

Translation

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SEVEN MONTHS ENDED JULY 31, 2017

September 13, 2017

Name of issuer:	Industrial & Infrastructure Fund Investment Corporation ("the Investment Corporation")
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3249
Website:	http://www.iif-reit.com/
Representative of the Investment Corporation:	Yasuyuki Kuratsu, Executive Director
Name of asset manager:	Mitsubishi Corp.-UBS Realty Inc.
Representative of the asset manager:	Toru Tsuji, President & CEO
Contact:	Hidehiko Ueda, Executive Officer Head of Industrial Division Tel: (03)5293-7091
Scheduled date for filing of securities report:	October 26, 2017
Scheduled date for distributions payment:	October 20, 2017
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

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

1. Financial results for the seven months ended July 31, 2017 (January 1, 2017 to July 31, 2017)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the fiscal period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2017 (7 months)	10,054	24.6	5,787	31.0	4,634	34.6	4,633	34.6
December 31, 2016 (6 months)	8,069	2.3	4,416	1.8	3,443	1.8	3,442	1.8

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
For the fiscal period ended	Yen	%	%	%
July 31, 2017 (7 months)	11,948	4.4	1.9	46.1
December 31, 2016 (6 months)	9,764	3.7	1.6	42.7

Note: With the approval of the 6th General Meeting for Unitholders held on September 30, 2016, the Investment Corporation's Accounting Settlement Day was changed from the end of June and the end of December to the end of January and the end of July. Because of this change, the fiscal period ended July 31, 2017 is seven-month period from January 1 to July 31, 2017.

(2) Distributions

	Distribution per unit (including distributions in excess of profit)	Distribution per unit (excluding distributions in excess of profit)	Distribution per unit in excess of profit	Total distributions (including distributions in excess of profit)	Total distributions (excluding distributions in excess of profit)	Total distributions in excess of profit	Payout ratio	Ratio of distributions to net assets
For the fiscal period ended	Yen	Yen	Yen	Millions of yen	Millions of yen	Millions of yen	%	%
July 31, 2017 (7 months)	11,674	11,667	7	4,636	4,633	2	100.0	4.2
December 31, 2016 (6 months)	9,768	9,765	3	3,443	3,442	1	100.0	3.7

Note 1: Distribution per unit in excess of profit consist only of allowance for temporary difference adjustment.

Note 2: Payout ratio for the seven months ended July 31, 2017 is calculated by following formula, as new investment units were issued during the period.

$$\text{Payout ratio} = \text{Distribution per unit (excluding distributions in excess of profit)} \div \text{Net income per unit} \times 100$$

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
As of	Millions of yen	Millions of yen	%	Yen
July 31, 2017	261,999	117,008	44.7	294,608
December 31, 2016	224,749	93,959	41.8	266,503

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
For the fiscal period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
July 31, 2017 (7 months)	5,727	(34,861)	31,200	14,811
December 31, 2016 (6 months)	13,565	(13,020)	5,293	12,745

2. Outlook for the six months ending January 31, 2018 (August 1, 2017 to January 31, 2018)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2018	8,983	(10.7)	5,037	(13.0)	4,044	(12.7)	4,043	(12.7)

	Net income per unit	Distribution per unit (including distributions in excess of profit)	Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
For the six months ending	Yen	Yen	Yen	Yen
January 31, 2018	10,180	10,186	10,180	6

3. Others

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

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

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

As of July 31, 2017 397,164 units

As of December 31, 2016 352,564 units

Number of treasury units at end of period:

As of July 31, 2017 0 unit

As of December 31, 2016 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 28.

Forward-looking Statements and Other Notes

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

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (2) State of operation, B. Outlook for the next period” on page 5-6.

1. Summary of related corporations of the Investment Corporation

There have been no significant changes to the “structure of the investment corporation” since the most recent securities report (submitted on March 23, 2017), and hence, description of these matters is omitted.

