

**Industrial & Infrastructure Fund Investment Corporation**

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

**(Semi-Annual Report)**

**July 1, 2016 – December 31, 2016**

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.

## Topics for the 19<sup>th</sup> Fiscal Period

- The General Meeting of Unitholders held in September 2016 approved amendments of the Articles of Incorporation, including the change of fiscal period.
- Managing 49 properties (with a total acquisition price of 212.7 billion yen) as a result of the sale of one property and the acquisition of four new properties (one of which involved additional acquisition of co-ownership interest).
- Uncertainty for the portfolio as a whole dispelled through the quick and effective sale of the IIF Shinonome R&D Center after it was vacated by its single tenant.
- Received highest “Green Star” ranking from GRESB for the fourth consecutive year in recognition of our initiatives in sustainability.

## Highlights of the 19<sup>th</sup> Fiscal Period

	16 <sup>th</sup> Fiscal Period	17 <sup>th</sup> Fiscal Period	18 <sup>th</sup> Fiscal Period	19 <sup>th</sup> Fiscal Period	20 <sup>th</sup> Fiscal Period (Forecast)
Operating Revenue (million yen)	7,357	7,788	7,886	8,069	10,047
Net Income (million yen)	3,101	3,287	3,381	3,442	4,579
Total Asset (million yen)	214,877	215,694	216,639	224,749	—
Distribution per Unit (yen)*	8,796	9,324	9,590	9,768	11,538
Net Asset Value per Unit (yen)*	265,703	266,100	266,048	266,503	—

\* The figures for the 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> periods include distribution in excess of profit.

## Notice concerning the Change of Fiscal Period

Effective January 1, 2017, the fiscal periods have been changed to semiannual periods ending July 31<sup>st</sup> and January 31<sup>st</sup> from June 30<sup>th</sup> and December 31<sup>st</sup> of each year. The 20<sup>th</sup> fiscal period (ending July 31, 2017) is a transitional, seven-month fiscal period that started on January 1, 2017. The commencing date of the distribution payment for the 20<sup>th</sup> fiscal period is scheduled in October 2017.

# Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support. This report provides an update on IIF's performance for the fiscal period ended December 31, 2016 (the 19<sup>th</sup> fiscal period).

In this period, we acquired four more properties: IIF Yokohama Shinyamashita R&D Center (99.7% co-ownership interest), IIF Osaka Konohana Logistics Center (51% co-ownership interest), IIF Kazo Logistics Center, and IIF Hamura Logistics Center. These acquisitions totaled 11.41 billion yen. We also sold the IIF Shinonome R&D Center through our concurrent pursuit of sales with leasing. It was sold for more than the acquisition price. As a result of these measures, at the end of the period, IIF was managing a total of 49 properties with a combined worth of 212.7 billion yen (based on acquisition price).

With our existing properties, we secured a tenant for the IIF Shinagawa IT Solution Center that was acquired in March 2015 with a view to leasing its vacant space. The ensuing returns were in excess of the initial expectations. Our initiatives in sustainability saw us receive, for the fourth consecutive year, a "Green Star," the highest of the four rankings in the GRESB Real Estate Assessment.

In financial matters, we undertook a total of 10.7 billion yen in short-term loans in order to acquire the new properties. In December 2016, we issued another three billion yen in 10-year Investment Corporation Bonds to help service the first series of Unsecured Corporate Bonds.

As a result of these measures, the distribution per unit increased by 1.9% from the previous period to 9,768 yen, representing an increase for twelve consecutive periods from the 8<sup>th</sup> fiscal period.

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

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

# IIF Focus

## Expanding Our Assets by Making Inroads into the Manufacturing Sector and by Investing in Prime Locations

### Summary of the 19<sup>th</sup> Fiscal Period (Fiscal Period Ended December 2016)

In this period, we acquired IIF Yokohama Shinyamashita R&D Center (99.7% co-ownership interest, acquired on July 1, 2016), IIF Osaka Konohana Logistics Center (51% co-ownership interest, acquired on July 1, 2016), IIF Kazo Logistics Center (acquired on September 1, 2016), and IIF Hamura Logistics Center (acquired on December 22, 2016). The returns from those properties, the operation throughout of the four properties acquired in the 18<sup>th</sup> fiscal period, and the real-estate sale profit from the sale of the IIF Shinonome R&D Center following the vacation of its tenant, among other factors, saw our operating revenue total 8,069 million yen and our net profit total 3,442 million yen, an increase of 183 million yen and 61 million yen respectively on the previous period. As a result, distribution per unit was 9,768 yen (of which the distribution per unit in excess of profit was 3 yen). This was an increase of 178 yen or 1.9% on the previous period, and represents an increase for the twelfth consecutive period. NAV (Net Asset Value) per unit\* increased steadily from 357,415 yen in the previous period to 361,629 yen as of the end of the 19<sup>th</sup> fiscal period.

IIF had a total of 49 properties worth 212.7 billion yen in acquisition price under management as of the end of December 2016, with a total leasable area of 1,049,641.69 m<sup>2</sup>, an occupancy rate of 99.9% 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.

### Strengths 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 19<sup>th</sup> fiscal period as well.

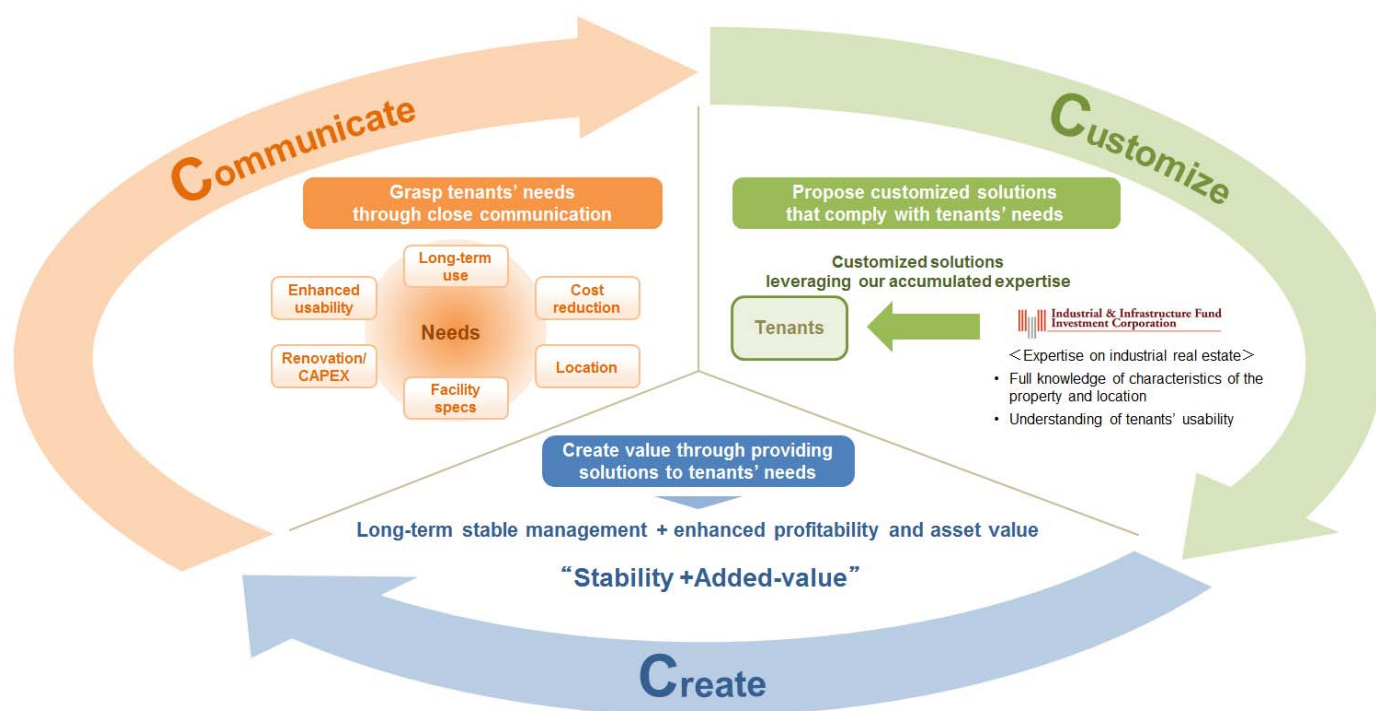
Firstly, we acquired IIF Osaka Konohana Logistics Center (51% co-ownership interest), an excellent property in a prime location. It is an important base in the Kansai region for a major logistics company, Sagawa Express Co., Ltd. Sagawa Express is leasing this property for a period of 36.3 years (of which 10.2 years remained as of December 31, 2016), which is expected to provide a reliable cash flow. Furthermore, we acquired IIF Kazo Logistics Center and IIF Hamura Logistics Center through negotiated transactions. These transactions stemmed from Corporate Real Estate (CRE) proposals, an area in which we excel. In the manufacturing and R&D, and other non-logistics facilities category, we acquired IIF Yokohama Shinyamashita R&D Center (99.7% co-ownership interest). 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.

