

Industrial & Infrastructure Fund Investment Corporation

18th Period Asset Management Report

(Semi-Annual Report)

January 1, 2016 – June 30, 2016

 **Industrial & Infrastructure Fund Investment Corporation**

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

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

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

Mitsubishi Corp. – UBS Realty Inc.

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

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

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

Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support. This report provides an update on IIF's performance for the fiscal period ended June 30, 2016 (the 18th Period).

During the 18th Period, IIF acquired four new properties (one of which is an acquisition of 0.3% co-ownership interest), including the first acquisition of a manufacturing facility by a J-REIT. Furthermore, following the completion of the IIF Nishinomiya Logistics Center extension project, IIF additionally acquired the extension building. The total acquisition price for the four new properties and the extension building was 5.57 billion yen. IIF holds 47 properties, which is worth 210.1 billion yen in acquisition price as of the end of the 18th Period.

With respect to existing properties, the extension building of IIF Nishinomiya Logistics Center, which was completed in May, helped achieve both an increase in profitability, stability and an increase in unrealized gains. At the IIF Shinonome R&D Center, IIF received a notification from the tenant stating that it planned to terminate the lease agreement on September 30, 2016. We are presently putting efforts to lease-up the property, and at the same time, looking to sell the property. With regard to our sustainability efforts, three properties have newly received "BELS" (Building Energy-efficiency Labeling System) certifications, and one property was ranked a B+ from CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) for Buildings (New Construction).

On the subject of finance strategy, we have obtained new loans for acquiring new properties with an average borrowing period of 10 years, and have been enhancing the stability of IIF's financial standing by taking advantage of interest rate levels that resulted from the recent low interest rate environment to secure fixed-rate long-term loans. Furthermore, by extending our commitment line agreements, we are maintaining flexibility in financing.

As a result of the above measures, distribution per unit increased by 2.9% to 9,590 yen from the previous period. The increase in distribution per unit has been continuing for eleven consecutive periods from the 8th fiscal period and we expect to achieve further growth in the 19th fiscal period.

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

Yasuyuki Kuratsu
Executive Director
Industrial & Infrastructure Fund Investment Corporation

Topics of the 18th Period

- Acquired four new properties and developed a new asset category through the acquisition of the first manufacturing facility for a J-REIT. There are 47 properties under management, with a total acquisition price that has grown to 210.1 billion yen.
- With the completion of IIF's first extension project on the premises of the IIF Nishinomiya Logistics Center, IIF achieved both an increase in profitability, stability and an increase in unrealized gains.
- Recognized for the environmental performance of our facilities, including measures to reduce the burden on the environment and energy-saving measures. Three properties were newly awarded "BELS" certifications, and one property was evaluated as B+ under CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) for Buildings (New Construction).
- Secured funding flexibility with the extension of the term of its commitment line agreement (maximum borrowing amount of 10.0 billion yen)

Highlight of the 18th Period

	The 15 th period	The 16 th period	The 17 th period	The 18 th period	The 19 th period (forecast)
Operating Revenue (million yen)	6,775	7,357	7,788	7,886	8,054
Net Income (million yen)	2,799	3,101	3,287	3,381	3,383
Total Asset (million yen)	190,852	214,877	215,694	216,639	—
Distribution per Unit (yen)*	16,911 (8,455)	8,796	9,324	9,590	9,600
Net Asset Value per Unit (yen)*	495,381 (247,690)	265,703	266,100	266,048	—

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

IIF Focus

Summary of the 18th Period (Fiscal Period Ended June 30, 2016)

During the 18th Period, IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest), which was acquired during the previous period, was operational for the full period; as a result of this and other factors, operating revenue increased by 97 million yen to 7,886 million yen and net income increased by 93 million yen to 3,381 million yen from the previous period. As a result, distribution per unit increased by 266 yen (2.9%) to 9,590 yen from the previous period, and the eleven consecutive periods of increase was achieved. NAV (Net Asset Value) per unit* increased steadily from 353,799 yen in the previous period to 357,415 yen as of the end of the 18th Period.

IIF had a total of 47 properties worth 210.1 billion yen in acquisition price under management as of the end of June 2016, with a total leasable area of 1,016,549.70 m², an occupancy rate of 99.7% and an average remaining lease term of 8.8 years. Such long-term lease agreements have generated stable cash flow for the period.

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

Strength and Characteristics of IIF's External Growth

IIF's unique feature is that it is the only J-REIT specializing in industrial properties. IIF aims to achieve continuous growth in unitholders' value through acquisition of prime assets with high profitability and stability, capitalizing on a less competitive acquisition environment.

IIF acquired properties by capitalizing on this strength in the 18th Period as well. First, in what was unprecedented for a J-REIT, IIF completed a deal to acquire a manufacturing facility, IIF Kakegawa Manufacturing Center (land with leasehold interest). In addition to being positioned between three metropolitan areas that is readily accessible to major consumption areas, the property is generating a steady cash flow through a lease agreement for 30 years (early cancellation not permitted for the first 10 years). Also, IIF acquired the IIF Urayasu Machinery Maintenance Center (land with leasehold interest) from "Metal One Group," a group company of Mitsubishi Corporation, the sponsor of the Asset Manager, through a privately negotiated deal based on IIF's forte in CRE (Corporate Real Estate) proposals. This was IIF's second deal for a manufacturing facility. Furthermore, in terms of logistics facilities, IIF acquired the IIF Fukuoka Higashi Logistics Center through a privately negotiated deal using its own network, after determining that this property is not only highly profitable but also excellent in terms of continuity and versatility. The center is located near the Fukuoka Interchange, in an area where logistics are concentrated.

