF as of June 30, 2016, and three real estate trust beneficiary rights to be acquired by IIF. For the three properties to be acquired, we have entered into purchase agreements or memoranda of understanding and the closing for each property is scheduled as follows:</p> <p><Acquisition completed on July 1, 2016> IIF Yokohama Shinyamashita R&D Center IIF Osaka Konohana Logistics Center <Closing scheduled on September 1, 2016> IIF Kazo Logistics Center</p> <p>While we assume that we will not acquire properties other than the above, or dispose of any properties during the fiscal periods ending December 31, 2016, deviations from our forecasts may occur due to acquisitions, disposals or similar activities relating to other properties.</p>
Interest-bearing debt	<p>Interest-bearing debt as of June 30, 2016 amounted to 109,800 million yen, which consisted of long-term borrowings of 97,800 million yen (including long-term borrowings to be repaid within one year) and investment corporation bonds of 12,000 million yen (including investment corporation bond to be redeemed within one year).</p> <p>Interest-bearing debt that reaches its repayment or redemption date during the 19th Period consisted of long-term borrowings of 2,000 million yen and investment corporation bonds of 5,000 million yen. Repayments and redemption are to be made as scheduled and the funds are expected to be procured through borrowing, etc.</p> <p>It is assumed that short-term borrowings of 10,700 million yen will be obtained for the purpose of acquiring the property stated in “properties owned” above.</p>
Operating revenue	In the 19th Period, it is assumed that there will be no back rent or nonpayment by tenants based on the assumptions made for “properties owned” above.
Operating expense	<p>Property tax, urban planning tax and depreciable property tax of approximately 683 million yen and a repair cost of approximately 82 million yen are assumed.</p> <p>Depreciation expense (including ancillary expenses, etc.) is calculated by the straight-line method, and its assumed amount is approximately 1,143 million yen.</p> <p>Outsourcing expense (property management fee and building management commission fee, etc.) is calculated based on past expenses.</p>
Non-operating expense	Based on the assumptions made under “interest-bearing debt” above, interest expense and other borrowing-related expenses, interest expense on investment corporation bonds and amortization of investment corporation bond issuance costs of approximately 916 million yen is assumed. The investment unit issuance costs amortization of approximately 54 million yen is expected.
Investment units issued and outstanding	The forecast is assumed based on a total number of outstanding investment units of 352,564 as of June 30, 2016.
Distribution per unit (exclusive of distribution of excess profit)	<p>It is assumed that the entire unappropriated retained earnings for the current period excluding fractions (distribution per unit = amounts less than one yen) will be distributed.</p> <p>Note that deferred losses on hedges relating to interest rate swaps as valuation and translation adjustments of 405 million yen are expected for the period ending on December 31, 2016, the same amount as for the</p>

	period ended on June 30, 2016, and have been calculated based on the assumption that fluctuations in the fair value of interest rate swaps will not have any impact on distribution per unit.
Distribution of excess profit per unit (Allowance for temporary difference adjustments)	In terms of the impact of tax accounting discrepancies and items deducted from net assets (valuation and translation adjustments, etc.) on distributions, it is assumed that a reserve for temporary differences and other adjustments will be recorded for the purpose of reducing taxation. For the IIF Kazo Logistics Center that is scheduled to be acquired on September 1, 2016, we expect to record asset retirement obligations related to asbestos removal, and we expect to record a reserve for temporary differences and other adjustments for tax accounting discrepancies related interest costs on these asset retirement obligations and depreciation expense for buildings, etc. During the 19th Period, it is assumed that there will be a distribution of excess profit of 3 yen per unit (reserve for temporary differences and other adjustments).
Distribution of excess profit per unit (distribution with decrease of investment capital under tax law)	There is no plan at present to distribute with decrease of investment capital under tax law.

The three assets acquired or to be acquired during the 19th Period are as follows:

Assets to be acquired	Location ^(Note 1)	Asset category	(Expected) Acquisition price (millions of yen)
IIF Yokohama Shinyamashita R&D Center	16-5 Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa, Japan	Manufacturing, research and development facilities	3,798
IIF Osaka Konohana Logistics Center ^(Note 2)	4-51, Shimaya 4-chome, Konohana-ku, Osaka-shi, Osaka, Japan	Logistics facility	4,437
IIF Kazo Logistics Center	6-1, Shintone 2-chome, Kazo-shi, Saitama, Japan	Logistics facility	2,361
		(Expected) Total	10,597

Note 1 Location represents the registered address of the property.

Note 2 With regards to IIF Osaka Konohana Logistics Center, IIF intends to acquire 51% of co-ownership interest of real estate trust beneficiary right in this property.