## Strengths 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.

In this period, profitability and stability were enhanced by securing a tenant for the IIF Shinagawa IT Solution Center, taking advantage of the limited supply of such facilities.

While improving profitability by reducing management costs for its properties, IIF remained environmentally conscious and continued initiatives to reduce the burden on the environment. For the fourth consecutive year, we gained a Green Star, the highest of the four rankings in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment.



## Financial Initiatives of IIF

In this period, we took out short-term loans in July and September 2016 in order to help finance the acquisition of additional assets. (The intention is to refinance them as long-term parity loans during the 20<sup>th</sup> fiscal period.) In December 2016, we issued our fourth series of Investment Corporation Bonds (totaling three billion yen) to help service the five billion yen due from the first series of Unsecured Corporate Bonds that became due on December 27, 2016. As a result of these measures, at the end of the period, the ratios of long-term and fixed-interest rate borrowings were 91.0%, with an average applicable interest rate of 1.21%, and an average of 4.3 years remaining on loan repayments. The loan to value (LTV) rate was 52.7%. We expect improvement following the issue of new investment units by public offering (announced in January 2017) and new borrowings (including the conversion of short-term loans into long-term loans). We expect that the ratios of long-term and fixed-interest rate borrowings will reach 100.0%, while the average applicable interest rate will be 1.15% (based on provisional calculations), and that there will be an average of 5.9 years remaining on

loan repayments.

IIF is committed to putting itself in a stable financial shape over the long-term through an Asset Liability Management (ASM) strategy for producing stable balance sheets by procuring long-term, fixed-interest rate loans and a reliable, long-term portfolio.

## **Prospects for the 20<sup>th</sup> Fiscal Period (Fiscal Period Ending July 31, 2017) and Future Management Policies**

In January 2017, IIF announced a public offering for raising capital. We are tapping the manufacturing sector where there is little competition as they are not part of the investment targets for most other J-REITs, and we are carefully identifying and acquiring premium assets in prime locations. We have been steadily acquiring properties, obtaining a total of 18 properties (worth 50.6 billion yen) after the previous public offering in February 2015. As a result of these measures, at the end of 20<sup>th</sup> fiscal period, which will be a transitional seven-month fiscal period due to the change in fiscal periods, we expect an operating revenue of 10,047 million yen, a net profit of 4,579 million yen, and a distribution per unit of 11,538 yen (of which 7 yen will be distribution per unit in excess of profit).

In the distribution real estate market, vacancy levels rose in the third-quarter of 2016 owing to the glut that has also become apparent in the Osaka area following that in the Tokyo metropolitan area. Demand nevertheless remains strong. It is likely to improve in the immediate future as the glut in the Tokyo metropolitan area peaks. 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 understanding and ongoing support for IIF's activities.

# IIF's Sustainability Management

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.

## ◆ Signing UNEP Finance Initiative and UN Global Compact

In recognition of its keen sustainability efforts, the Asset Manager was invited to participate in the Property Working Group (PWG) of the United Nations Environment Programme Finance Initiative (UNEP FI). It has become a signatory and PWG member of the UNEP FI.



With its corporate philosophy of “always create new values, for people, the community, and the world,” the Asset Manager concurs with the principles espoused by the United Nations and is also a signatory to the United Nations Global Compact (UNGC).

These initiatives are the first for any J-REIT Asset Manager.

### UNEP FI:

A partnership embracing the United Nations Environment Programme (UNEP) and more than 200 banks, insurance companies, securities firms, and other financial institutions. UNEP FI was founded in 1992 as a platform associating the United Nations and the financial sector globally. The need for this unique United Nations partnership arose from the growing recognition of the links between finance and Environmental, Social and Governance (ESG) challenges, and the role financial institutions could play for a more sustainable world.

### UNGC:

A voluntary initiative for corporations and organizations to display responsible and creative leadership so that they can be responsible members of the community and create global networks for achieving sustainable growth. The Global Compact adheres to ten principles in the four areas of human rights, labor, the environment, and anti-corruption.

## ◆ GRESB Green Star for 4th Consecutive Year

For the fourth-year running, IIF has received a Green Star, the highest of the four rankings in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment. We also gained the maximum five stars in the GRESB rating in the newly introduced comparative assessment.

### Points evaluated

- Measurement and management of the energy consumption of all property holdings
- Establishment of the sustainability policy





- Acquired BELS (Building Energy-efficiency Labeling System) certification
- Proactive disclosure such as website renewal

#### GRESB:

The Global Real Estate Sustainability Benchmark (GRESB) was established by leading European pension funds in 2009 to assess the environmental, social and corporate governance (ESG) performance of real-estate portfolios, infrastructure facilities and other real assets. More than 250 members (including about 60 pension funds and their fiduciaries) use GRESB data in their investment and operations processes.

### ◆ First BELS Rating for a J-REIT Distribution Facility; IIF Haneda Airport Maintenance Center Also Receives Rating

Four IIF properties received a Building Energy-efficiency Labeling System (BELS) rating. Among them is the IIF Hiroshima Logistics Center, the first J-REIT owned distribution facility to receive the BELS rating. The IIF Haneda Airport Maintenance Center also received a BELS rating in January 2017 (20th Period).



IIF Haneda Airport Maintenance Center

#### 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			15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended			December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016
Operating revenues	Note 1	(Millions of yen)	6,775	7,357	7,788	7,886	8,069
(Rental revenues)	Note 1	(Millions of yen)	(6,775)	(7,356)	(7,788)	(7,886)	(8,022)
Operating expenses	Note 1	(Millions of yen)	3,071	3,320	3,511	3,547	3,652
(Rental expenses)	Note 1	(Millions of yen)	(2,371)	(2,578)	(2,736)	(2,763)	(2,797)
Operating income		(Millions of yen)	3,704	4,036	4,277	4,338	4,416
Ordinary income		(Millions of yen)	2,800	3,102	3,288	3,382	3,443
Net income	(a)	(Millions of yen)	2,799	3,101	3,287	3,381	3,442
Net assets	(b)	(Millions of yen)	82,001	93,677	93,817	93,799	93,959
(Period-on-period change)		(%)	(-0.0)	(14.2)	(0.1)	(-0.0)	(0.2)
Total assets	(c)	(Millions of yen)	190,852	214,877	215,694	216,639	224,749
(Period-on-period change)		(%)	(0.0)	(12.6)	(0.4)	(0.4)	(3.7)
Unitholders' capital	Note 3	(Millions of yen)	79,493	90,823	90,823	90,823	90,823
(Period-on-period change)		(%)	(-)	(14.3)	(-)	(-)	(-)
Number of units issued and outstanding	(d)	(Units)	165,532	352,564	352,564	352,564	352,564
Net asset value per unit	Note 4 (b)/(d)	(Yen)	247,690	265,703	266,100	266,048	266,503
Total distributions	(e)	(Millions of yen)	2,799	3,101	3,287	3,381	3,443
Distribution per unit	(e)/(d)	(Yen)	16,911	8,796	9,324	9,590	9,768
(Profit distribution per unit)		(Yen)	(16,911)	(8,796)	(9,324)	(8,440)	(9,765)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(1,150)	(3)
Ratio of ordinary income to total assets	Note 5	(%)	1.5 (2.9)	1.5 (3.1)	1.5 (3.0)	1.6 (3.1)	1.6 (3.1)
Return on unitholders' equity	Note 5	(%)	3.4 (6.8)	3.5 (7.1)	3.5 (7.0)	3.6 (7.2)	3.7 (7.3)
Ratio of net assets to total assets	(b)/(c)	(%)	43.0	43.6	43.5	43.3	41.8
(Period-on-period change)			(-0.0)	(0.6)	(-0.1)	(-0.2)	(-1.5)
Payout ratio	Note 5 (e)/(a)	(%)	100.0	100.0	100.0	88.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 5	(Millions of yen)	5,400	5,825	6,125	6,206	6,355
Net profit margin	Note 5	(%)	41.3	42.2	42.2	42.9	42.7
Debt service coverage ratio	Note 5	(Multiple)	6.9	7.2	7.2	7.4	7.3
Funds from operation (FFO) per unit	Note 5	(Yen)	22,929	11,765	12,370	12,663	12,839
FFO multiples	Note 5	(Multiple)	24.4	23.3	23.5	22.5	21.9
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 6	(Yen)	16,603	8,671	9,091	8,415	9,655
FFO per unit after adjustment for taxes on property, plant and equipment	Note 6	(Yen)	22,621	11,640	12,137	12,638	12,729

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 Unitholders' capital does not reflect capital deduction item caused by allowance for temporary difference adjustment.

Note 4 The Investment Corporation executed a two-for-one unit split (the "Unit Split") on January 1, 2015 as the effective date. Net asset value per unit for 15<sup>th</sup> fiscal period in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on July 1, 2014.

Note 5 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 181, 184, 182 and 184 days for 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

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

Note 6 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property, plant and equipment were not capitalized but charged to income in the periods in which were incurred. These figures are unaudited.