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

Strength and Characteristics of IIF's Internal Growth

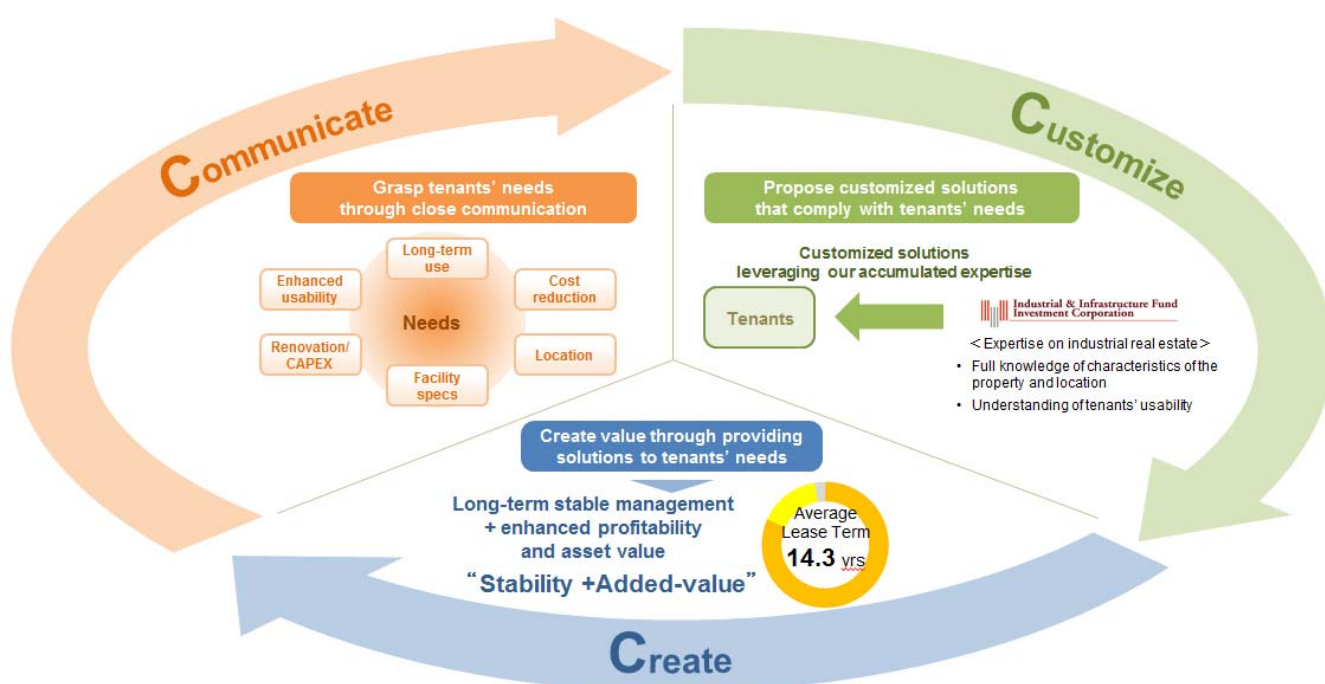
IIF promotes the 3C Management Cycle which aims for internal growth through long-term stable management coupled with enhanced profitability and asset value by providing value to its tenants.

During the 18th Period, IIF completed on schedule the IIF Nishinomiya Logistics Center extension project, which

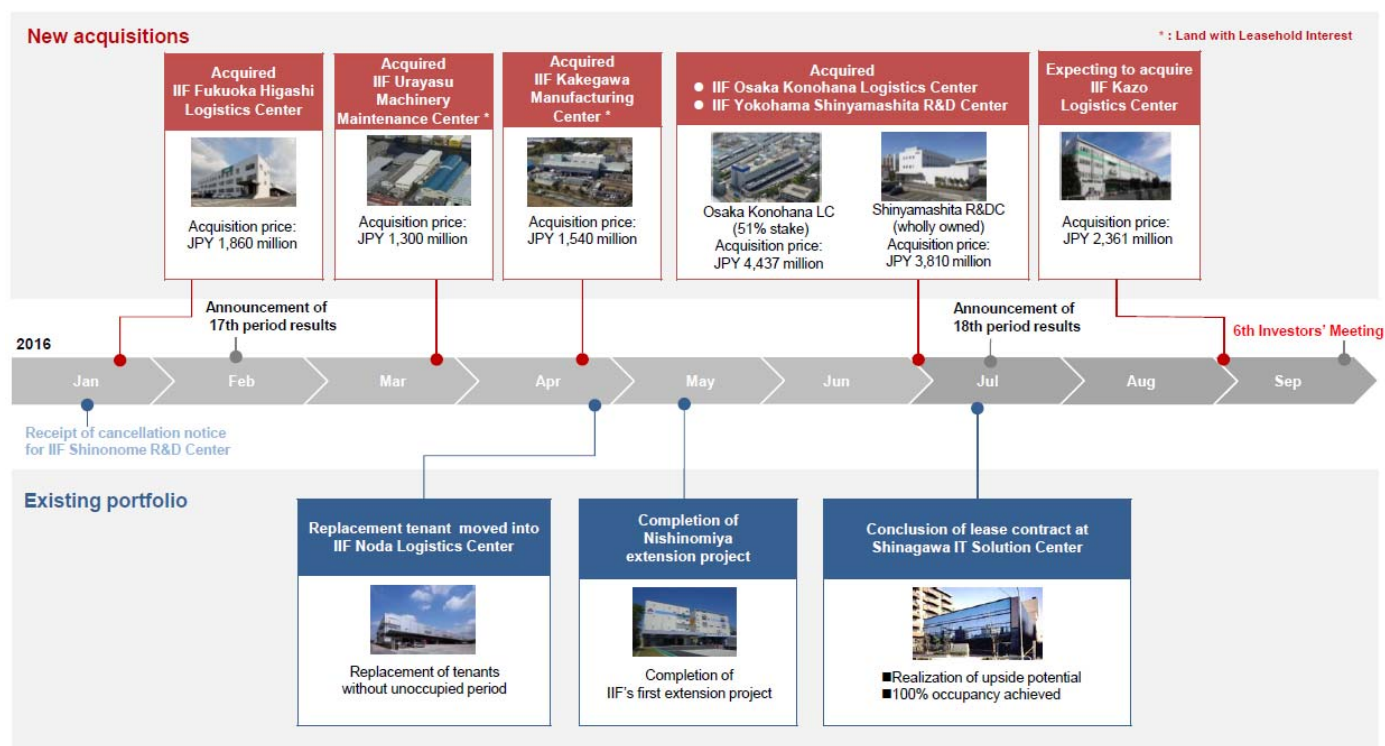
is one of the initiatives undertaken as part of the 3C Management Cycle. Through the acquisition of the extension building, IIF increased profitability, stability and unrealized gains. While improving profitability by reducing management costs for its properties, IIF remained environmentally conscious and continued initiatives to reduce the burden on the environment.