2. Management policy and results of operation

(1) Management policies

There are no material changes to Investment Policy, Investment Targets, or Distribution Policies in the most recent securities report (submitted on March 23, 2017), and accordingly, disclosure is omitted.

(2) Operations

A. Operations during the period

i. Major developments and management performance of IIF

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

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. IIF owned 59 properties whose total acquisition price amounted to 246,549 million yen as of July 31, 2017.

ii. Investment environment and management performance

During this fiscal period (January to July, 2017), strong corporate performance was maintained mainly for the manufacturing industry, which had steady exports, and gross domestic product (GDP) was up January to March 2017 for the fifth consecutive quarter. Moreover, based on a preliminary report released on August 14 after the end of this fiscal period, the economy continued on a moderate recovery, with results also up April to June 2017 for the sixth consecutive quarter. Improvements have been seen in the employment environment; the total unemployment rate stood at 2.8% in February this year, which was the lowest level since June 1994, and this level has been maintained since.

The Japanese stock market has exhibited a rising trend in connection with the U.S. stock market, which was influenced by the U.S. presidential election in November 2016. On June 20, the Nikkei Average remained steady at 20,230 yen, which was the highest level this year so far. Meanwhile, looking at the J-REIT market, with fears of increased domestic interest rates accompanying long-term interest rate increases in the U.S., worsening demand resulting from the public offering of approximately 220 billion yen in the J-REIT market from January through March and fund outflow from monthly distribution-type domestic investment trusts were observed. These led to the Tokyo Stock Exchange REIT Index to be soft, recording 1,620 points on July 14, which was the lowest this year. However, it subsequently rallied somewhat, ending at 1,709 points at the end of this fiscal period on July 31.

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 11 properties (33,832 million yen in total acquisition price) with the public offering: IIF Yokosuka Technology Center for an acquisition price of 4,000 million yen, IIF Shonan Technology Center for an acquisition price of 1,200 million yen, IIF Osaka Konohana Logistics Center for an acquisition price of 4,263 million yen (49% co-ownership interest), IIF Fukuoka Hakozaki Logistics Center I for an acquisition price of 3,115 million yen (60% co-ownership interest), IIF Fukuoka Hakozaki Logistics Center II for an acquisition price of 5,451 million yen (60% co-ownership interest), IIF Itabashi Logistics Center for an acquisition price of 1,031 million yen (60% co-ownership interest), IIF Sendai Taiwa Logistics Center for an acquisition price of 1,480 million yen, IIF Ota Logistics Center for an acquisition price of 1,010 million yen, IIF Osaka Suminoe Logistics Center I for an acquisition price of 9,075 million yen (75% co-ownership interest), IIF Osaka Suminoe Logistics Center II for an acquisition price of 1,905 million yen (75% co-ownership interest) and IIF Morioka Logistics Center II for an acquisition price of 1,302 million yen.

As a result, the properties IIF owned as of July 31, 2017 consisted of 39 logistics facilities, 11 manufacturing, R&D and other facilities and nine infrastructure facilities, whose total acquisition price amounted to 246,549 million yen. The total leasable area as of July 31, 2017 was 1,219,657.97 m², and the average occupancy rate was 99.9%.

iii. Funding

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.

a) Equity Financing

In January 2017, the Investment Corporation announced the first public offering in approximately 2 years, issuing 44,600 new investment units and procuring approximately 21.8 billion yen with the aim of financing to acquire new properties. As a result, the number of issued investment units reached 397,164 as of the end of this fiscal period.

b) Debt Financing

As for funding for interest-bearing debt for this fiscal period, with the above issuance of new investment units, a total of 13 billion yen (average term to maturity: 9.2 years), comprising 1.6 billion yen on February 17, 2017 and 11.4 billion yen on March 17, 2017 was procured at a fixed interest rate with the aim of acquiring new properties. IIF also obtained a fixed interest rate loan for 9 billion yen on March 6, 2017 and repaid 9 billion yen in long-term loans that came due on the same day. Furthermore, on March 31, 2017, long-term loans of 10.7 billion yen (average term to maturity: 9.3 years) was newly borrowed at a fixed interest rate and short-term loans of 10.7 billion yen was repaid on the same day, before the due date.