Note 3 For further detail of the three properties acquired or to be acquired during the 19th Period, please refer to news release "Notice Concerning Acquisition of Real Estate Trust Beneficiary Rights in IIF Yokohama Shinyamashita R&D Center and IIF Osaka Konohana Logistics Center" dated June 29, 2016 and "Notice Concerning Acquisition of Real Estate Trust Beneficiary Right in IIF Kazo Logistics Center" dated August 15, 2016.

3. Financial information

(1) Balance sheets

		(Thousands of yen)	
		As of	
		December 31, 2015	June 30, 2016
ASSETS			
Current assets:			
Cash and bank deposits	7,211,502	3,559,708	
Cash and bank deposits in trust	3,177,858	3,347,088	
Rental receivables	698,710	381,234	
Prepaid expenses	348,800	286,879	
Deferred tax assets	15	18	
Other	122	2,430	
Total current assets	11,437,009	7,577,358	
Noncurrent assets:			
Property, plant and equipment:			
Buildings, at cost	32,235,836	32,409,048	
Less: Accumulated depreciation	(4,495,639)	(4,842,080)	
Buildings, net	27,740,196	27,566,968	
Structures, at cost	92,223	92,223	
Less: Accumulated depreciation	(10,752)	(13,640)	
Structures, net	81,471	78,583	
Machinery and equipment, at cost	11,892	11,892	
Less: Accumulated depreciation	(11,725)	(11,892)	
Machinery and equipment, net	166	0	
Tools, furniture and fixtures, at cost	10,983	12,076	
Less: Accumulated depreciation	(1,922)	(2,530)	
Tools, furniture and fixtures, net	9,061	9,545	
Land	16,857,861	18,220,663	
Construction in progress	15,377	1,069	
Buildings in trust, at cost	54,754,015	56,091,852	
Less: Accumulated depreciation	(7,027,124)	(7,751,003)	
Buildings in trust, net	47,726,890	48,340,848	
Structures in trust, at cost	461,751	485,342	
Less: Accumulated depreciation	(343,591)	(351,561)	
Structures in trust, net	118,160	133,780	
Machinery and equipment in trust, at cost	13,202	13,202	
Less: Accumulated depreciation	(2,383)	(3,102)	
Machinery and equipment in trust, net	10,819	10,100	
Tools, furniture and fixtures in trust, at cost	9,935	12,139	
Less: Accumulated depreciation	(4,476)	(5,172)	
Tools, furniture and fixtures in trust, net	5,458	6,967	
Land in trust	90,602,846	93,790,292	
Total net property, plant and equipment	183,168,309	188,158,818	
Intangible assets:			
Leasehold right (Note 1)	19,833,966	19,833,966	
Other	1,259	1,162	
Total intangible assets	19,835,225	19,835,128	
Investments and other assets:			
Lease and guarantee deposits	11,878	12,260	
Long-term prepaid expenses	1,011,609	891,452	
Total investments and other assets	1,023,488	903,712	
Total noncurrent assets	204,027,023	208,897,660	
Deferred assets:			
Investment unit issuance costs	185,174	124,906	
Investment corporation bonds issuance costs	45,259	39,425	
Total deferred assets	230,434	164,332	
TOTAL ASSETS	215,694,466	216,639,350	

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(Thousands of yen)

	As of	
	December 31, 2015	June 30, 2016
LIABILITIES		
Current liabilities:		
Operating accounts payable	724,118	301,405
Current portion of investment corporation bonds – unsecured	5,000,000	5,000,000
Current portion of long-term loans payable	2,000,000	11,000,000
Accounts payable – other	407,527	398,044
Accrued expenses	14,248	10,024
Income taxes payable	737	836
Consumption taxes payable	410,749	49,371
Advances received	1,139,099	1,170,273
Other	48,446	133,637
Total current liabilities	9,744,927	18,063,592
Noncurrent liabilities:		
Investment corporation bonds – unsecured	7,000,000	7,000,000
Long-term loans payable	94,200,000	86,800,000
Tenant leasehold and security deposits	2,198,484	2,240,380
Tenant leasehold and security deposits in trust	8,410,746	8,310,274
Derivatives liabilities	293,119	405,704
Other	29,572	20,385
Total noncurrent liabilities	112,131,922	104,776,745
TOTAL LIABILITIES	121,876,849	122,840,337
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	90,823,217	90,823,217
Surplus:		
Retained earnings	3,287,518	3,381,499
Total surplus	3,287,518	3,381,499
Total unitholders' equity	94,110,736	94,204,717
Valuation and translation adjustments:		
Deferred gains or (losses) on hedges	(293,119)	(405,704)
Total valuation and translation adjustments	(293,119)	(405,704)
TOTAL NET ASSETS (Note 2)	93,817,617	93,799,013
TOTAL LIABILITIES AND NET ASSETS	215,694,466	216,639,350