First, “BELS” (Building Energy-efficiency Labeling System), which outlines evaluation criteria outlined by the Ministry of Land, Infrastructure, Transport and Tourism, and which has made IIF Hiroshima Logistics Center as the first logistics facility owned by a J-REIT to receive the certification., awarded a certification to IIF Nishinomiya Logistics Center’s extension building with four stars on February 23, 2016, IIF Yokohama Tsuzuki Logistics Center with five stars on April 15, 2016, and IIF Kawasaki Science Center with two stars on June 3, 2016.

In addition, the extension building of IIF Nishinomiya Logistics Center was evaluated as B+ under CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) for Buildings (New Construction), as a facility that exhibits high energy-saving performance and reduces the burden on the environment.



Improving Revenue for the 18th Period and Beyond:
Potential revenue increase through various portfolio management actions



Financial Initiatives of IIF

IIF is procuring long-term fixed interest rate borrowings in line with long-term stable assets based on the ALM (Asset Liability Management) strategy used to build a stable balance sheet. The ratios of long-term and fixed interest rate borrowings are maintained at 100%, with the average remaining borrowing period of 4.6 years.

Among new loans used to fund part of IIF's new property acquisitions during the 18th Period, 1.6 billion yen was procured with an average borrowing period for ten years and an applicable interest rate of 0.52%, taking advantage of recent low interest rate environment. We also further diversified our lenders by procuring a loan from a new lender, the Bank of Fukuoka.

Futhermore, IIF concluded a commitment line agreement (a three-year contract period, borrowing period of up to three years and a maximum amount of 10 billion yen) starting from July 1, 2015. However, upon the arrival of the extension date of the commitment line agreement, IIF extended the contract period of the commitment line until July 28, 2019 in order to secure a flexible and stable method of financing.

Change in Portfolio Composition Policy, Fiscal Period, and Cash Distribution Policy

This marks the ninth year since IIF's listing, and we have changed our structure to respond to changes in the market and the asset management environment. First, IIF has changed its portfolio composition policy. The new composition policy allows IIF to continue to hold properties whose purpose of use have changed and no longer categorized as "logistics facilities," "manufacturing and R&D, and other non-logistics facilities" and "infrastructure facilities." Even if a property's usage has changed from "manufacturing and R&D" to office, IIF is allowed to continue to hold and does not

have to sell the property. However, when the ratio of other asset category exceeds 10% of the entire portfolio (appraisal value basis), as a general rule, IIF is required to take actions necessary (including sales activities) to rebalance the portfolio composition.

Secondly, IIF plans to change its fiscal period. While the property acquisition through CRE solution proposals is considered one of IIF's strengths, the sellers of the properties, which are operating companies, tend to make decision and execute disposition of property in the fourth quarter. In order to optimize the timing for funding, IIF plans to change its fiscal period from June/December to January/July, after partial amendment of the Article of Incorporation is approved at the General Meeting of Unitholders scheduled to be held on September 30, 2016. After the resolution, the new fiscal period is scheduled to start from the 20th period. The operating period for the 20th Period will be for seven months (January 1, 2017 to July 31, 2017), and the payment period for the distribution will be moved back by approximately one month to October 2017. The regular six-month operating period starts from the fiscal period ending January 31, 2018 (the 21st Period).

Lastly, in cases where the amount of distribution per unit is expected to temporarily decrease by a certain amount due to the dilution of units or the emergence of substantial expenses in relation to the acquisition of assets and funding activities such as the issue of new units, the amount in excess of profit may be distributed as distributions only for the purpose of standardizing the level of distributions per unit.

Prospect for the 19th Period (Fiscal Period Ending December 31, 2016) and Future Management Policies

In terms of the outlook for the 19th Period, with the expected acquisition of two properties under the category of "logistics facilities" and one property under the category of "manufacturing and R&D, and other non-logistics facilities" after July, IIF projects that it will achieve an operating revenue of 8,054 million yen and a net income of 3,383 million yen. Moreover, distribution per unit is expected to increase for the twelfth consecutive period to 9,600 yen.

With regard to the leasing activities, IIF concluded a new lease agreement in August 2016 to fill a vacant space at the IIF Shinagawa IT Solution Center. The contract period will start from September 2016, thus bringing the facility to full occupancy. Meanwhile, IIF received a notification from the tenant at the IIF Shinonome R&D Center stating that it intends to terminate the lease agreement on September 30, 2016. To avoid any impact on distribution, and taking into consideration the location and characteristics of the building, IIF launched activities aimed at leasing the entire building while also pursuing several other options, including selling the asset given present market conditions.