By newly borrowing funds and engaging in refinancing, IIF is shifting to longer-term, fixed rate loans in order to establish a financial position that will provide stable distributions over the long-term. It will also borrow a long-term loan of 1 billion yen (loan term: 8 years) from the Norinchukin Bank, a new borrowing customer, to further diversify lenders.

As a result, as of July 31, 2017, IIF's total interest bearing debt was 131,500 million yen, which was comprised of 121,500 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.

iv. Overview of financial results and distributions

As a result of the above management activities, IIF recorded operating revenue of 10,054 million yen, operating income of 5,787 million yen, ordinary income of 4,634 million yen and net income of 4,633 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 4,633,712,388 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 2,780,148 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 11,674 yen.

B. Outlook for the next fiscal period

i. Outlook for the overall management

While there are concerning elements in the global economy such as concerns about the U.S. policy administration, stalling of the Chinese economy, and increasing geopolitical risks, the Japanese economy is supported by the robust corporate sector's performance and domestic consumption is also on an increasing trend. In this context, while financial markets are gradually incorporating the conclusion of financial easing in Europe and America, it appears that the continuation of financial easing by the Bank of Japan and the steady domestic economy have resulted in the domestic interest rate remaining low in Japan.

In the real estate market, the good conditions for procuring capital are expected to result in the environment for investment in domestic real estate to remain strong. The fact that an increasing number of investors are considering logistics facilities to be a stable investment as well as the entry of new players and the construction of large-scale logistics facilities have resulted in continued brisk activity for logistics facilities in particular. In some areas, although temporary increases in the vacancy rate and rent level trends accompanying increases in new supply will need to be monitored carefully going forward, the diversification of consumer lifestyles in recent years and increases in demand due to growth in e-commerce have led to the vacancy rates in regions close to urban sites, such as the Tokyo Wangan area, the Gaikando area and the Kokudo No. 16 area, to be relatively stable. 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 a strength of IIF.

ii. Issues to be solved and management policy going forward

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

a) External growth

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

IIF will continue to acquire new asset category properties, while avoiding price competition using our experience, expertise, and networks in both CRE and PRE sectors. By aiming to further increase the acquisition of 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 July 31, 2017, IIF's portfolio consisted of 59 properties for a total acquisition price of 246,549 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 8.1 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, the needs of tenants and end tenants in the IIF Sendai Taiwa Logistics Center were realized in August 2017 and the extension development project was started. This project will contribute to creating environments in which it is easy for employees to work while stabilizing original agreements and maintaining profitability to improve asset value (lengthen contract periods and setting no cancellation periods).

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.

iii. Earnings forecast for the next fiscal period

The forecasts of operating results for the fiscal period ending January 31, 2018 (August 1, 2017 to January 31, 2018) are operating revenue of 8,983 million yen, ordinary income of 4,044 million yen, net income of 4,043 million yen and distributions per unit of 10,186 yen (including distributions in excess of retained earnings per unit) are forecast. For the assumptions regarding these forecasts, refer to "Earnings Forecast Assumptions for the 21st Fiscal Period (August 1, 2017 to January 31, 2018)" below.

The main changes from the 20th Fiscal Period (January 1, 2017 to July 31, 2017) include the following.