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(2) Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2015	June 30, 2016
Operating revenue		
Rent revenue—real estate (Note 3)	7,788,664	7,886,205
Total operating revenue	7,788,664	7,886,205
Operating expenses		
Expenses related to property rental business (Note 3)	2,736,578	2,763,496
Asset management fees	651,166	651,469
Directors' compensations	5,820	5,820
Asset custody fees	6,651	6,657
Administrative service fees	32,398	32,008
Other	78,607	88,036
Total operating expenses	3,511,222	3,547,488
Operating income	4,277,442	4,338,717
Non-operating income		
Interest income	954	1,009
Interest on refund	1,918	—
Reversal of distribution payable	913	646
Total non-operating income	3,786	1,655
Non-operating expenses		
Interest expenses	661,117	655,697
Interest expenses on investment corporation bonds	58,217	57,580
Amortization of investment corporation bonds issuance costs	5,834	5,834
Borrowing related expenses	178,408	176,567
Amortization of investment unit issuance costs	88,963	60,267
Other	373	2,150
Total non-operating expenses	992,914	958,097
Ordinary income	3,288,314	3,382,275
Income before income taxes	3,288,314	3,382,275
Income taxes		
Current	930	990
Deferred	(0)	(2)
Total income taxes	930	988
Net income	3,287,384	3,381,287
Retained earnings brought forward	134	212
Unappropriated retained earnings	3,287,518	3,381,499

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(3) Statements of changes in net assets

(Thousands of yen)

For the six months ended December 31, 2015

For the six months ended December 31, 2015

	Unitholders' equity				Valuation and translation adjustments		
	Surplus					Total	
	Unitholders' capital	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	valuation and translation adjustments	Total net assets
	(Note 2)						
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

For the six months ended June 30, 2016

	Unitholders' equity				Valuation and translation adjustments		
	Surplus					Total	
	Unitholders' capital	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	valuation and translation adjustments	Total net assets
	(Note 2)						
Balance as of January 1, 2016	90,823,217	3,287,518	3,287,518	94,110,736	(293,119)	(293,119)	93,817,617
Changes during the period							
Dividends from surplus	—	(3,287,306)	(3,287,306)	(3,287,306)	—	—	(3,287,306)
Net income	—	3,381,287	3,381,287	3,381,287	—	—	3,381,287
Net changes of items other than unitholders' equity	—	—	—	—	(112,585)	(112,585)	(112,585)
Total changes during the period	—	93,980	93,980	93,980	(112,585)	(112,585)	(18,604)
Balance as of June 30, 2016	90,823,217	3,381,499	3,381,499	94,204,717	(405,704)	(405,704)	93,799,013

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(4) Statements of cash distributions

(Yen)

	For the six months ended	
	December 31, 2015	June 30, 2016
I Unappropriated retained earnings	3,287,518,906	3,381,499,582
II Distributions in excess of profit	—	405,448,600
Allowance for temporary difference adjustments	—	405,448,600
III Cash distribution declared	3,287,306,736	3,381,088,760
<i>(Cash distribution declared per unit)</i>	<i>(9,324)</i>	<i>(9,590)</i>
Profit distributions	3,287,306,736	2,975,640,160
<i>(Profit distributions per unit)</i>	<i>(9,324)</i>	<i>(8,440)</i>
Allowance for temporary difference adjustments	—	405,448,600
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustments)</i>	<i>(—)</i>	<i>(1,150)</i>
IV Retained earnings carried forward	212,170	405,859,422

Note:

For the six months ended December 31, 2015:

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended December 31, 2015 were ¥3,287,306,736 which were all of retained earnings at the end of 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.

For the six months ended June 30, 2016:

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, profit distributions (do not include distributions in excess of profit) declared for the six months ended June 30, 2016 were ¥2,975,640,160 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan, except for fractional distribution per unit less than one yen.

In addition, the Investment Corporation makes distributions in excess of profit considering an effect of items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in the article of incorporation 25, Paragraph 2. Distributions in excess of profit for the six months ended June 30, 2016 were amounting to ¥405,448,600 which were corresponding to ¥405,704,266 of deferred losses on hedges at the end of period, except for fractional distribution per unit in excess of profit less than one yen. All of the distributions in excess of profit for the six months ended June 30, 2016 amounting to ¥405,448,600 consist only of allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unitcapital refund from deduction of unitcapital under tax rules is not included.