## 2. Outline of asset management operation

### (1) Major developments and management performance of IIF

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

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. IIF owned 49 properties whose total acquisition price amounted to 212,717 million yen as of December 31, 2016.

### (2) Investment environment and management performance

During this fiscal period (July to December 2016), the Japanese economy continued to undergo a moderate recovery and gross domestic product (GDP) was up July to September 2016 for the third consecutive quarter according to preliminary data, supported mainly by an increase in exports, primarily to Asia, and solid housing investment.

Political and economic uncertainty increased due to the Brexit vote results in favor of Britain withdrawing from the Europe Union, which occurred on June 24 just prior to the start of this fiscal period, but the Japanese stock market remained stable, with the Nikkei average rising slightly from 15,682 yen in July, against a backdrop of a relatively stable economy in Japan. Later, Donald Trump won the United States presidential election in November against all expectations, and markets adopted a more risk-tolerant attitude in anticipation of policies following Trump’s inauguration. The stock market was up sharply, reaching nine consecutive record highs in December, and closed out the month above the 19,000 yen level.

The J-REIT market has been rising since the introduction of negative interest rates was decided at the end of January 2016. At the beginning of the quarter, the Tokyo Stock Exchange REIT Index was at 1,849 points and was initially soft but later recovered after the U.S. presidential election and stood at 1,855 points at the end of December.

Under this environment, IIF has continued to pursue property-sourcing activities based on a Corporate Real Estate (CRE) proposal, an approach with which the Investment Corporation has strengths. During this fiscal period, the Investment Corporation acquired the following four properties (11,417 million yen in total acquisition price): IIF Yokohama Shinyamashita R&D Center for an acquisition price of 3,798 million yen, (99.7%

co-ownership interest), IIF Osaka Konohana Logistics Center for an acquisition price of 4,437 million yen (51% co-ownership interest), IIF Kazo Logistics Center for an acquisition price of 2,361 million yen, and IIF Hamura Logistics Center for an acquisition price of 820 million yen. In addition, IIF disposed of the IIF Shinonome R&D Center for 9,060 million yen on November 15, 2016 and reported gain on sales of property of 46 million yen.

As a result, the properties IIF owned as of December 31, 2016 consisted of 31 logistics facilities, nine infrastructure facilities and nine manufacturing, R&D and other facilities, whose total acquisition price amounted to 212,717 million yen. The total leasable area as of December 31, 2016 was 1,049,641.69 m<sup>2</sup>, and the average occupancy rate was 99.9%.

### (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, IIF raised 8,200 million yen in funding for the acquisition of new properties (allocated in part to an additional acquisition of interests in the IIF Yokohama Shinyamashita R&D Center and new acquisition of the IIF Osaka Konohana Logistics Center) on July 1, 2016 and raised 2,500 million yen in funding (allocated in part to new acquisition of the IIF Kazo Logistics Center) on September 1, 2016 with the aim, as in the previous year, of continuing external growth that realizes increased distributions and growth in NAV by property acquisition activities based on a CRE proposal. These funds were procured through short-term loans with variable interest rates to ensure IIF's financial flexibility.

IIF also obtained a new long-term, fixed interest rate loan for 2,000 million yen (with a 10-year loan term) on August 31, 2016 and repaid 2,000 million yen in long-term loans that came due on the same day. Through this refinancing, IIF is shifting to a longer-term, fixed rate loans in order to establish a financial position that will provide stable distributions over the long term.

IIF issued 3,000 million yen in the Fourth Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) on December 26, 2016 and applied the proceeds to redemption of a portion of the First Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) totaling 5,000 million yen that became due on December 27, 2016.

As a result, as of December 31, 2016, IIF's total interest bearing debt was 118,500 million yen, which was comprised of 10,700 million yen in short-term loans, 97,800 million yen in long-term loans (including long-term loans to be repaid within one year), and 10,000 million yen in investment corporation bonds.

b) Equity Financing

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

(4) Overview of financial results and distributions

As a result of the above management activities, IIF recorded operating revenue of 8,069 million yen, operating income of 4,416 million yen, ordinary income of 3,443 million yen and net income of 3,442 million yen for this fiscal period.

For distributions, IIF includes profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures Law, and profit distributions declared for this fiscal period were 3,442,787,460 yen, which was all profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deducting the provision of an allowance for temporary difference adjustments and excluding fractional distributions of less than one yen per unit. In addition, the Investment Corporation makes distributions in excess of profit in amounts determined by the Investment Corporation considering the effects of taxable income in excess of accounting income and items deducted from net assets on distribution amounts. For this fiscal period, distributions related to the allowance for temporary difference adjustments stood at 1,057,692 yen, the amount calculated as the taxable income in excess of accounting income excluding fractional distributions per unit in excess of profit less than one yen. As a result, the distribution per unit for the period is 9,768 yen.

### 3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 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	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016
Highest price	(Note 1) 1,116,000 (Note 2) 558,000	620,000	585,000	595,000	589,000
Lowest price	(Note 1) 878,000 (Note 2) 540,000	541,000	445,000	499,500	500,000
Closing price at end of period	(Note 2) 555,000	553,000	576,000	573,000	557,000

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 ¥3,442,787,460 which are all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment, 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 ¥1,057,692 of distributions in excess of profit, considering an effect of differences between net income and taxable income and items deducted from net assets, which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of profit less than one yen.

As a result, cash distribution per unit for the six months ended December 31, 2016 amounted to ¥9,768.

Fiscal period	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016
Net income (Thousands of yen)	2,799,330	3,101,182	3,287,384	3,381,287	3,442,762
Retained earnings carried forward (Thousands of yen)	104	134	212	405,859	306,864
Total cash distributions (Thousands of yen)	2,799,311	3,101,152	3,287,306	3,381,088	3,443,845
(Cash distribution per unit) (Yen)	(16,911)	(8,796)	(9,324)	(9,590)	(9,768)
Profit distributions (Thousands of yen)	2,799,311	3,101,152	3,287,306	2,975,640	3,442,787
(Profit distribution per unit) (Yen)	(16,911)	(8,796)	(9,324)	(8,440)	(9,765)
Unitcapital refunds (Thousands of yen)	—	—	—	405,448	1,057
(Unitcapital refund per unit) (Yen)	(—)	(—)	(—)	(1,150)	(3)
Unitcapital refunds from allowance for temporary difference adjustment (Thousands of yen)	—	—	—	405,448	1,057
(Unitcapital refund per unit from allowance for temporary difference adjustment) (Yen)	(—)	(—)	(—)	(1,150)	(3)
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

Uncertainty in the world economy is increasing, particularly in the political arena, as attention is focused on future policies of the U.S. president following the inauguration in January 2017, responses to the decision by the United Kingdom to withdraw from the European Union, and upcoming elections in the Netherlands, France, Germany, and other countries. It is possible that disorder will occur as a result of these events. The J-REIT market, however, is expected to remain strong, supported by relatively stable politics and the economy in Japan. In the real estate market, the domestic real estate investment environment is expected to remain strong due to the ease of procuring capital as a result of the introduction of negative interest rates by the Bank of Japan.

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.

### (3) Issues to be solved and management policy going forward

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

#### a) External growth

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

IIF will continue to acquire new asset category properties, while avoiding price competition using our experience, expertise, and networks in both CRE and PRE sectors.

By aiming to further increase the acquisition of new asset category properties and the development of CRE needs, we will evolve our unique CRE proposal-based business model.

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

#### b) Internal growth

As of December 31, 2016, IIF's portfolio consisted of 49 properties for a total acquisition price of 212,717 million yen.

The average occupancy rate currently stands at 99.9%. 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 as well as 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 these efforts, lease agreements were signed with new tenants for the vacant portion of the IIF Shinagawa IT Solution Center in August 2016, and the occupancy rate is 100%. With regard to the IIF Shinonome R&D Center, for which a cancellation notice was received on January 18, 2016, after taking initiatives and considering the opportunities for both leasing and selling the property, IIF sold the property in November 2016.

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, in order to maintain and improve the rent level and prevent cancellations, IIF will continue to exert efforts in building favorable relationships with lessees by continuously making close communications.

#### c) Financial strategy

In consideration of IIF's portfolio that 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) that matches up the long-term stable cash flows of properties with the 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.

## 6. Subsequent events

### *Issuance of new investment units*

The Board of Directors of the Investment Corporation, at its meeting held on January 24, 2017 and February 7, 2017, resolved to issue new investment units as follows:

#### *(a) Issuance of new investment units through public offering*

Investment units shall be offered through a public offering in Japan (“Domestic Public Offering”) and in overseas markets, consisting mainly of the U.S., European and Asian markets (provided, however, that offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) (referred to as “Overseas Offering” and collectively with the Domestic Public Offering, the “Offerings”).

(i) Number of new investment units to be offered:

43,538 investment units, out of which 21,238 new units to be offered through the Domestic Public Offering and 22,300 new units to be offered through the Overseas Offering consisting of 21,238 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 1,062 additional new units granted to the overseas underwriters.