Operating revenue (decrease of 1,071 million yen from the previous fiscal period)

- Rent revenue, which had temporarily increased in conjunction with the change of the fiscal year, will decrease
- Increased rent revenue from the 11 properties acquired in the 20th Fiscal Period (January 1, 2017 to July 31, 2017) due to the full contribution

Operating expense (decrease of 321 million yen from the previous fiscal period)

- Rental expenses and other expenses, which had temporarily increased in conjunction with the change of the fiscal year, will decrease
- Increased rental expenses and other expenses from the 11 properties acquired in the 20th Fiscal Period (January 1, 2017 to July 31, 2017) due to the full contribution
- Increased taxes and public charges for the seven properties acquired in the 18th Fiscal Period (January 1, 2016 to June 30, 2016) and the 19th Fiscal Period (July 1, 2016 to December 31, 2016)

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

Earnings Forecast Assumptions for the 21st Fiscal Period (August 1, 2017 to January 31, 2018)

Item	Assumption
Accounting period	21 st Fiscal Period From August 1, 2017 to January 31, 2018 (184 days)
Assets owned	<p>The Investment Corporation assumes that it will have real estate or trust beneficial rights in real estate for the 59 properties that it holds as of July 31, 2017 (includes the acquisition of a new building to be constructed for the IIF Sendai Taiwa Logistics Center Extension Project).</p> <p>While it is assumed that there will be no changes to the owned properties by the end of January 2018 (excluding the new building to be constructed for the IIF Sendai Taiwa Logistics Center Extension Project), these plans may change due to the acquisition or disposal of other properties.</p>
Interest-bearing debt	<p>The total amount of interest-bearing debt as of July 31, 2017 was 131,500 million yen, consisting of long-term debt (including those loans that we plan to repay within a year) of 121,500 million yen and investment corporation bonds of 10,000 million yen.</p> <p>Debts that will come due during the 21st period comprise long-term debt of 11,600 million yen. We have assumed that such debts will be refinanced for the same amount of long-term debt as they become due and payable.</p> <p>As a result, we assume the total amount of interest-bearing debt as of the end of January 2018 will be 131,500 million yen.</p>
Operating revenues	We assume that there will be no arrears or non-payments of rent by the leaseholders based on the assumptions described in “Assets owned” above for 21 st fiscal periods.
Operating expenses	<p>Fixed property tax, city planning tax and depreciable property tax (hereinafter referred to as “Fixed Property Tax etc.”) in the 21st period is forecast to be approximately 695 million yen. Repair costs are forecast to be approximately 71 million yen.</p> <p>The portion of fixed property tax to be divided with the sellers of the properties in accordance with the number of days owned upon the acquisition of such properties will not be recorded as expenses as such portion but will be included in the acquisition cost of such properties, and those taxes will be recorded from the following year of the acquisition.</p> <p>Thus, the Fixed Property Tax etc. on the 11 properties acquired in the 20th period will be expensed starting from the 22nd period.</p> <p>Moreover, depreciation (including ancillary expenses) is calculated based on the straight-line method and is estimated to be approximately 1,260 million yen.</p> <p>Calculation of external outsourcing expenses (property management fees, building management fees, etc.) is based on actual results thus far.</p>
Non-operating expenses	<p>Based on the assumptions of “Interest-bearing debt” above, we estimate the interest expenses, other debt-related expenses, interest expenses on investment corporation bonds and amortization of investment corporation bond issuance costs will be approximately 934 million yen.</p> <p>We estimate the amortization of the cost concerning the issuance of new investment units will be approximately 58 million yen.</p> <p>We plan to amortize the cost concerning the issuance of new investment units based on the straight-line method for 36 months.</p>
Extraordinary gain or loss	No extraordinary gain or loss is expected for the 21 st fiscal period.
Total number of units issued	The total number of issued investment units is assumed to be 397,164 units as of July 31, 2017.
Distributions per unit (excluding distributions in	We assume that all of the undistributed profit at the end of the fiscal periods, disregarding amounts less than 1 yen per unit, will be distributed.