As a result, cash distributions declared for the six months ended June 30, 2016 were ¥3,381,088,760.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	December 31, 2015	June 30, 2016
Net cash provided by (used in) operating activities:		
Income before income taxes	3,288,314	3,382,275
Depreciation and amortization	1,073,898	1,083,405
Amortization of investment corporation bonds issuance costs	5,834	5,834
Amortization of investment unit issuance costs	88,963	60,267
Interest income	(954)	(1,009)
Interest expenses	719,335	713,277
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(331,915)	317,476
Decrease (increase) in consumption taxes refundable	363,503	-
Decrease (increase) in prepaid expenses	(49,849)	61,921
Decrease (increase) in long-term prepaid expenses	98,956	120,157
Increase (decrease) in operating accounts payable	332,537	(357,029)
Increase (decrease) in accounts payable - other	3,243	(358)
Increase (decrease) in accrued expenses	(617)	(155)
Increase (decrease) in consumption taxes payable	415,446	(366,075)
Increase (decrease) in advances received	20,038	31,173
Decrease in other noncurrent liabilities	(8,180)	(8,191)
Other, net	(14,643)	(38,069)
Subtotal	6,003,911	5,004,900
Interest income received	950	1,009
Interest expenses paid	(715,268)	(717,346)
Income taxes paid	(899)	(891)
Net cash provided by operating activities	5,288,694	4,287,671
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(884,409)	(1,557,183)
Purchases of property, plant and equipment in trust	(222,793)	(4,588,661)
Proceeds from tenant leasehold and security deposits	9,315	120,758
Payments of tenant leasehold and security deposits	(95,315)	(61,796)
Proceeds from tenant leasehold and security deposits in trust	33,287	131,555
Payments of tenant leasehold and security deposits in trust	(35,566)	(125,666)
Payments for lease and guarantee deposits	(181)	(381)
Net cash used in investing activities	(1,195,664)	(6,081,375)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	-	1,600,000
Dividends paid	(3,101,259)	(3,287,865)
Other	(995)	(995)
Net cash provided by (used in) financing activities	(3,102,255)	(1,688,860)
Net change in cash and cash equivalents	990,774	(3,482,564)
Cash and cash equivalents at beginning of period	9,398,586	10,389,361
Cash and cash equivalents at end of period (Note 4)	10,389,361	6,906,797

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

(a) Property, plant and equipment

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

Buildings	13-68 years
Structures.....	4-45 years
Machinery and equipment	3-10 years
Tools, furniture and fixtures	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.

(b) Other intangible assets

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

(c) Long-term prepaid expenses

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

(d) Investment unit issuance costs

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

(e) Investment corporation bonds issuance costs

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

(f) Taxes on property, plant and equipment

Property, plant and equipment are annually subject to various taxes, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). In subsequent calendar years, half of such taxes on property, plant and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥489 thousand and ¥22,805 thousand for the six months ended December 31, 2015 and June 30, 2016, respectively.

(g) Hedge accounting

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of hedging risks that are prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable through the use of interest rate swaps as hedging instruments and deferred hedge accounting is generally 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.

(h) Cash and cash equivalents

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.

(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 sheet of the Investment Corporation.

(j) Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the statement 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.

(8) Notes to financial information

Note 1 – Leasehold right

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

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	December 31, 2015	June 30, 2016
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 3 – Rent revenue—real estate and expenses related to property rental business

Rent revenue—real estate and expenses related to property rental business for the six months ended December 31, 2015 and June 30, 2016 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	December 31, 2015	June 30, 2016
Rent revenue—real estate:		
Rental and parking revenue	7,321,343	7,468,884
Common area charges	415,968	362,455
Other	51,353	54,865
Total rent revenue—real estate	7,788,664	7,886,205
Expenses related to property rental business:		
Property management fees	39,996	60,158
Facility management fees	152,020	168,136
Utilities	414,001	357,603
Property-related taxes	604,462	644,047
Insurance	24,602	24,074
Repair and maintenance	65,603	66,391
Depreciation	1,073,898	1,083,405
Trust fees	18,642	12,839
Leasehold rents	340,624	345,746
Other	2,724	1,094
Total expenses related to property rental business	2,736,578	2,763,496
Operating income from property leasing activities	5,052,086	5,122,709

Note 4 – Cash and cash equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following balance sheet items:

	As of	
	December 31, 2015	June 30, 2016
Cash and bank deposits	7,211,502	3,559,708
Cash and bank deposits in trust	3,177,858	3,347,088
Cash and cash equivalents	10,389,361	6,906,797

(Thousands of yen)

Note 5 – Lease rental revenues

The Investment Corporation leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of December 31, 2015 and June 30, 2016 scheduled to be received are summarized as follows:

	As of	
	December 31, 2015	June 30, 2016
Due within one year	12,144,077	13,257,534
Due after one year	73,941,376	75,753,064
Total	86,085,454	89,010,598

(Thousands of yen)

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 December 31, 2015 and June 30, 2016.