(ii) Issue price (Offer price): ¥506,025 per unit

(iii) Total issue price (Total offer price): ¥22,031,316,450

(iv) Issue value (Amount to be paid in): ¥489,417 per unit

(v) Total issue value (Total amount to be paid in): ¥21,308,237,346

(vi) Payment date: February 14, 2017

(vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the seven months commencing on January 1, 2017 and ending on July 31, 2017.

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

(i) Number of new investment units: 1,062 investment units

(ii) Issue value (Amount to be paid in): ¥489,417 per unit

(iii) Total issue value (Total amount to be paid in): ¥519,760,854

(iv) Payment date: Scheduled on March 3, 2017

(v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the seven months commencing on January 1, 2017 and ending on July 31, 2017.

(iv) Allottee: Nomura Securities Co., Ltd.

There may be cases where there will be no subscription for the investment units offered in the third-party allotment in whole or in part, and the final number of investment units placed under the third-party allotment may accordingly decrease to that extent due to forfeiture, or such allotment itself may not take place at all.

*(c) Use of proceeds*

The Investment Corporation will use the net proceeds from the Offerings and the third-party allotment for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥112,131,455,055 and number of investment units issued and outstanding increased to 396,102 units on February 14, 2017.

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016
Number of units authorized (Units)	4,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	165,532	352,564	352,564	352,564	352,564
Number of unitholders (People)	4,226	5,160	4,804	4,779	4,725

## 2. Unitholders

Major unitholders as of December 31, 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	61,097	17.32
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	35,138	9.96
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	27,998	7.94
NOMURA BANK (LUXEMBOURG) S.A.	BATIMENT A, 33, RUE DE GASPERIC H, L-5826, LUXEMBOURG	21,302	6.04
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	13,580	3.85
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 Jyo 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
STATE STREET BANK AND TRUST COMPANY 505012	ONE LINCOLN STREET, BOSTON MA USA. 02111	5,071	1.43
Total		189,297	53.69

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

### 3. Officers

#### (1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 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) 15,300

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

Note 2 The compensation for Independent auditor includes the audit fees for the financial statements prepared in English and the preparation fee of a comfort letter with respect to the issuance of new investment corporation bonds in December 2016.

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

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

### 4. Name of asset manager and other administrator

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

# Condition of investment assets

## 1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of June 30, 2016		As of December 31, 2016	
				Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)	Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)
Real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	13,067	6.0	13,029	5.8
			Osaka and Nagoya metropolitan areas	4,576	2.1	4,566	2.0
			Other area	914	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	45,153	20.9	45,059	20.1
			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	79,433	36.7	77,724	34.6
			Osaka and Nagoya metropolitan areas	17,366	8.0	21,760	9.7
			Other area	7,016	3.2	6,986	3.1
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	2,145	1.0	2,130	0.9
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,756	5.9	12,765	5.7
			Osaka and Nagoya metropolitan areas	23,564	10.9	23,406	10.4
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				207,993	96.0	210,342	93.6
Bank deposits and other assets				8,645	4.0	14,406	6.4
Total assets				216,639	100.0	224,749	100.0

Note 1 “Location category” is classified as bellow.

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

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

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

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



## 2. Major property

The principal properties (top ten properties in net book value) as of December 31, 2016 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	39,172	81,995.81	81,995.81	100.0	17.2	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,530	11,292.79	11,292.79	100.0	4.1	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,068	27,493.29	27,493.29	100.0	5.0	Logistics facility
IIF Mitaka Card Center	9,153	21,615.01	21,615.01	100.0	4.5	Manufacturing and R&D facility, etc.
IIF Shinagawa IT Solution Center	7,542	7,089.62	7,089.62	100.0	(Note 5)	Infrastructure facility
IIF Kamata R&D Center	7,451	21,896.56	21,896.56	100.0	(Note 5)	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center	5,861	33,243.99	33,243.99	100.0	(Note 5)	Logistics facility
IIF Osaka Toyonaka Data Center	5,624	20,027.14	20,027.14	100.0	(Note 5)	Infrastructure facility
IIF Noda Logistics Center	5,517	38,828.10	38,828.10	100.0	(Note 5)	Logistics facility
IIF Zama IT Solution Center	5,222	10,931.89	10,931.89	100.0	(Note 5)	Infrastructure facility
Total	115,145	274,414.20	274,414.20	100.0	50.5	

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

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

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

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

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

### 3. Details of property

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of December 31, 2016 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	16,642	13,068
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	8,400	5,517
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	6,750	5,199
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,170	1,627
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,640	1,817
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	17,200.00	2,970	2,029
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,460	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,290	4,650
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,850	3,251
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	3,140	2,329
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	2,040	1,486
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,520	1,160
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	3,000	2,393
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	4,080	2,040
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	6,920	5,213
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,495.06	3,120	2,457
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Wasinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,670	1,861
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	4,950	3,515
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	4,030	3,164
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,890	1,543
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,310	1,047

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,200	586
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,370	3,470
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	39, Nagisa-cho, Izumiotsu-shi, Osaka, etc.	Trust beneficial interest	48,932.00	4,370	4,179
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,040	947
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	6,930	5,861
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka, etc.	Real property	30,815.97	965	914
IIF Fukuoka Higashi Logistics Center	90-1 Kamata 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka, etc.	Trust beneficial interest	11,262.86	2,030	1,943
IIF Osaka Konohana Logistics Center (Note 6)	21-6, Shimaya 4-chome, Konohana-ku, Osaka-shi, Osaka	Trust beneficial interest	23,593.72	4,510	4,476
IIF Kazo Logistics Center	6-1, Shintone 2-chome, Kazo-shi, Saitama	Trust beneficial interest	17,744.41	2,570	2,622
IIF Hamura Logistics Center	8-16, Shinmeidai 4-chome, Hamura-shi, Tokyo	Trust beneficial interest	3,892.66	864	928
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	5,340	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,350	1,166
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	10,200	9,153
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,400	7,451
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,950	2,139
IIF Sagami-hara R&D Center	41-1, Minamihashimoto 3-chome, Chuo-ku, Sagami-hara-shi, Kanagawa	Trust beneficial interest	14,304.37	3,650	3,241
IIF Yokohama Shinyamashita R&D Center	2-19, Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	4,887.83	4,150	3,956
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	1,670	1,345
IIF Kobe District Heating and Cooling Center	77-1, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,292.79	14,600	16,530
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,600	39,172
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,530	5,222
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,850	5,157
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,040	5,624

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,380	1,252
IIF Nagoya Port Tank Terminal (land with leasehold interest)	37-31, Shiomi-cho, Minato-ku, Nagoya-shi, Aichi	Real property	51,583.70	2,270	1,998
IIF Shinagawa IT Solution Center	31-18, Nishi-Gotanda 4-chome, Shinagawa-ku, Tokyo	Trust beneficial interest	7,089.62	7,830	7,542
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	746	729
Total (Note 7)			1,049,641.69	247,017	210,342

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 researched by the real estate appraiser in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

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

Note 5 As the Investment Corporation invests in IIF Narashino Logistics Center II 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, "Leasable area" of the property shows total of the leasable area of the leased land (58,070.00 m<sup>2</sup>) and that of the building on the leased land (25,835.16 m<sup>2</sup>).

Note 6 The Investment Corporation owns 51% of the trust beneficial interest in the property. The leasable area of the property shows 51% of the total leasable area as the share of quasi-co-ownership.

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

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

Name of property	For the six months ended							
	June 30, 2016				December 31, 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	5.0
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	178	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	0.9
IIF Nishinomiya Logistics Center	2	100.0	(Note 3)	(Note 3)	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 4)	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	0.8	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	97.3	(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							
	June 30, 2016				December 31, 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)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Konohana Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Kazo Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Hamura 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	1.9
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	0.7	1	100.0	58	0.7
IIF Mitaka Card Center	1	100.0	364	4.6	1	100.0	364	4.5
IIF Shinonome R&D Center (Note 5)	1	100.0	(Note 3)	(Note 3)	—	—	(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 Sagamiara R&D Center	6	98.8	(Note 3)	(Note 3)	5	98.3	(Note 3)	(Note 3)
IIF Yokohama Shinyamashita R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kobe District Heating and Cooling Center	3	100.0	330	4.2	3	100.0	330	4.1
IIF Haneda Airport Maintenance Center	1	100.0	1,377	17.5	1	100.0	1,382	17.2
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	100.0	(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)	63	99.7	7,886	100.0	64	99.9	8,022	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 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 5 IIF sold the property on November 15, 2016.
- 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 December 31, 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)	74,600	54,000	(1,994)
Total		74,600	54,000	(1,994)

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

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

#### 8. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property." There was no other significant specified asset as of December 31, 2016.



## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 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 December 31, 2016	Total of advanced payment
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of air conditioning system and lighting equipment	March, 2017	247	—	—
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Renewal of Elevator	March, 2017	34	—	—
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall	March, 2017	25	—	—

### 2. Capital expenditures for the six months ended December 31, 2016

Maintenance expenditures on property for the six months ended December 31, 2016 were totaling to ¥506 million consisting of ¥425 million of capital expenditures stated as below and ¥81 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	LED lighting equipment	April 2016 to December 2016	150
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of fire extinguishing equipment, etc	August 2016 to October 2016	29
IIF Kamata R&D Center	Ota-ku, Tokyo	Renewal of air conditioning system	August 2016	18
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Construction for raising floor at CVCF room	August 2016 to October 2016	17
Other	—	—	—	210
Total				425

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

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

Fiscal period	(Millions of yen)				
	15 <sup>th</sup> December 31, 2014	16 <sup>th</sup> June 30, 2015	17 <sup>th</sup> December 31, 2015	18 <sup>th</sup> June 30, 2016	19 <sup>th</sup> December 31, 2016
As of /for the six months ended					
Reserved funds at beginning of period	1,205	1,251	1,385	—	—
Increase	460	486	—	—	—
Decrease	414	351	1,385	—	—
Reserved funds at end of period	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	18 <sup>th</sup>	19 <sup>th</sup>
Item	For the six months ended June 30, 2016	For the six months ended December 31, 2016
(a) Asset management fees	651,469	683,551
(b) Asset custody fees	6,657	6,765
(c) Administrative service fees	32,008	33,452
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	88,036	124,970
Total	783,992	854,560

### 2. Loans payable

Loans payable as of December 31, 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, 2016 (Millions of yen)	December 31, 2016 (Millions of yen)					
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 1, 2016	—	1,880	0.2	June 30, 2017	Lump sum	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,740					
	Sumitomo Mitsui Trust Bank, Limited		—	1,380					
	Mitsubishi UFJ Trust and Banking Corporation	July 1, 2016	—	1,000	0.2	June 30, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	July 1, 2016	—	1,200	0.2	June 30, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Shinsei Bank, Limited	July 1, 2016	—	1,000	0.2	June 30, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	September 1, 2016	—	1,300	0.2	August 31, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	September 1, 2016	—	1,200	0.2	August 31, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sub-total		—	10,700					
Long-term loans payable	Development Bank of Japan Inc.	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 6	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.	August 31, 2011	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. (Note 2)	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (Note 2)		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	March 6, 2012	2,823	2,823	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (Note 2)		2,603	2,603					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		2,074	2,074					
	Sumitomo Mitsui Banking Corporation (Note 2)	March 6, 2012	1,500	1,500	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	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, 2016 (Millions of yen)	December 31, 2016 (Millions of yen)					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	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 6	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 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 5	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 6	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 6	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 6	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 6	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 6	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 6	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 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 3)	February 6, 2024	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 4)	Note 5	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 5	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 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		417	417					
	Sumitomo Mitsui Trust Bank, Limited		331	331					
	Development Bank of Japan Inc.	March 13, 2014	1,000	1,000	1.7	March 13, 2026	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	376	376	1.7 (Note 3)	March 13, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		348	348					
	Sumitomo Mitsui Trust Bank, Limited		276	276					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	601	601	1.3 (Note 3)	March 13, 2024	Lump sum (Note 4)	Note 5	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 5	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 5	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 5	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 5	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 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 5	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31, 2026	Lump sum (Note 4)	Note 5	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 5	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, 2016 (Millions of yen)	December 31, 2016 (Millions of yen)					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2015	432	432	0.9 (Note 3)	September 30, 2024	Lump sum	Note 5	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	800	0.5 (Note 3)	March 31, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	April 15, 2016	800	800	0.5	March 31, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2016	—	2,000	0.4	August 31, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	Sub-total		97,800	97,800					
	Total		97,800	108,500					

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 acquisition of real estate property, etc.

Note 6 The funds were appropriated to repayment of outstanding loans payable.

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

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		June 30, 2016 (Millions of yen)	December 31, 2016 (Millions of yen)					
The 1 <sup>st</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	—	0.56	December 27, 2016	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2 <sup>nd</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	1.40	December 27, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3 <sup>rd</sup> Unsecured Investment Corporation Bond	June 26, 2014	2,000	2,000	0.89	June 26, 2024	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 4 <sup>th</sup> Unsecured Investment Corporation Bond	December 26, 2016	—	3,000	0.40	December 25, 2026	Lump sum (Note)	Repayment of investment corporation bonds	Unsecured and unguaranteed
Total		12,000	10,000					

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

### 4. Short-term investment corporation bonds

None

### 5. Investment unit warrants

None

## Condition of investment transactions

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

(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 Yokohama Shinyamashita R&D Center	July 1, 2016	3,798	—	—	—	—
IIF Osaka Konohana Logistics Center	July 1, 2016	4,437	—	—	—	—
IIF Kazo Logistics Center	September 1, 2016	2,361	—	—	—	—
IIF Shinonome R&D Center	—	—	November 15, 2016	9,060	8,957	46
IIF Hamura Logistics Center	December 22, 2016	820	—	—	—	—
<b>Total</b>	—	11,417	—	9,060	8,957	46

Note “Acquisition cost” or “Disposal amount” indicates contracted amount of property in purchase/disposal 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 Yokohama Shinyamashita R&D Center	July 1, 2016	3,798	4,160	CBRE K.K.	June 10, 2016
Acquisition	IIF Osaka Konohana Logistics Center	July 1, 2016	4,437	4,550	CBRE K.K.	June 1, 2016
Acquisition	IIF Kazo Logistics Center	September 1, 2016	2,361	2,590	CBRE K.K.	July 31, 2016
Disposal	IIF Shinonome R&D Center	November 15, 2016	9,060	8,940	Japan Real Estate Institute	October 1, 2016
Acquisition	IIF Hamura Logistics Center	December 22, 2016	820	864	Tanizawa Sōgō Appraisal Co., Ltd.	December 1, 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

None

##### (2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	150,369	NIKKEN CORPORATION	4,432	2.9

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

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

None

## **Financial information**

### **1. Financial position and operating results**

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

### **2. Changes in depreciation method**

None

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

None

## **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 10 <sup>th</sup> fiscal period (January 1, 2012 to June 30, 2012)	600	309,000	0.4%
The 11 <sup>th</sup> fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 <sup>th</sup> fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 <sup>th</sup> fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 <sup>th</sup> fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15 <sup>th</sup> fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	0.4%
The 16 <sup>th</sup> fiscal period (January 1, 2015 to June 30, 2015)	1,200	663,600	0.3%
The 17 <sup>th</sup> fiscal period (July 1, 2015 to December 31, 2015)	1,200	691,200	0.3%
The 18 <sup>th</sup> fiscal period (January 1, 2016 to June 30, 2016)	1,200	687,600	0.3%
The 19 <sup>th</sup> fiscal period (July 1, 2016 to December 31, 2016)	1,200	668,400	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

The 6th General Meeting for Unitholders was held on September 30, 2016 and following matters were resolved at the meeting.

Long-term loans payable	Summary
Resolution Proposal 1: Partial amendment of the Articles of Incorporation	<p>Following amendments were resolved as proposal.</p> <p>(1) Establishment and amendment of provisions with respect to the addition of outstanding shares of a corporation prescribed in the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the “Ordinance for Enforcement of the Investment Trust Act”) as investment target of the Investment Corporation</p> <p>(2) Deletion of unnecessary provision due to the revision of the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation</p> <p>(3) Amendments in order to reflect the change in the Investment Corporation’s Accounting Settlement Day from the end of June and the end of December to the end of January and the end of July, and make the Investment Corporation’s 20th business period from January 1 to July 31, 2017</p> <p>(4) Amendments of provisions regarding the definition of the Distributable Amount to be in accordance with the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the “Investment Trust Act”)</p> <p>(5) Amendments in order not only to clearly indicate that dividend reserves, reserves of the same kind, and any other voluntary reserves can be retained and treated in similar manners, but also to allow for the cash distribution in excess of profits (distribution of the reserve for temporary difference adjustments) for the purpose of reducing the Investment Corporation’s burden of taxation and to establish relevant regulations, pursuant to the revised laws and regulations including the Investment Trust Act, the Ordinance on Accountings of Investment Corporations, and the Act on Special Measures Concerning Taxation</p> <p>(6) Amendments in order to clarify that the cost related to allotment of investment unit subscription rights without contribution shall be paid by the Investment Corporation</p> <p>(7) Amendments to revise “a certain date” from September 5 to October 5 in accordance with the change in the Accounting Settlement Day provided in the aforementioned (3), as the Investment Trust Act stipulates that the articles of incorporation of an investment corporation may set out that general meetings of unitholders shall be held on a certain date or thereafter without delay to make it possible to omit a public notice of holding general meetings of unitholders</p> <p>(8) Amendments to stipulate that ordinary resolutions of general meetings of unitholders do not require a quorum</p> <p>(9) Amendments in order to extend or shorten the term of executive directors and supervisory directors by resolution at general meeting of unitholders, in accordance with the revision of the Investment Trust Act</p> <p>(10) Other amendments in order to modify the words and phrases and to adjust provisions</p>
Resolution Proposal 2: Appointment of one executive director	Yasuyuki Kuratsu was appointed as proposal.
Resolution Proposal 3: Appointment of two supervisory directors	Katsuaki Takiguchi and Kumi Honda were appointed as proposal.
Resolution Proposal 4: Appointment of one alternate executive director	Toshiaki Fukai was appointed as proposal.
Resolution Proposal 5: Appointment of one alternate supervisory director	Yutaka Usami was appointed as proposal.