excess of retained earnings per unit)	The calculations of distributions per unit for the 21 st fiscal periods were based on the assumption that fluctuations in the fair value of interest rate swaps will not have any impact on distributions per unit.
Distribution in excess of retained earnings per unit (allowance for temporary difference adjustments)	For IIF Kazo Logistics Center, which we acquired on September 1, 2016 and IIF Hamura Logistics Center, which we acquired on December 22, 2016, we are recording asset retirement obligations related to asbestos removal, and we expect to record an allowance for temporary difference adjustment for tax accounting discrepancies related to interest costs on such asset retirement obligations and depreciation expenses relating to buildings, etc. During the 21 st fiscal periods, we assume that we will make a distribution in excess of retained earnings of 6 yen per unit (allowance for temporary difference adjustments).
Distributions in excess of retained earnings per unit (distributions under tax law resulting in a decrease of investment capital)	There is no plan at present to make distributions under tax law resulting in a decrease of investment capital.

Moreover, the acquisition of a new building in the Extension Project for the IIF Sendai Taiwa Logistics Center in December 2017 is assumed (for an acquisition price of 66 million yen (planned)). For further details, refer to “IIF Sendai Taiwa Logistics Center Extension Project” dated August 4, 2017.

3. Financial information

(1) Balance sheets

	As of	
	December 31, 2016	July 31, 2017
ASSETS		
Current assets:		
Cash and bank deposits	9,486,357	12,329,473
Cash and bank deposits in trust	3,259,125	2,482,111
Rental receivables	157,694	164,653
Prepaid expenses	507,775	990,319
Consumption taxes refundable	20,586	427,204
Other	287	177
Total current assets	13,431,827	16,393,939
Noncurrent assets:		
Property, plant and equipment:		
Buildings, at cost	32,613,689	33,067,594
Less: Accumulated depreciation	(5,192,822)	(5,624,589)
Buildings, net	27,420,867	27,443,005
Structures, at cost	93,211	93,211
Less: Accumulated depreciation	(16,188)	(19,700)
Structures, net	77,023	73,511
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	13,325	13,325
Less: Accumulated depreciation	(3,257)	(4,211)
Tools, furniture and fixtures, net	10,068	9,114
Land	18,224,997	18,935,436
Construction in progress	1,069	2,399
Buildings in trust, at cost	55,137,002	64,332,447
Less: Accumulated depreciation	(8,009,918)	(8,999,164)
Buildings in trust, net	47,127,084	55,333,283
Structures in trust, at cost	493,635	494,285
Less: Accumulated depreciation	(360,129)	(370,908)
Structures in trust, net	133,505	123,376
Machinery and equipment in trust, at cost	16,601	78,484
Less: Accumulated depreciation	(3,849)	(8,398)
Machinery and equipment in trust, net	12,752	70,086
Tools, furniture and fixtures in trust, at cost	12,617	24,224
Less: Accumulated depreciation	(4,430)	(5,903)
Tools, furniture and fixtures in trust, net	8,186	18,320
Land in trust	97,492,380	122,358,162
Construction in progress in trust	—	2,400
Total net property, plant and equipment	190,507,934	224,369,096
Intangible assets:		
Leasehold right (Note 1)	19,833,966	19,833,966
Other	1,066	2,126
Total intangible assets	19,835,032	19,836,092
Investments and other assets:		
Lease and guarantee deposits	12,442	12,654
Long-term prepaid expenses	830,312	1,144,026
Other	3,000	5,974
Total investments and other assets	845,754	1,162,654
Total noncurrent assets	211,188,722	245,367,844
Deferred assets:		
Investment unit issuance costs	70,377	183,805
Investment corporation bonds issuance costs	58,650	54,208
Total deferred assets	129,028	238,013
TOTAL ASSETS	224,749,578	261,999,798

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

(Thousands of yen)