(Thousands of yen)

	As of					
	December 31, 2015			June 30, 2016		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,211,502	7,211,502	—	3,559,708	3,559,708	—
(2) Cash and bank deposits in trust	3,177,858	3,177,858	—	3,347,088	3,347,088	—
Total assets	10,389,361	10,389,361	—	6,906,797	6,906,797	—
(1) Current portion of investment corporation bonds — unsecured	5,000,000	5,017,200	17,200	5,000,000	5,009,750	9,750
(2) Current portion of long-term loans payable	2,000,000	2,013,842	13,842	11,000,000	11,054,585	54,585
(3) Investment corporation bonds — unsecured	7,000,000	7,332,870	332,870	7,000,000	7,463,030	463,030
(4) Long-term loans payable	94,200,000	97,790,564	3,590,564	86,800,000	91,526,678	4,726,678
(5) Tenant leasehold and security deposits	—	—	—	882	881	(0)
(6) Tenant leasehold and security deposits in trust	984,450	957,551	(26,898)	2,343,811	2,334,573	(9,237)
Total liabilities	109,184,450	113,112,027	3,927,577	112,144,693	117,389,498	5,244,805
Derivatives (derivatives liabilities), net	(293,119)	(293,119)	—	(405,704)	(405,704)	—

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 and (6) 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

Please refer to “Note 7 - Derivative instruments.”

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

(Thousands of yen)

	As of	
	December 31, 2015	June 30, 2016
Tenant leasehold and security deposits	2,198,484	2,239,497
Tenant leasehold and security deposits in trust	7,426,296	5,966,463
Total liabilities	9,624,781	8,205,961

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

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

(Thousands of yen)						
As of December 31, 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	-	-	-	-	-

(Thousands of yen)						
As of June 30, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	3,559,708	-	-	-	-	-
Cash and bank deposits in trust	3,347,088	-	-	-	-	-
Total	6,906,797	-	-	-	-	-

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

(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

(Thousands of yen)						
As of June 30, 2016	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	-	49,800,000
Total	16,000,000	25,100,000	4,000,000	7,900,000	-	56,800,000

Note 7 – Derivative instruments

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

As of December 31, 2015

(Thousands of yen)						
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments	Over 1 year	Fair value	Method used to estimate fair value
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 (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	68,300,000	Note (i)	-

As of June 30, 2016

(Thousands of yen)						
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments	Over 1 year	Fair value	Method used to estimate fair value
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	6,300,000	6,300,000	(405,704)	Note (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	59,300,000	Note (i)	-

Note:

- (i) As disclosed in “(7) Summary of significant accounting policies (g) Hedge accounting”, the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (i) in “Note 6 - Financial instruments (b) Quantitative information for financial instruments”.
- (ii) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

Note 8 – Related-party transactions

There were no related-party transactions to be disclosed for the six months ended December 31, 2015 and June 30, 2016.

Note 9 – Income taxes

Deferred tax assets consist of the following:

	(Thousands of yen)	
	As of	
	December 31, 2015	June 30, 2016
Deferred tax assets, current:		
Enterprise tax payable	15	18
Total	15	18
Net deferred tax assets, current	15	18
Deferred tax assets, noncurrent:		
Deferred losses on hedges	94,706	128,770
Subtotal	94,706	128,770
Valuation allowance	(94,706)	(128,770)
Total	—	—
Net deferred tax assets, noncurrent	—	—

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

	For the six months ended	
	December 31, 2015	June 30, 2016
Statutory tax rates	32.31%	32.31%
Deductible cash distributions	(32.30)	(32.30)
Other	0.02	0.02
Effective tax rates	0.03%	0.03%

Note 10 – 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 11 – 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 December 31, 2015 and June 30, 2016.

	(Thousands of yen)	
	As of / For the six months ended	
	December 31, 2015	June 30, 2016
Net book value⁽ⁱ⁾		
Balance at the beginning of the period	202,998,583	203,003,259
Net increase during the period ⁽ⁱⁱ⁾	4,676	4,990,471
Balance at the end of the period	203,003,259	207,993,730
Fair value⁽ⁱⁱⁱ⁾	236,917,000	243,182,500

Note:

(i) The net book value includes leasehold right.

(ii) For the six months ended December 31, 2015:

Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

Acquisitions:	IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	Increase in net book value (Thousands of yen) 727,205
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For the six months ended June 30, 2016:

Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

Acquisitions:	IIF Fukuoka Higashi Logistics Center	Increase in net book value (Thousands of yen) 1,953,099
	IIF Yokohama Shinyamashita R&D Center	16,544
	IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	1,341,094
	IIF Kakegawa Manufacturing Center (Land with leasehold interest)	1,572,127
	IIF Nishinomiya Logistics Center (Extension Building)	864,157

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

For rental revenues and expenses for the six months ended December 31, 2015 and June 30, 2016, please refer to “Note 3 - Rent revenue—real estate and expenses related to property rental business.”

Note 12 – Segment information

Segment information for the six months ended December 31, 2015 and June 30, 2016 is as follows:

(a) Operating segment information

Disclosure is omitted as the Investment Corporation is comprised of a single reportable segment engaged in the property rental business.