## 3. Other

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

## II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits	3,559,708	9,486,357
Cash and bank deposits in trust	3,347,088	3,259,125
Rental receivables	381,234	157,694
Prepaid expenses	286,879	507,775
Deferred tax assets	18	—
Consumption taxes refundable	—	20,586
Other	2,430	287
<b>Total current assets</b>	<b>7,577,358</b>	<b>13,431,827</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost	32,409,048	32,613,689
Less: Accumulated depreciation	(4,842,080)	(5,192,822)
Buildings, net	27,566,968	27,420,867
Structures, at cost	92,223	93,211
Less: Accumulated depreciation	(13,640)	(16,188)
Structures, net	78,583	77,023
Machinery and equipment, at cost	11,892	11,892
Less: Accumulated depreciation	(11,892)	(11,892)
Machinery and equipment, net	0	0
Tools, furniture and fixtures, at cost	12,076	13,325
Less: Accumulated depreciation	(2,530)	(3,257)
Tools, furniture and fixtures, net	9,545	10,068
Land	18,220,663	18,224,997
Construction in progress	1,069	1,069
Buildings in trust, at cost	56,091,852	55,137,002
Less: Accumulated depreciation	(7,751,003)	(8,009,918)
Buildings in trust, net	48,340,848	47,127,084
Structures in trust, at cost	485,342	493,635
Less: Accumulated depreciation	(351,561)	(360,129)
Structures in trust, net	133,780	133,505
Machinery and equipment in trust, at cost	13,202	16,601
Less: Accumulated depreciation	(3,102)	(3,849)
Machinery and equipment in trust, net	10,100	12,752
Tools, furniture and fixtures in trust, at cost	12,139	12,617
Less: Accumulated depreciation	(5,172)	(4,430)
Tools, furniture and fixtures in trust, net	6,967	8,186
Land in trust	93,790,292	97,492,380
<b>Total net property, plant and equipment</b>	<b>188,158,818</b>	<b>190,507,934</b>
<b>Intangible assets:</b>		
Leasehold rights (Note 2)	19,833,966	19,833,966
Other	1,162	1,066
<b>Total intangible assets</b>	<b>19,835,128</b>	<b>19,835,032</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits	12,260	12,442
Long-term prepaid expenses	891,452	830,312
Other	—	3,000
<b>Total investments and other assets</b>	<b>903,712</b>	<b>845,754</b>
<b>Total noncurrent assets</b>	<b>208,897,660</b>	<b>211,188,722</b>
<b>Deferred assets:</b>		
Investment unit issuance costs	124,906	70,377
Investment corporation bonds issuance costs	39,425	58,650
<b>Total deferred assets</b>	<b>164,332</b>	<b>129,028</b>
<b>TOTAL ASSETS</b>	<b>216,639,350</b>	<b>224,749,578</b>

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

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable	301,405	460,186
Short-term loans payable	—	10,700,000
Current portion of investment corporation bonds – unsecured	5,000,000	—
Current portion of long-term loans payable	11,000,000	20,600,000
Accounts payable – other	398,044	429,575
Accrued expenses	10,024	16,656
Income taxes payable	836	865
Consumption taxes payable	49,371	—
Advances received	1,170,273	1,367,506
Other	133,637	9,948
<b>Total current liabilities</b>	<b>18,063,592</b>	<b>33,584,738</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bonds – unsecured	7,000,000	10,000,000
Long-term loans payable	86,800,000	77,200,000
Tenant leasehold and security deposits	2,240,380	2,256,639
Tenant leasehold and security deposits in trust	8,310,274	7,261,117
Asset retirement obligations	—	171,867
Derivative liabilities	405,704	306,733
Other	20,385	8,823
<b>Total noncurrent liabilities</b>	<b>104,776,745</b>	<b>97,205,181</b>
<b>TOTAL LIABILITIES</b>	<b>122,840,337</b>	<b>130,789,920</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital	90,823,217	90,823,217
Capital deduction:		
Allowance for temporary difference adjustment (Note 4)	—	(405,448)
Total capital deduction	—	(405,448)
Unitholders' capital, net	90,823,217	90,417,769
Surplus:		
Retained earnings	3,381,499	3,848,622
Total surplus	3,381,499	3,848,622
<b>Total unitholders' equity</b>	<b>94,204,717</b>	<b>94,266,391</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges	(405,704)	(306,733)
<b>Total valuation and translation adjustments</b>	<b>(405,704)</b>	<b>(306,733)</b>
<b>TOTAL NET ASSETS (Note 3)</b>	<b>93,799,013</b>	<b>93,959,657</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>216,639,350</b>	<b>224,749,578</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2016	December 31, 2016
<b>Operating revenue</b>		
Rent revenue—real estate (Note 5)	7,886,205	8,022,499
Gain on sales of property (Note 6)	—	46,792
Total operating revenue	7,886,205	8,069,292
<b>Operating expenses</b>		
Expenses related to property rental business (Note 5)	2,763,496	2,797,971
Asset management fees	651,469	683,551
Directors' compensations	5,820	5,820
Asset custody fees	6,657	6,765
Administrative service fees	32,008	33,452
Other	88,036	124,970
Total operating expenses	3,547,488	3,652,532
<b>Operating income</b>	4,338,717	4,416,760
<b>Non-operating income</b>		
Interest income	1,009	84
Interest on refund	—	41
Reversal of distribution payable	646	632
Total non-operating income	1,655	758
<b>Non-operating expenses</b>		
Interest expenses	655,697	671,795
Interest expenses on investment corporation bonds	57,580	58,077
Amortization of investment corporation bonds issuance costs	5,834	6,043
Borrowing related expenses	176,567	181,344
Amortization of investment units issuance costs	60,267	54,528
Other	2,150	2,070
Total non-operating expenses	958,097	973,859
<b>Ordinary income</b>	3,382,275	3,443,659
<b>Income before income taxes</b>	3,382,275	3,443,659
<b>Income taxes</b>		
Current	990	877
Deferred	(2)	18
Total income taxes	988	896
<b>Net income</b>	3,381,287	3,442,762
<b>Retained earnings brought forward</b>	212	405,859
<b>Unappropriated retained earnings</b>	3,381,499	3,848,622

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

## IV. Statements of changes in net assets

(Thousands of yen)

### For the six months ended June 30, 2016

	Unitholders' equity			Valuation and translation adjustments			Total net assets
	Unitholders' capital (Note 3)	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	
<b>Balance as of January 1, 2016</b>	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)
<b>Balance as of June 30, 2016</b>	90,823,217	3,381,499	3,381,499	94,204,717	(405,704)	(405,704)	93,799,013

### For the six months ended December 31, 2016

	Unitholders' equity						Valuation and translation adjustments			
	Unitholders' capital			Surplus						
	Capital deduction									
	Unitholders' capital (Note 3)	Allowance for temporary difference adjustment	Total capital deduction	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
Balance as of July 1, 2016	90,823,217	—	—	90,823,217	3,381,499	3,381,499	94,204,717	(405,704)	(405,704)	93,799,013
Changes during the period										
Dividends from surplus	—	—	—	—	(2,975,640)	(2,975,640)	(2,975,640)	—	—	(2,975,640)
Distributions in allowance for temporary difference adjustment	—	(405,448)	(405,448)	(405,448)	—	—	(405,448)	—	—	(405,448)
Net income	—	—	—	—	3,442,762	3,442,762	3,442,762	—	—	3,442,762
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	98,970	98,970	98,970
Total changes during the period	—	(405,448)	(405,448)	(405,448)	467,122	467,122	61,674	98,970	98,970	160,644
Balance as of December 31, 2016	90,823,217	(405,448)	(405,448)	90,417,769	3,848,622	3,848,622	94,266,391	(306,733)	(306,733)	93,959,657

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:

	<b>For the six months ended</b>	
	<b>June 30, 2016</b>	<b>December 31, 201</b>
Buildings	13-68 years	13-68 years
Structures	4-45 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 ¥22,805 thousand and ¥24,924 thousand for the six months ended June 30, 2016 and December 31, 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	
	June 30, 2016	December 31, 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 – Allowance for temporary difference adjustment

Movements of allowance for temporary difference adjustment for the six months ended December 31, 2016 are as follows:

(Thousands of yen)

### For the six months ended December 31, 2016:

Content of temporary difference			Allowance for temporary difference adjustment				
Item	Reason for the difference	Initial amount	Balance at beginning of the period	Allowance	Reversal	Balance at end of the period	Note
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	¥405,448	—	¥405,448	—	¥405,448	(i)

Notes:

- (i) The allowance will be reversed corresponding to future change in values of the hedging derivatives.