In the logistics real estate market, there are signs showing that the transactions market is saturated. This was precipitated by an oversupply of more than 100,000 tsubo in the Tokyo metropolitan area that has persisted for three consecutive periods (Q4 2015 to Q2 2016) and other factors. However, there is underlying strong demand from tenants—this is particularly evident in vacancy rates at existing buildings, which remain at low levels. For logistics facilities IIF acquired ahead of competitors since its listing, focus was placed on building portfolios that mainly consisted of facilities with long-term lease contracts. This enabled IIF to achieve a noticeable increase in unrealized gains due to increase in appraisal values, which is in line with improved liquidity in recent years. IIF will also gain an advantage ahead of other competitors by making the first move in investment in manufacturing and R&D, and other non-logistics facilities and infrastructure facilities, with an aim to gain a long-term competitive edge. IIF will continue to avoid overheated

competition in real estate acquisition, and through leveraging the company's unique CRE proposal-based business model, develop new sectors or categories characterized by less competition that are not targeted by other J-REITs.

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

IIF's Sustainability Management

Environmental Certification

IIF and its asset manager, Mitsubishi Corp.-UBS Realty Inc., share common sustainability objectives, and continue to pursue environmental initiatives. IIF is taking environment-friendly, environmental load-reducing initiatives by adopting measures to improve energy efficiency at its properties. As a result, IIF has gained high environmental recognition from third parties and was able to improve profits at the same time. IIF will continue to strengthen its commitment to be environmentally conscious and reduce the burden on the environment while remaining considerate of costs.

■ CASBEE®

● IIF Nishinomiya Logistics Center (the Extension)

IIF Nishinomiya Logistics Center (extension building), completed in May 2016, is evaluated as CASBEE® for Buildings (New Construction) "B+" Rank (BEE=1.3) in recognition of its environmental consideration for both inside and outside of the building such as green space created within the premises and LED lightings installed in the building.



Green space created within the premises.

CASBEE®

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

CASBEE® is a registered trademark of Institute for Building Environment and Energy Conservation.

■ BELS

● IIF Nishinomiya Logistics Center (the Extension)

The property received BELS certification with four-star rating and BEI of 0.55 on February 23, 2016, which was the second BELS certification for IIF.



● IIF Yokohama Tsuzuki Logistics Center

The property received BELS certification with five-star rating and BEI of 0.43 on April 15, 2016.



● IIF Kawasaki Science Center

The property received the BELS certification with five-star rating and BEI of 0.43 on June 3, 2016.



BELS

BELS (Building Energy-efficiency Labeling System), established in April 2014, is a system that evaluates the energy conservation performance of non-residential buildings. The evaluation result is represented by a number of stars (from one star to five stars) and BEI (Building Energy Index) of 1.0 or less indicates that the building meets the energy conservation standard.

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			14 th	15 th	16 th	17 th	18 th
As of /for the six months ended			June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016
Operating revenues	Note 1	(Millions of yen)	6,576	6,775	7,357	7,788	7,886
(Rental revenues)	Note 1	(Millions of yen)	(6,575)	(6,775)	(7,356)	(7,788)	(7,886)
Operating expenses	Note 1	(Millions of yen)	2,936	3,071	3,320	3,511	3,547
(Rental expenses)	Note 1	(Millions of yen)	(2,259)	(2,371)	(2,578)	(2,736)	(2,763)
Operating income		(Millions of yen)	3,640	3,704	4,036	4,277	4,338
Ordinary income		(Millions of yen)	2,733	2,800	3,102	3,288	3,382
Net income	(a)	(Millions of yen)	2,750	2,799	3,101	3,287	3,381
Net assets	(b)	(Millions of yen)	82,004	82,001	93,677	93,817	93,799
(Period-on-period change)		(%)	(9.6)	(-0.0)	(14.2)	(0.1)	(-0.0)
Total assets	(c)	(Millions of yen)	190,840	190,852	214,877	215,694	216,639
(Period-on-period change)		(%)	(9.0)	(0.0)	(12.6)	(0.4)	(0.4)
Unitholders' capital		(Millions of yen)	79,493	79,493	90,823	90,823	90,823
(Period-on-period change)		(%)	(9.7)	(-)	(14.3)	(-)	(-)
Number of units issued and outstanding	(d)	(Units)	165,532	165,532	352,564	352,564	352,564
Net asset value per unit	Note 3 (b)/(d)	(Yen)	495,397	247,690	265,703	266,100	266,048
Total distributions	(e)	(Millions of yen)	2,750	2,799	3,101	3,287	3,381
Distribution per unit	(e)/(d)	(Yen)	16,617	16,911	8,796	9,324	9,590
(Profit distribution per unit)		(Yen)	(16,617)	(16,911)	(8,796)	(9,324)	(8,440)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(1,150)
Ratio of ordinary income to total assets	Note 4	(%)	1.5 (3.0)	1.5 (2.9)	1.5 (3.1)	1.5 (3.0)	1.6 (3.1)
Return on unitholders' equity	Note 4	(%)	3.5 (7.1)	3.4 (6.8)	3.5 (7.1)	3.5 (7.0)	3.6 (7.2)
Ratio of net assets to total assets	(b)/(c)	(%)	43.0	43.0	43.6	43.5	43.3
(Period-on-period change)			(0.3)	(-0.0)	(0.6)	(-0.1)	(-0.2)
Payout ratio		(%)	100.0	100.0	100.0	100.0	88.0
Additional information:							
Rental net operating income (NOI)	Note 4	(Millions of yen)	5,272	5,400	5,825	6,125	6,206
Net profit margin	Note 4	(%)	41.8	41.3	42.2	42.2	42.9
Debt service coverage ratio	Note 4	(Multiple)	6.9	6.9	7.2	7.2	7.4
Funds from operation (FFO) per unit	Note 4	(Yen)	22,389	22,929	11,765	12,370	12,663
FFO multiples	Note 4	(Multiple)	20.1	24.4	23.3	23.5	22.5
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	16,387	16,603	8,671	9,091	8,415
FFO per unit after adjustment for taxes on property, plant and equipment	Note 5	(Yen)	22,159	22,621	11,640	12,137	12,638

Note 1 Consumption taxes are not included.