(b) Enterprise-wide disclosures

(i) Information about products and services

Disclosure is not required as revenues from external customers for the single segment are in excess of 90% of total revenues.

(ii) Information about geographic areas

Revenues from overseas customers:

Disclosure is not required as revenues from external customers attributable to Japan are in excess of 90% of total revenues.

Tangible fixed assets:

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

(c) Information about major customers

(Thousands of yen)

Name of customer	Revenues for the six months ended		Relating segment
	December 31, 2015	June 30, 2016	
Japan Airlines Co., Ltd.	1,350,772	1,377,312	Property rental business

Note 13 – Per unit information

The net asset value per unit as of December 31, 2015 and June 30, 2016 was ¥266,100 and ¥266,048, respectively. Net income per unit for the six months ended December 31, 2015 and June 30, 2016 was ¥9,324 and ¥9,590, 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:

	For the six months ended	
	December 31, 2015	June 30, 2016
	(in thousands of yen)	
Net income.....	¥ 3,287,384	¥ 3,381,287
Effect of dilutive units	-	-
Net income attributable to unitholders	3,287,384	3,381,287
Adjusted weighted-average number of units outstanding for the period	352,564 units	352,564 units

Note 14 – Information on allowance for temporary difference adjustments

(a) Reason, related assets and amounts

As of December 31, 2015

Nothing to be noted.

As of June 30, 2016

(Thousands of yen)

Related assets, etc	Reason	Allowance for temporary difference adjustments
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	405,448

(b) Method of reversal

Deferred gains or losses on hedges:

Based on changes in the fair value of the hedging instruments, the corresponding amount is scheduled to be reversed.

[Subsequent events]

None

[Omission of disclosure]

Notes relating to investment securities and retirement benefits are omitted as immaterial.

(9) Changes in unit issued and outstanding

There was no change in unitholders' capital for the six months ended June 30, 2016. 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.

4. Changes in officers

Changes in officers had been otherwise disclosed under the rule of timely disclosure.

5. Additional information

(1) Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of December 31, 2015		As of June 30, 2016	
				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	11,757	5.5	13,067	6.0
			Osaka and Nagoya metropolitan areas	4,562	2.1	4,576	2.1
			Other area	907	0.4	914	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	45,310	21.0	45,153	20.9
			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	79,719	37.0	79,433	36.7
			Osaka and Nagoya metropolitan areas	16,572	7.7	17,366	8.0
			Other area	3,521	1.6	7,016	3.2
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	2,160	1.0	2,145	1.0
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,788	5.9	12,756	5.9
			Osaka and Nagoya metropolitan areas	23,704	11.0	23,564	10.9
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				203,003	94.1	207,993	96.0
Bank deposits and other assets				12,691	5.9	8,645	4.0
Total assets				215,694	100.0	216,639	100.0
Total liabilities				121,876	56.5	122,840	56.7
Total net assets				93,817	43.5	93,799	43.3

Note 1 “Location category” is classified as bellow.

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

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

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

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

(2) Outline of portfolio properties

The principal properties (top ten properties in net book value) as of June 30, 2016 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	39,255	81,995.81	81,995.81	100.0	17.5	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,655	11,292.79	11,292.79	100.0	4.2	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,111	27,493.29	27,493.29	100.0	5.1	Logistics facility
IIF Mitaka Card Center	9,177	21,615.01	21,615.01	100.0	4.6	Manufacturing and R&D facility, etc.
IIF Shinonome R&D Center	9,009	17,045.30	17,045.30	100.0	(Note 5)	Manufacturing and R&D facility, etc.
IIF Shinagawa IT Solution Center	7,498	7,089.62	5,394.62	76.1	(Note 5)	Infrastructure facility
IIF Kamata R&D Center	7,442	21,896.56	21,896.56	100.0	(Note 5)	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center	5,893	33,243.99	33,243.99	100.0	(Note 5)	Logistics facility
IIF Osaka Toyonaka Data Center	5,647	20,027.14	20,027.14	100.0	(Note 5)	Infrastructure facility
IIF Noda Logistics Center	5,565	38,828.10	38,828.10	100.0	(Note 5)	Logistics facility
Total	119,256	280,527.61	278,832.61	99.4	54.3	

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

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

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

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

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

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of June 30, 2016 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	16,483	13,111
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	8,250	5,565
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,710	5,211
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,170	1,649
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,610	1,838
IIF Nishinomiya Logistics Center (Note 5)	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	17,200.00	2,900	2,049
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,450	1,223
IIF Narashino Logistics Center II (Note 6)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,190	4,652
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,800	3,265
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	2,339
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	2,010	1,497
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,500	1,166
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	2,940	2,341
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	4,010	2,044
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,800	5,247
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,461.73	3,040	2,455
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Washinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,660	1,861
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	4,860	3,532
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	3,980	3,188
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,870	1,553
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,270	1,052