## Note 5 – Rent revenue—real estate and expenses related to property rental business

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

	(Thousands of yen)	
	For the six months ended	
	June 30, 2016	December 31, 2016
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	7,468,884	7,670,186
Common area charges	362,455	290,590
Other	54,865	61,722
Total rent revenue—real estate	7,886,205	8,022,499
<b>Expenses related to property rental business:</b>		
Property management fees	60,158	53,600
Facility management fees	168,136	150,369
Utilities	357,603	298,622
Property-related taxes	644,047	691,033
Insurance	24,074	24,334
Repair and maintenance	66,391	81,471
Depreciation	1,083,405	1,130,850
Trust fees	12,839	13,831
Leasehold rents	345,746	350,867
Other	1,094	2,989
Total expenses related to property rental business	2,763,496	2,797,971
<b>Operating income from property leasing activities</b>	<b>5,122,709</b>	<b>5,224,528</b>

## Note 6 – Gain on sales of property

Analysis of gain or loss on sales of property for the six months ended December 31, 2016 is as follows:

	(Thousands of yen)	
	As of	
	June 30, 2016	December 31, 2016
Sale of property	—	9,060,000
Cost of property	—	8,957,749
Other sales expenses	—	55,458
Gain on sales of property, net	—	46,792

## Note 7 – Income taxes

Deferred tax assets consist of the following:

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
Deferred tax assets, current:		
Enterprise tax payable	18	13
Subtotal	—	13
Valuation allowance	—	(13)
Total	18	—
Net deferred tax assets, current	18	—
Deferred tax assets, noncurrent:		
Asset retirement obligations	—	54,292
Deferred losses on hedges	128,770	96,897
Subtotal	128,770	151,190
Valuation allowance	(128,770)	(151,690)
Total	—	—
Net deferred tax assets, noncurrent	—	—

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

	For the six months ended	
	June 30, 2016	December 31, 2016
Statutory tax rates	32.31%	31.74%
Deductible cash distributions	(32.30)	(31.74)
Other	0.02	0.03
Effective tax rates	0.03%	0.03%

## Note 8 – Financial instruments

### (a) Qualitative information for financial instruments

#### (i) Policy for financial instrument transactions

The Investment Corporation raises funds through loans payable, the issuance of investment corporation bonds or investment units for the acquisition of real estate properties, expenditures on property maintenance and/or repayment of existing debt. Surplus funds are managed carefully through investment in financial instruments taking into account liquidity and safety in light of the current financial market condition. Derivative instruments are used only for hedging purposes and not for speculation.

#### (ii) Nature and extent of risks arising from financial instruments and risk management

The funds raised through loans payable or issuance of investment corporation bonds are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing loans payable or investment corporation bonds. Tenant leasehold and security deposits are deposits from tenants. Although loans payable with floating interest rates are subject to fluctuations in market interest rates, the asset manager manages interest fluctuation risk by monitoring market interest rates and measuring the effect on the results of operation of the Investment Corporation. In addition, a certain portion of loans payable with floating interest rates is hedged by derivative instruments (interest rate swaps) as hedging instruments. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the

hedging instruments and the hedged items. When the interest rate swaps meet specific criteria required for the special treatment provided under Japanese GAAP, the assessment of hedge effectiveness is not performed. The Investment Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

Liquidity risks relating to loans payable, investment corporation bonds or tenant leasehold and security deposits are managed by preparing monthly plans for funds, maintaining high liquidity and entering into commitment line agreements with banks.

*(iii) Supplemental information on fair value of financial instruments*

The fair value of financial instruments is based on quoted market prices, if available. When quoted market prices are not available, fair value is estimated by using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated fair value may differ.

***(b) Quantitative information for financial instruments***

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of June 30, 2016 and December 31, 2016.

(Thousands of yen)

	As of					
	June 30, 2016			December 31, 2016		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	3,559,708	3,559,708	—	9,486,357	9,486,357	—
(2) Cash and bank deposits in trust	3,347,088	3,347,088	—	3,259,125	3,259,125	—
Total assets	6,906,797	6,906,797	—	12,745,483	12,745,483	—
(1) Short-term loans payable	—	—	—	10,700,000	10,700,000	—
(2) Current portion of investment corporation bonds — unsecured	5,000,000	5,009,750	9,750	—	—	—
(3) Current portion of long-term loans payable	11,000,000	11,054,585	54,585	20,600,000	20,709,648	109,648
(4) Investment corporation bonds — unsecured	7,000,000	7,463,030	463,030	10,000,000	10,306,900	306,900
(5) Long-term loans payable	86,800,000	91,526,678	4,726,678	77,200,000	80,525,737	3,325,737
(6) Tenant leasehold and security deposits	882	881	(0)	—	—	—
(7) Tenant leasehold and security deposits in trust	2,343,811	2,334,573	(9,237)	851,383	837,141	(14,242)
Total liabilities	112,144,693	117,389,498	5,244,805	119,351,383	123,079,428	3,728,044
Derivative (derivative liabilities), net	(405,704)	(405,704)	—	(306,733)	(306,733)	—

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) Short-term loans payable*

Because of their short maturities, the carrying amounts of short-term loans payable approximate their fair values.

*(2) Current portion of investment corporation bonds — unsecured and (4) Investment corporation bonds — unsecured*

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

*(3) Current portion of long-term loans payable and (5) 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.

*(6) Tenant leasehold and security deposits and (7) Tenant leasehold and security deposits in trust*

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

## Derivative instruments

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

### As of June 30, 2016

(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)	-

### As of December 31, 2016

(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	(306,733)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	68,300,000	47,700,000	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, (3) Current portion of long-term loans payable and (5) Long-term loans payable").
- (b) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

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

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
Tenant leasehold and security deposits	2,239,497	2,256,639
Tenant leasehold and security deposits in trust	5,966,463	6,409,734
Total liabilities	8,205,961	8,666,374

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

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

(Thousands of yen)

As of June 30, 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	-	-	-	-	-

(Thousands of yen)

As of December 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	9,486,357	-	-	-	-	-
Cash and bank deposits in trust	3,259,125	-	-	-	-	-
Total	12,745,483	-	-	-	-	-

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

(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

(Thousands of yen)

As of December 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	10,700,000	-	-	-	-	-
Investment corporation bonds — unsecured	-	-	-	-	-	10,000,000
Long-term loans payable	20,600,000	13,500,000	7,900,000	4,000,000	-	51,800,000
Total	31,300,000	13,500,000	7,900,000	4,000,000	-	61,800,000

## Note 9 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended June 30, 2016 and December 31, 2016.

	(Thousands of yen)	
	As of / For the six months ended	
	June 30, 2016	December 31, 2016
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	203,003,259	207,993,730
Net increase during the period <sup>(ii)</sup>	4,990,471	2,349,078
Balance at the end of the period	207,993,730	210,342,809
<b>Fair value<sup>(iii)</sup></b>	243,182,500	247,017,000

Note:

- (i) The net book value includes leasehold rights.
- (ii) For the six months ended June 30, 2016:  
Changes in the net book value are mainly due to the following acquisitions offset by depreciation.

		Increase in net book value (Thousands of yen)
Acquisitions:	IIF Fukuoka Higashi Logistics Center	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

For the six months ended December 31, 2016:

Changes in the net book value are mainly due to the following acquisition offset by the following disposition and depreciation.

		Increase(decrease) in net book value (Thousands of yen)
Acquisition:	IIF Yokohama Shinyamashita R&D Center	3,959,476
	IIF Osaka Konohana Logistics Center	4,493,104
	IIF Kazo Logistics Center	2,593,193
	IIF Hamura Logistics Center	929,405
Disposition:	IIF Shinonome R&D Center	(8,957,749)

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

For rental revenues and expenses for the six months ended June 30, 2016 and December 31, 2016, please refer to “Note 5 - Rent revenue—real estate and expenses related to property rental business.”

## Note 10 – Restriction on Asset Management

None

## Note 11 – Asset retirement obligations

### (a) Asset retirement obligations recognized as liabilities in the balance sheets

The Investment Corporation has obligations to remove asbestos contained in the buildings of IIF Kazo Logistics Center and IIF Hamura Logistics Center. The estimated periods of use of the properties are estimated at 53 years and 33 years, respectively, based on the useful life of each building containing asbestos. The asset retirement obligations for the removal of asbestos are recognized as a liability using discount rates at 0.5% and 0.689%, respectively.

Movements of asset retirement obligations are as follows:

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
Balance at the beginning of the period	—	—
Increase due to acquisition of properties	—	171,681
Adjustment for passage of time	—	186
Balance at the end of the period	—	171,867

**(b) Asset retirement obligations not recognized as a liability in the balance sheets**

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 12 – Related-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 <sup>(i)</sup>	15,369,000
				Interest expenses <sup>(i)</sup>	90,237	—	—
				—	—	Derivative liabilities <sup>(ii)</sup>	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.