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

Note 3 The Investment Corporation executed a two-for-one unit split (the "Unit Split") on January 1, 2015 as the effective date. Net asset value per unit for 15th fiscal period in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on July 1, 2014.

Note 4 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181, 184, 181, 184 and 182 days for 14th, 15th, 16th, 17th and 18th fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income / Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) / 2
Return on unitholders' equity	Net income / Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) / 2
Payout ratio	Total distributions excluding distributions in excess of profit / Net income
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income / Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of investment corporation bonds issuance costs, amortization of investment units issuance costs and depreciation / Interest expenses
Funds from operation (FFO) per unit	(Net income + Loss on sales of real estate properties – Gain on sales of real estate properties + Depreciation + Other depreciation related property) / Number of units issued and outstanding
FFO multiples	Market price per unit at end of period/Annualized FFO per unit

Note 5 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property, plant and equipment were not capitalized but charged to income in the periods in which were incurred. The pro forma distributable income per unit for 18th fiscal period is calculated as below formula.

$$\text{Distributable income per unit after adjustment for taxes on property, plant and equipment} = (\text{Unappropriated retained earnings at the end of period} - \text{Increase in provision for temporary difference adjustment for the period} - \text{Capitalized taxes on property, plant and equipment}) / \text{Number of units issued and outstanding}$$

These figures are unaudited.

2. Outline of asset management operation

(1) Major developments and management performance of IIF

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

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

(2) 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 averse 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%.

(3) 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.

(4) 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.

3. Changes in unitholders' capital

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.

Fluctuation in market price of the investment securities:

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

(Yen)

Fiscal period	14 th	15 th	16 th	17 th	18 th
As of /for the six months ended	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016
Highest price	949,000	(Note 1) 1,116,000 (Note 2) 558,000	620,000	585,000	595,000
Lowest price	805,000	(Note 1) 878,000 (Note 2) 540,000	541,000	445,000	499,500
Closing price at end of period	907,000	(Note 2) 555,000	553,000	576,000	573,000

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

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

4. Distributions

The Investment Corporation intends to make profit distributions amounting to ¥2,975,640,160 which are 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, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. The Investment Corporation also intends to make ¥405,448,600 of distributions in excess of profit (as unitcapital refunds from provision for temporary difference adjustment) which are 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, considering an effect of items deducted from net asset.

As a result, cash distribution per unit for the six months ended June 30, 2016 amounted to ¥9,590.

Fiscal period	14 th	15 th	16 th	17 th	18 th
As of /for the six months ended	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016
Net income (Thousands of yen)	2,750,710	2,799,330	3,101,182	3,287,384	3,381,287
Retained earnings carried forward (Thousands of yen)	85	104	134	212	405,859
Total cash distributions (Thousands of yen)	2,750,645	2,799,311	3,101,152	3,287,306	3,381,088
(Cash distribution per unit) (Yen)	(16,617)	(16,911)	(8,796)	(9,324)	(9,590)
Profit distributions (Thousands of yen)	2,750,645	2,799,311	3,101,152	3,287,306	2,975,640
(Profit distribution per unit) (Yen)	(16,617)	(16,911)	(8,796)	(9,324)	(8,440)
Unitcapital refunds (Thousands of yen)	—	—	—	—	405,448
(Unitcapital refund per unit) (Yen)	(—)	(—)	(—)	(—)	(1,150)
Unitcapital refunds from provision for temporary difference adjustment (Thousands of yen)	—	—	—	—	405,448
(Unitcapital refund per unit from provision for temporary difference adjustment) (Yen)	(—)	(—)	(—)	(—)	(1,150)
Unitcapital refunds from deduction of unitcapital under tax rules (Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from deduction of unitcapital under tax rules) (Yen)	(—)	(—)	(—)	(—)	(—)

5. Management policies and issues

(1) 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.

(2) Issues to be solved and management policy going forward

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

i External growth

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

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

IIF will strive to expand the portfolio through acquisition of prime properties, leveraging its unique strengths as the only listed J-REIT specializing in industrial properties, creating a flexible property acquisition structure by collecting property information through its information channels including sponsor companies or by using warehousing structure.

ii 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.

iii Financial strategy

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

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

Outline of the Investment Corporation

1. Investment unit

Fiscal period	14 th	15 th	16 th	17 th	18 th
As of	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016
Number of units authorized (Units)	4,000,000	4,000,000	8,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	165,532	165,532	352,564	352,564	352,564
Number of unitholders (People)	4,503	4,226	5,160	4,804	4,779

2. Unitholders

Major unitholders as of June 30, 2016 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	53,267	15.10
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	35,961	10.19
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	28,056	7.95
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	19,725	5.59
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	12,800	3.63
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	7,874	2.23
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	6,400	1.81
The Juyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	5,558	1.57
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	5,279	1.49
Development Bank of Japan Inc.	9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	1.41
Total		179,920	51.03

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

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2016 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 12,000

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

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

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

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

4. Name of asset manager and other administrator

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

Condition of investment assets

1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of December 31, 2015		As of June 30, 2016	
				Total of net book value	Composition ratio (Note 2)	Total of net book value	Composition ratio (Note 2)
				(Millions of yen)	(%)	(Millions of yen)	(%)
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

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. Major property

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.

3. Details of property

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

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 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 Extension construction of the building completed on May 16, 2016.