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,180	591
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,320	3,495
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	39, Nagisa-cho, Izumiotsu-shi, Osaka, etc.	Trust beneficial interest	48,932.00	4,350	4,176
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,040	954
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	6,830	5,893
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka, etc.	Real property	30,815.97	962	914
IIF Fukuoka Higashi Logistics Center	90-1 Kamata 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka, etc.	Trust beneficial interest	11,262.86	2,040	1,948
IIF Totsuka Technology Center (land with leasehold interest)	344-1, Aza Uchikune, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	31,442.47	5,310	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,340	1,168
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	9,950	9,177
IIF Shinonome R&D Center	14-5, Shinonome 1-chome, Koto-ku, Tokyo	Trust beneficial interest	17,045.30	10,700	9,009
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,380	7,442
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,900	2,162
IIF Sagamihara R&D Center	41-1, Minamihashimoto 3-chome, Chuo-ku, Sagamihara-shi, Kanagawa	Trust beneficial interest	14,304.37	3,620	3,253
IIF Yokohama Shinyamashita R&D Center (Note 7)	2-19 Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	14.66	12	16
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	30 Tanyo, Kakegawa-shi, Shizuoka	Trust beneficial interest	66,171.92	1,770	1,572
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	195 Tekkadori 3-chome, Urayasu-shi, Chiba	Real property	7,925.94	1,650	1,341
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	16,655
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,100	39,255
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,540	5,258
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,850	5,168
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	5,960	5,647

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,340	1,261
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	7,760	7,498
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	745	729
Total (Note 8)			1,016,549.70	243,182	207,993

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

Note 2 “Leasable area” means the leasable area of the building or land of each property indicated in the lease agreement, except for IIF Shinsuna Logistics Center of which leasable area shows a total area of the building indicated in the registry book. Furthermore, “Leasable area” of IIF Narashino Logistics Center II is total of the leasable area of the leased land and that of the building on the leased land.

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

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

Note 5 The Investment Corporation acquired the extension building on May 16, 2016.

Note 6 The name of property was changed from IIF Narashino Logistics Center II (land with leasehold interest) because the Investment Corporation acquired trust beneficial interest in IIF Narashino Logistics Center II (building with leasehold interest) on February 7, 2014. As a result of the acquisition, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Leasable area” of the property shows total of the leasable area of the leased land (58,070.00 m²) and that of the building on the leased land (25,835.16 m²).

Note 7 The Investment Corporation owns 0.3% of the trust beneficial interest in the property. The leasable area of the property shows 0.3% of the total leasable area as the share of quasi-co-ownership.

Note 8 “Leasable area” of IIF Narashino Logistics Center II is total of the leasable area of the leased land and that of the building on the leased land.

Operating results of each property for the six months ended December 31, 2015 and June 30, 2016 were as follows:

Name of property	For the six months ended									
	December 31, 2015					June 30, 2016				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Shinonome Logistics Center	1	100.0	400	367	6.0	1	100.0	400	367	5.9
IIF Noda Logistics Center	2	100.0	(Note 4)	199	3.3	2	100.0	(Note 4)	181	2.9
IIF Shinsuna Logistics Center	1	100.0	173	153	2.5	1	100.0	173	156	2.5
IIF Atsugi Logistics Center	1	100.0	(Note 4)	45	0.8	1	100.0	(Note 4)	47	0.8
IIF Koshigaya Logistics Center	1	100.0	75	60	1.1	1	100.0	75	69	1.1
IIF Nishinomiya Logistics Center (Note 5)	1	100.0	60	47	0.8	2	100.0	(Note 4)	53	0.9
IIF Narashino Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	38	0.6	1	100.0	(Note 4)	38	0.6
IIF Narashino Logistics Center II (Notes 6)	2	100.0	(Note 4)	175	2.9	2	100.0	(Note 4)	175	2.8
IIF Atsugi Logistics Center II	1	100.0	(Note 4)	112	1.8	1	100.0	(Note 4)	113	1.8
IIF Yokohama Tsuzuki Logistics Center	1	100.0	(Note 4)	76	1.3	1	100.0	(Note 4)	77	1.3
IIF Saitama Logistics Center	1	100.0	66	61	1.0	1	100.0	66	61	1.0
IIF Nagoya Logistics Center	1	100.0	(Note 4)	42	0.7	1	100.0	(Note 4)	42	0.7
IIF Atsugi Logistics Center III	1	100.0	(Note 4)	80	1.3	1	100.0	(Note 4)	76	1.3
IIF Kawaguchi Logistics Center	1	100.0	(Note 4)	105	1.7	1	100.0	(Note 4)	105	1.7
IIF Kobe Logistics Center	1	100.0	(Note 4)	178	2.9	1	100.0	(Note 4)	177	2.9
IIF Higashi-Osaka Logistics Center	2	96.2	(Note 4)	88	1.4	2	96.2	(Note 4)	86	1.4
IIF Kashiwa Logistics Center	1	100.0	(Note 4)	69	1.1	1	100.0	(Note 4)	67	1.1
IIF Misato Logistics Center	1	100.0	(Note 4)	116	1.9	1	100.0	(Note 4)	116	1.9
IIF Iruma Logistics Center	1	100.0	(Note 4)	106	1.7	1	100.0	(Note 4)	106	1.7
IIF Tosu Logistics Center	2	100.0	(Note 4)	52	0.9	2	100.0	(Note 4)	53	0.9
IIF Inzai Logistics Center	1	100.0	(Note 4)	36	0.6	1	100.0	(Note 4)	37	0.6
IIF Morioka Logistics Center	1	100.0	(Note 4)	33	0.5	1	100.0	(Note 4)	37	0.6