**For the six months ended December 31, 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	—	Borrowing of short-term loans payable <sup>(i)</sup>	1,380,000	Short-term loans payable <sup>(i)</sup>	1,380,000
				—	—	Current portion of long-term loans payable <sup>(i)</sup>	5,154,000
				—	—	Long-term loans payable <sup>(i)</sup>	10,215,000
				Interest expenses <sup>(i)</sup>	91,004	Accrued expenses	493
				—	—	Derivative liabilities <sup>(ii)</sup>	308,900

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 13 – Per unit information

The net asset value per unit as of June 30, 2016 and December 31, 2016 was ¥266,048 and ¥266,503, respectively. Net income per unit for the six months ended June 30, 2016 and December 31, 2016 was ¥9,590 and ¥9,764, respectively.

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

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

	(Thousands of yen)	
	For the six months ended	
	June 30, 2016	December 31, 2016
Net income	3,381,287	3,442,762
Effect of dilutive unit	-	-
Net income attributable to common unitholders	3,381,287	3,442,762
Adjusted weighted-average number of units outstanding for the period	352,564 units	352,564 units

### Note 14 – Subsequent events

#### *Issuance of new investment units*

The Board of Directors of the Investment Corporation, at its meeting held on January 24, 2017 and February 7, 2017, resolved to issue new investment units as follows:

#### *(a) Issuance of new investment units through public offering*

Investment units shall be offered through a public offering in Japan (“Domestic Public Offering”) and in overseas markets, consisting mainly of the U.S., European and Asian markets (provided, however, that offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) (referred to as “Overseas Offering” and collectively with the Domestic Public Offering, the “Offerings”).

#### *(i) Number of new investment units to be offered:*

43,538 investment units, out of which 21,238 new units to be offered through the Domestic Public Offering and 22,300 new units to be offered through the Overseas Offering consisting of 21,238 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 1,062 additional new units granted to the overseas underwriters.

#### *(ii) Issue price (Offer price):* ¥506,025 per unit

#### *(iii) Total issue price (Total offer price):* ¥22,031,316,450

#### *(iv) Issue value (Amount to be paid in):* ¥489,417 per unit

#### *(v) Total issue value (Total amount to be paid in):* ¥21,308,237,346

#### *(vi) Payment date:* February 14, 2017

#### *(vii) Distribution:*

The units to be issued will first be entitled to distributions, if any, for the seven months commencing on January 1, 2017 and ending on July 31, 2017.

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

#### *(i) Number of new investment units:* 1,062 investment units

(ii) Issue value (Amount to be paid in): ¥489,417 per unit

(iii) Total issue value (Total amount to be paid in): ¥519,760,854

(iv) Payment date: Scheduled on March 3, 2017

(v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the seven months commencing on January 1, 2017 and ending on July 31, 2017.

(iv) Allottee: Nomura Securities Co., Ltd.

There may be cases where there will be no subscription for the investment units offered in the third-party allotment in whole or in part, and the final number of investment units placed under the third-party allotment may accordingly decrease to that extent due to forfeiture, or such allotment itself may not take place at all.

*(c) Use of proceeds*

The Investment Corporation will use the net proceeds from the Offerings and the third-party allotment for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥112,131,455,055 and number of investment units issued and outstanding increased to 396,102 units on February 14, 2017.

**Note 15 – Information on allowance for temporary difference adjustments**

Changes of temporary difference subject to allowance for temporary difference adjustment for the six months ended June 30, 2016 and December 31, 2016 are as follows:

(Thousands of yen)				
Period	Item	Reason for changes of temporary difference	Amount for allowance (or reversal)	Note
For the six months ended June 30, 2016	Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	¥405,448	(i)
For the six months ended December 31, 2016	Buildings in trust	Excess of depreciation allowance	¥1,057	(ii)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(¥98,970)	(i)

Notes:

- (i) The allowance will be reversed corresponding to future change in values of the hedging derivatives.
- (ii) The allowance will be reversed corresponding to disposal of the buildings in the future.



## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2016	December 31, 2016
I Unappropriated retained earnings	3,381,499,582	<b>3,848,622,404</b>
II Distributions in excess of profit	405,448,600	<b>1,057,692</b>
Allowance for temporary difference adjustment	405,448,600	<b>1,057,692</b>
III Capitalization	—	<b>98,970,554</b>
Reversal of allowance for temporary difference adjustment	—	<b>98,970,554</b>
III Cash distribution declared	3,381,088,760	<b>3,443,845,152</b>
<i>(Cash distribution declared per unit)</i>	<i>(9,590)</i>	<i>(9,768)</i>
Profit distributions	2,975,640,160	<b>3,442,787,460</b>
<i>(Profit distributions per unit)</i>	<i>(8,440)</i>	<i>(9,765)</i>
Allowance for temporary difference adjustment	405,448,600	<b>1,057,692</b>
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustment)</i>	<i>(1,150)</i>	<i>(3)</i>
IV Retained earnings carried forward	405,859,422	<b>306,864,390</b>

### Note:

#### For the six months ended June 30, 2016:

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

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (do not include distributions in excess of profit) declared for the six months ended June 30, 2016 were ¥2,975,640,160 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan, except for fractional distribution per unit less than one yen.

In addition, the Investment Corporation makes distributions in excess of profit considering an effect of items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in the article of incorporation 25, Paragraph 2. Distributions in excess of profit for the six months ended June 30, 2016 were amounting to ¥405,448,600 which were corresponding to ¥405,704,266 of deferred losses on hedges at the end of period, except for fractional distribution per unit in excess of profit less than one yen. All of the distributions in excess of profit for the six months ended June 30, 2016 amounting to ¥405,448,600 consist only of allowance for temporary difference 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.

#### For the six months ended December 31, 2016:

Cash distributions declared for the six months ended December 31, 2016 were ¥3,443,845,152.

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 December 31, 2016 were ¥3,442,787,460 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of 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 differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and 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 December 31, 2016 were amounting to ¥1,057,692 which were corresponding to differences between net income and taxable income for the 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 December 31, 2016 amounting to ¥1,057,692 consist only of allowance 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.

**Note**

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 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	
	June 30, 2016	December 31, 2016
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes	3,382,275	3,443,659
Depreciation and amortization	1,083,405	1,130,850
Amortization of investment corporation bonds issuance costs	5,834	6,043
Amortization of investment unit issuance costs	60,267	54,528
Interest income	(1,009)	(84)
Interest expenses	713,277	729,872
Changes in assets and liabilities:		
Increase in operating accounts receivable	317,476	223,539
Decrease (increase) in consumption taxes refundable	—	(20,586)
Decrease (increase) in prepaid expenses	61,921	(220,896)
Decrease (increase) in long-term prepaid expenses	120,157	61,139
Increase in operating accounts payable	(357,029)	(142,681)
Increase (decrease) in accounts payable – other	(358)	13,123
Increase (decrease) in accrued expenses	(155)	2,656
Increase (decrease) in consumption taxes payable	(366,075)	(24,824)
Increase (decrease) in advances received	31,173	197,232
Decrease in other noncurrent liabilities	(8,191)	(8,060)
Decrease in property, plant and equipment in trust due to disposition	—	8,957,749
Other, net	(38,069)	(110,728)
Subtotal	5,004,900	14,292,533
Interest income received	1,009	84
Interest expenses paid	(717,346)	(725,896)
Income taxes paid	(891)	(849)
Net cash provided by operating activities	4,287,671	13,565,871
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment	(1,557,183)	(36,537)
Purchases of property, plant and equipment in trust	(4,588,661)	(11,934,980)
Proceeds from tenant leasehold and security deposits	120,758	—
Payments of tenant leasehold and security deposits	(61,796)	—
Proceeds from tenant leasehold and security deposits in trust	131,555	444,709
Payments of tenant leasehold and security deposits in trust	(125,666)	(1,493,866)
Payments for lease and guarantee deposits	(381)	(181)
Net cash used in investing activities	(6,081,375)	(13,020,856)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from short-term loans payable	—	10,700,000
Proceeds from long-term loans payable	1,600,000	2,000,000
Repayments of long-term loans payable	—	(2,000,000)
Proceeds from issuance of investment corporation bonds	—	3,000,000
Redemption of investment corporation bonds	—	(5,000,000)
Payments of investment corporation bonds issuance costs	—	(24,027)
Dividends paid	(3,287,865)	(3,381,306)
Other	(995)	(995)
Net cash provided by (used in) financing activities	(1,688,860)	5,293,671
<b>Net change in cash and cash equivalents</b>	<b>(3,482,564)</b>	<b>5,838,686</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10,389,361</b>	<b>6,906,797</b>
<b>Cash and cash equivalents at end of period <sup>(iii)</sup></b>	<b>6,906,797</b>	<b>12,745,483</b>

Note:

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

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
Cash and bank deposits	3,559,708	9,486,357
Cash and bank deposits in trust	3,347,088	3,259,125
Cash and cash equivalents	6,906,797	12,745,483

- (iii) Significant non-cash transactions:

Due to the recognition of asset retirement obligations for a property acquired for the six months ended December 31, 2016, the balances of buildings in trust and asset retirement obligations increased by ¥171,681 thousand.