Note 6 With respect to IIF Narashino Logistics Center II, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Leasable area” of the property shows total of the leasable area of the leased land (58,070.00 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)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Shinonome Logistics Center	1	100.0	400	5.1	1	100.0	400	5.1
IIF Noda Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Shinsuna Logistics Center	1	100.0	173	2.2	1	100.0	173	2.2
IIF Atsugi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Koshigaya Logistics Center	1	100.0	75	1.0	1	100.0	75	1.0
IIF Nishinomiya Logistics Center (Note 4)	1	100.0	60	0.8	2	100.0	(Note 3)	(Note 3)
IIF Narashino Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Narashino Logistics Center II (Note 5)	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Atsugi Logistics Center II	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Yokohama Tsuzuki Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Saitama Logistics Center	1	100.0	66	0.9	1	100.0	66	0.8
IIF Nagoya Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Atsugi Logistics Center III	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kawaguchi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kobe Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Higashi-Osaka Logistics Center	2	96.2	(Note 3)	(Note 3)	2	96.2	(Note 3)	(Note 3)
IIF Kashiwa Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Misato Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Iruma Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Tosu Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Inzai Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Morioka Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Hiroshima Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Izumisano Food Processing and Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kyotanabe Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)

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)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Fukuoka Higashi Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	2.0	1	100.0	154	2.0
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	0.8	1	100.0	58	0.7
IIF Mitaka Card Center	1	100.0	364	4.7	1	100.0	364	4.6
IIF Shinonome R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kamata R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kawasaki Science Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Sagamihara R&D Center	6	98.8	(Note 3)	(Note 3)	6	98.8	(Note 3)	(Note 3)
IIF Yokohama Shinyamashita R&D Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Kobe District Heating and Cooling Center	3	100.0	330	4.2	3	100.0	330	4.2
IIF Haneda Airport Maintenance Center	1	100.0	1,351	17.4	1	100.0	1,377	17.5
IIF Zama IT Solution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Shinagawa Data Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Toyonaka Data Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Nanko IT Solution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Nagoya Port Tank Terminal (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Shinagawa IT Solution Center	5	76.1	(Note 3)	(Note 3)	5	76.1	(Note 3)	(Note 3)
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
Total (Notes 6 and 7)	58	99.7	7,788	100.0	63	99.7	7,886	100.0

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

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

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

Note 4 Extension construction of the building completed on May 16, 2016.

Note 5 With respect to IIF Narashino Logistics Center II, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Number of tenants” shows total of the number of tenant of leased land and that of the building.

Note 6 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 7 “Number of tenants” of IIF Narashino Logistics Center II is total of the number of tenant of leased land and that of the building.

4. Details of renewable energy generation facilities

None

5. Details of operation rights of public facilities

None

6. Details of investment securities

None

7. Details of specified transaction

The details of specified transaction as of June 30, 2016 were as follows:

Classification	Transaction	Notional contract amount (Millions of yen)		Fair value (Note 1) (Millions of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	76,600	65,600	(2,780)
Total		76,600	65,600	(2,780)

Note 1 The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

Note 2 The interest rate swaps for which The Investment Corporation had applied the special treatment provided under the Accounting Standards Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be measured in the balance sheets.

8. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property." There was no other significant specified asset as of June 30, 2016.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2016 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2016	Total of advanced payment
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	LED lighting equipment	December 2016	150	—	—
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of fire extinguishing equipment at B1 floor	September 2016	48	—	—
IIF Kamata R&D Center	Ota-ku, Tokyo	Renewal of air conditioning system (Second construction)	October 2016	20	—	—

2. Capital expenditures for the six months ended June 30, 2016

Maintenance expenditures on property for the six months ended June 30, 2016 were totaling to ¥385 million consisting of ¥319 million of capital expenditures stated as below and ¥66 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of earth leakage breakers	May 2016	28
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall (M2 North and south surface)	April 2016	24
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of condenser reactive coil	March 2016	21
IIF Kamata R&D Center	Ota-ku, Tokyo	Renewal of air conditioning system	April 2016 to May 2016	18
Other	—	—	—	227
Total				319

3. Reserved funds for long-term maintenance plan

The Investment Corporation had reserved funds as below to appropriate for future expenditures on large-scale maintenance based on a long-term maintenance plan.

(Millions of yen)					
Fiscal period	14 th	15 th	16 th	17 th	18 th
As of /for the six months ended	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016
Reserved funds at beginning of period	1,141	1,205	1,251	1,385	—
Increase	458	460	486	—	—
Decrease	394	414	351	1,385	—
Reserved funds at end of period	1,205	1,251	1,385	—	—

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

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	17 th	18 th
Item	For the six months ended December 31, 2015	For the six months ended June 30, 2016
(a) Asset management fees	651,166	651,469
(b) Asset custody fees	6,651	6,657
(c) Administrative service fees	32,398	32,008
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	78,607	88,036
Total	774,644	783,992