Name of property	For the six months ended									
	December 31, 2015					June 30, 2016				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Hiroshima Logistics Center	1	100.0	(Note 4)	119	2.0	1	100.0	(Note 4)	119	1.9
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	122	2.0	1	100.0	(Note 4)	116	1.9
IIF Izumisano Food Processing and Logistics Center	1	100.0	(Note 4)	39	0.6	1	100.0	(Note 4)	32	0.5
IIF Kyotanabe Logistics Center	1	100.0	(Note 4)	189	3.1	1	100.0	(Note 4)	181	2.9
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	29	0.5	1	100.0	(Note 4)	28	0.5
IIF Fukuoka Higashi Logistics Center	—	—	—	—	—	1	100.0	(Note 4)	48	0.8
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	137	2.2	1	100.0	154	137	2.2
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	35	0.6	1	100.0	58	38	0.6
IIF Mitaka Card Center	1	100.0	364	307	5.0	1	100.0	364	311	5.0
IIF Shinonome R&D Center	1	100.0	(Note 4)	340	5.6	1	100.0	(Note 4)	343	5.5
IIF Kamata R&D Center (Note 4)	1	100.0	(Note 4)	235	3.8	1	100.0	(Note 4)	236	3.8
IIF Kawasaki Science Center	1	100.0	(Note 4)	82	1.3	1	100.0	(Note 4)	82	1.3
IIF Sagamihara R&D Center	6	98.8	(Note 4)	149	2.5	6	98.8	(Note 4)	130	2.1
IIF Yokohama Shinyamashita R&D Center	—	—	—	—	—	1	100.0	(Note 4)	0	0.0
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	20	0.3
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	20	0.3
IIF Kobe District Heating and Cooling Center	3	100.0	330	314	5.1	3	100.0	330	316	5.1
IIF Haneda Airport Maintenance Center	1	100.0	1,351	915	15.0	1	100.0	1,377	938	15.1
IIF Zama IT Solution Center	1	100.0	(Note 4)	201	3.3	1	100.0	(Note 4)	201	3.3
IIF Shinagawa Data Center	1	100.0	(Note 4)	161	2.6	1	100.0	(Note 4)	169	2.7
IIF Osaka Toyonaka Data Center	1	100.0	(Note 4)	170	2.8	1	100.0	(Note 4)	165	2.7
IIF Osaka Nanko IT Solution Center	1	100.0	(Note 4)	69	1.1	1	100.0	(Note 4)	69	1.1
IIF Nagoya Port Tank Terminal (land with leasehold interest)	1	100.0	(Note 4)	62	1.0	1	100.0	(Note 4)	62	1.0

Name of property	For the six months ended									
	December 31, 2015					June 30, 2016				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Shinagawa IT Solution Center	5	76.1	(Note 4)	181	3.0	5	76.1	(Note 4)	166	2.7
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	1	100.0	(Note 4)	5	0.1	1	100.0	(Note 4)	18	0.3
Total (Notes 7 and 8)	58	99.7	7,788	6,125	100.0	63	99.7	7,886	6,206	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 “Composition ratio of NOI” are calculated by rounding to the nearest first decimal place.

Note 3 “Rental net operating income (NOI)” is calculated by following formula.
(Rental revenues – Rental expenses) + Depreciation

Note 4 “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 5 The Investment Corporation acquired the extension building on May 16, 2016.

Note 6 The name of property was changed from IIF Narashino Logistics Center II (land with leasehold interest) because the Investment Corporation acquired trust beneficial interest in IIF Narashino Logistics Center II (building with leasehold interest) on February 7, 2014. As a result of the acquisition, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Number of tenants” as of June 30, 2014 shows total of the number of tenant of leased land and that of the building.

Note 7 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 8 “Number of tenants” of IIF Narashino Logistics Center II is total of the number of tenant of leased land and that of the building.