2. Loans payable

Loans payable as of June 30, 2016 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			June 30, 2015 (Millions of yen)	December 31, 2015 (Millions of yen)					
Long-term loans payable	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	3,200	3,200	1.8 (Note 3)	March 9, 2018	Lump sum (Note 4)	Notes 5 and 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,950	2,950					
	Sumitomo Mitsui Trust Bank, Limited		2,350	2,350					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	August 31, 2011	2,000	2,000	1.2 (Note 3)	August 31, 2016	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	2,823	2,823	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,603	2,603					
	Sumitomo Mitsui Trust Bank, Limited		2,074	2,074					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	1,500	1,500	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			June 30 2015 (Millions of yen)	December 31, 2015 (Millions of yen)					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 3)	June 30, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 3)	June 30, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 3)	June 30, 2020	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Resona Bank, Limited.		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 18, 2013	3,900	3,900	1.4 (Note 3)	October 18, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 3)	December 29, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	700	700	1.3	August 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 3)	February 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	500	500	1.0 (Note 3)	August 5, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	451	451	0.9 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		417	417					
	Sumitomo Mitsui Trust Bank, Limited		331	331					
	Development Bank of Japan Inc.	March 13, 2014	1,000	1,000	1.7	March 13, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	376	376	1.7 (Note 3)	March 13, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		348	348					
	Sumitomo Mitsui Trust Bank, Limited		276	276					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	601	601	1.3 (Note 3)	March 13, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		556	556					
	Sumitomo Mitsui Trust Bank, Limited		441	441					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,350	1,350	1.0	March 14, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,334	1,334	0.9 (Note 3)	September 13, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,235	1,235					
	Sumitomo Mitsui Trust Bank, Limited		979	979					
	The Chugoku Bank, LTD.	March 16, 2015	700	700	0.7 (Note 3)	September 15, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 6	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2015	1,500	1,500	1.0	March 31, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2015	432	432	0.9 (Note 3)	September 30, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		400	400					
	Sumitomo Mitsui Trust Bank, Limited		317	317					
	Mizuho Bank, Ltd.	April 15, 2016	—	800	0.5 (Note 3)	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	April 15, 2016	—	800	0.5	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
Total			96,200	97,800					

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

Note 2 Long-term loans payable current portion.

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

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

- Note 5 The funds were appropriated to repayment of outstanding loans payable.
- Note 6 The funds were mainly appropriated to acquisition of real estate property, etc.
- Note 7 The funds were appropriated to redemption of outstanding investment corporation bonds.

3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		December 31, 2015 (Millions of yen)	June 30, 2016 (Millions of yen)					
The 1 st Unsecured Investment Corporation Bond (Note 1)	December 27, 2012	5,000	5,000	0.56	December 27, 2016	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2 nd Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	1.40	December 27, 2022	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3 rd Unsecured Investment Corporation Bond	June 26, 2014	2,000	2,000	0.89	June 26, 2024	Lump sum (Note 2)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		12,000	12,000					

Note 1 Investment corporation bonds is within one year from June 30, 2016.

Note 2 The Investment Corporation may repurchase bonds at any time on or after the next day of issuance except for the case that transferring term is otherwise limited.

4. Short-term investment corporation bonds

None

5. Investment unit warrants

None

Condition of investment transactions

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

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Fukuoka Higashi Logistics Center	January 18, 2016	1,860	—	—	—	—
IIF Yokohama Shinyamashita R&D Center	March 1, 2016	11	—	—	—	—
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	March 31, 2016	1,300	—	—	—	—
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	April 15, 2016	1,540	—	—	—	—
IIF Nishinomiya Logistics Center (Extension Building)	May 16, 2016	859	—	—	—	—
Total	—	5,571	—	—	—	—

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

2. Transactions of other assets

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

3. Research for specified assets value, etc.

(1) Property (Appraisal value)

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	IIF Fukuoka Higashi Logistics Center	January 18, 2016	1,860	2,000	CBRE K.K.	December 1, 2015
Acquisition	IIF Yokohama Shinyamashita R&D Center	March 1, 2016	11	12	CBRE K.K.	February 1, 2016
Acquisition	IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	March 31, 2016	1,300	1,640	Japan Real Estate Institute	March 28, 2016
Acquisition	IIF Kakegawa Manufacturing Center (Land with leasehold interest)	April 15, 2016	1,540	1,770	Tanizawa Sōgō Appraisal Co., Ltd.	February 1, 2016
Acquisition	IIF Nishinomiya Logistics Center (Extension Building)	May 16, 2016	859	1,090	Japan Real Estate Institute	May 16, 2016

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

(2) Other transaction

None

4. Transactions with interested parties

(1) Outline of specified assets transactions

Classification	Acquisition cost / Disposal amount (Notes 2 and 3)	
	Acquisition cost	Disposal amount
Total amount	¥5,571,506 thousand	—
Breakdown for transactions with interested parties		
<i>Suzuyasu Corporation</i>	¥1,300,776 thousand (23.3%)	—
<i>Total</i>	¥1,300,776 thousand (23.3%)	—

(2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Property management fees	60,158	Mitsubishi Corporation LT, Inc.	18,897	31.4
Facility management fees	168,136	NIKKEN CORPORATION	4,459	2.7

Note 1 “Interested parties” means the interested parties related with the asset management company of the Investment Corporation as prescribed under Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

Note 2 The Acquisition cost amount indicate contracted amount of the property in the purchase agreement, etc.

Note 3 Percentages in parentheses indicate ratio of each amount to the total amount of acquisition cost or disposition amount.

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

None

Financial information

1. Financial position and operating results

Please refer to the accompanying balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions.

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Outline of overseas real estate investment corporation

1. Disclosure relating to overseas real estate investment corporation

None

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

None

Other information

1. Investment units held by the asset manager

Investment units held by the asset manager (Mitsubishi Corp.-UBS Realty Inc.) were as follows:

(1) Transactions of investment units held by the asset manager

	Number of units purchased (Units)	Number of units sold (Units)	Number of units held (Units)
January 1, 2015	(Note) 600	—	1,200
Accumulated number	1,200	—	1,200

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

(2) Number of investment units held by the asset manager

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 9 th fiscal period (July 1, 2011 to December 31, 2011)	600	227,700	0.6%
The 10 th fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 th fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 th fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 th fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 th fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15 th fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	0.4%
The 16 th fiscal period (January 1, 2015 to June 30, 2015)	1,200	663,600	0.3%
The 17 th fiscal period (July 1, 2015 to December 31, 2015)	1,200	691,200	0.3%
The 18 th fiscal period (January 1, 2016 to June 30, 2016)	1,200	687,600	0.3%

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

2. Notice

None

3. Other

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

II. Balance sheets

(Thousands of yen)

	As of	
	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 rights (Note 2)	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 "V. Notes to financial information" 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
Derivative 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 3)	93,817,617	93,799,013
TOTAL LIABILITIES AND NET ASSETS	215,694,466	216,639,350

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

III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2015	June 30, 2016
Operating revenue		
Rent revenue—real estate (Note 4)	7,788,664	7,886,205
Total operating revenue	7,788,664	7,886,205
Operating expenses		
Expenses related to property rental business (Note 4)	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 units 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 "V. Notes to financial information" are an integral part of these statements.

IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended December 31, 2015

For the six months ended December 31, 2015							
	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	
		Retained earnings	Total surplus				
Balance as of July 1, 2015	90,823,217	3,101,287	3,101,287	93,924,504	(247,187)	(247,187)	93,677,316
<u>Changes during the period</u>							
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)
<u>Total changes during the period</u>	—	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

for the six months ended June 30, 2016							
	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	
		Retained earnings	Total surplus				
Balance as of January 1, 2016	90,823,217	3,287,518	3,287,518	94,110,736	(293,119)	(293,119)	93,817,617
<u>Changes during the period</u>							
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)
<u>Total changes during the period</u>	—	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 "V. Notes to financial information" are an integral part of these statements.

V. Notes to financial information

Note 1 – Summary of significant accounting policies

(a) Property, plant and equipment

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

	For the six months ended	
	December 31, 2015	June 30, 2016
Buildings	13-68 years	13-68 years
Structures	4-20 years	4-45 years
Machinery and equipment	3-10 years	3-10 years
Tools, furniture and fixtures	6-15 years	6-15 years

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

(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 units issuance costs

Investment units 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.

(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) Accounting treatment of trust beneficiary interests in real estate trusts

For the trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Investment Corporation holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Investment Corporation in proportion to the percentage interest that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheets of the Investment Corporation.

(i) Consumption taxes

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

Note 2 – Leasehold rights

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

Note 3 – Unitholders' equity

(1) Number of units

	As of	
	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 4 – Rent revenue—real estate and expenses related to property rental business

Rent revenue—real estate and expenses related to property rental business for the six months ended December 31, 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 5 – 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 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
Derivative (derivative 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

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)

As of December 31, 2015						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	5,500,000	5,500,000	(293,119)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	68,300,000	Note (a)	-

As of June 30, 2016

(Thousands of yen)

As of June 30, 2010						(Thousands of yen)
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	6,300,000	6,300,000	(405,704)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	70,300,000	59,300,000	Note (a)	-

Note:

- (a) As disclosed in "Note 1 - 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 instrument and the long-term loans payable as the hedged item is calculated together as one. Please refer to above footnote ("Liabilities, (2) Current portion of long-term loans payable and (4) Long-term loans payable").
- (b) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

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

(Thousands of yen)

	As of	
	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

Note7 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended 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		<u>203,003,259</u>	<u>207,993,730</u>
Fair value⁽ⁱⁱⁱ⁾		236,917,000	243,182,500

Note:

(i) The net book value includes leasehold rights.

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

Acquisition:	IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	Increase in net book value (Thousands of yen) 727,205
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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 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 4 - Rent revenue—real estate and expenses related to property rental business.”

Note 8 – Restriction on Asset Management

None

Note 9 – Asset retirement obligations

As the Investment Corporation owns IIF Haneda Airport Maintenance Center with the permission for use of the underlying land granted by the Secretary of Tokyo Regional Civil Aviation Bureau under the National Property Act of Japan, the Investment Corporation is obliged to demolish the building and restore the land if the permission is not extended or is revoked. The Investment Corporation, however, expects that, unless exceptional circumstances arise, the permission will continue to be granted until the Investment Corporation voluntarily demolishes the property in light of the past practice relating to the extension and revocation of permission under the National Property Act and the importance of the property as public infrastructure. As the Investment Corporation intends to keep the property for the foreseeable future, it is difficult to

determine when the asset retirement obligation may need to be performed, and as such it is impossible to reasonably foresee the amount of the asset retirement obligation. Therefore, the Investment Corporation does not recognize such obligation as a liability.

Note 10 – Related-party transactions

For the six months ended December 31, 2015:

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

Notes:

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

For the six months ended June 30, 2016:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	—	—	Long-term loans payable ⁽ⁱ⁾	15,369,000
				Interest expenses ⁽ⁱ⁾	90,237	—	—
				—	—	Derivative liabilities ⁽ⁱⁱ⁾	392,519

Notes:

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

Note 11 – Per unit information

The net asset value per unit as of 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:

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

Note 12 – Subsequent events

None

Note 13 – Provision for temporary difference adjustment

For the six months ended December 31, 2015:

None

For the six months ended June 30, 2016:

Subject for provision	Reason for provision	Amounts of provision for temporary difference adjustment
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	¥405,448 thousand

The provision will be reversed corresponding to future change in values of the hedging derivatives.

VI. 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
Provision for temporary difference adjustment	—	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>
Provision for temporary difference adjustment	—	405,448,600
<i>(Distribution per unit in excess of profit from provision for temporary difference adjustment)</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 provision for temporary difference adjustment (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.

Cash distributions declared for the six months ended June 30, 2016 were ¥3,381,088,760.

Note

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended June 30, 2016 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

VII. Statements of cash flows (additional information)

(Thousands of yen)

	For the six months ended	
	December 31, 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 ⁽ⁱⁱ⁾	10,389,361	6,906,797

Note:

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

(Thousands of yen)

	As of	
	December 31, 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