	As of	
	December 31, 2016	July 31, 2017
LIABILITIES		
Current liabilities:		
Operating accounts payable	460,186	199,854
Short-term loans payable	10,700,000	—
Current portion of long-term loans payable	20,600,000	25,100,000
Accounts payable – other	429,575	685,653
Accrued expenses	16,656	136,844
Income taxes payable	865	1,205
Advances received	1,367,506	1,896,450
Other	9,948	7,276
Total current liabilities	33,584,738	28,027,284
Noncurrent liabilities:		
Investment corporation bonds – unsecured	10,000,000	10,000,000
Long-term loans payable	77,200,000	96,400,000
Tenant leasehold and security deposits	2,256,639	2,401,707
Tenant leasehold and security deposits in trust	7,261,117	7,710,840
Asset retirement obligations	171,867	172,439
Derivatives liabilities	306,733	279,195
Other	8,823	262
Total noncurrent liabilities	97,205,181	116,964,446
TOTAL LIABILITIES	130,789,920	144,991,731
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	90,823,217	112,651,215
Capital deduction:		
Allowance for temporary difference adjustment (Note 3)	(405,448)	(307,535)
Total capital deduction	(405,448)	(307,535)
Unitholders' capital, net	90,417,769	112,343,680
Surplus:		
Retained earnings	3,848,622	4,940,608
Total surplus	3,848,622	4,940,608
Total unitholders' equity	94,266,391	117,284,288
Valuation and translation adjustments:		
Deferred gains or (losses) on hedges	(306,733)	(276,221)
Total valuation and translation adjustments	(306,733)	(276,221)
TOTAL NET ASSETS (Note 2)	93,959,657	117,008,066
TOTAL LIABILITIES AND NET ASSETS	224,749,578	261,999,798

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

(2) Statements of income and retained earnings

(Thousands of yen)

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
Operating revenue		
Rent revenue—real estate (Note 4)	8,022,499	10,054,590
Gain on sales of property (Note 5)	46,792	—
Total operating revenue	8,069,292	10,054,590
Operating expenses		
Expenses related to property rental business (Note 4)	2,797,971	3,221,157
Asset management fees	683,551	906,068
Directors' compensations	5,820	6,790
Asset custody fees	6,765	8,209
Administrative service fees	33,452	39,945
Other	124,970	84,562
Total operating expenses	3,652,532	4,266,733
Operating income	4,416,760	5,787,856
Non-operating income		
Interest income	84	52
Interest on refund	41	182
Reversal of distribution payable	632	536
Total non-operating income	758	771
Non-operating expenses		
Interest expenses	671,795	805,083
Interest expenses on investment corporation bonds	58,077	58,102
Amortization of investment corporation bonds issuance costs	6,043	4,442
Borrowing related expenses	181,344	213,443
Amortization of investment unit issuance costs	54,528	67,536
Other	2,070	5,062
Total non-operating expenses	973,859	1,153,670
Ordinary income	3,443,659	4,634,957
Income before income taxes	3,443,659	4,634,957
Income taxes		
Current	877	1,213
Deferred	18	—
Total income taxes	896	1,213
Net income	3,442,762	4,633,743
Retained earnings brought forward	405,859	306,864
Unappropriated retained earnings	3,848,622	4,940,608

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

(3) Statements of changes in net assets

(Thousands of yen)

For the six months ended December 31, 2016

	Unitholders' equity						Valuation and translation adjustments			
	Unitholders' capital			Surplus						
	Capital deduction									
	Unitholders' capital	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
	(Note 2)									
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)
Dividend in excess of profit from 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

(Thousands of yen)

For the seven months ended July 31, 2017

	Unitholders' equity						Valuation and translation adjustments			
	Unitholders' capital			Surplus						
	Capital deduction									
	Unitholders' capital	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
	(Note 2)									
Balance as of January 1, 2017	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
Changes during the period										
Issuance of new investment units	21,827,998	—	—	21,827,998	—	—	21,827,998	—	—	21,827,998
Dividends from surplus	—	—	—	—	(3,442,787)	(3,442,787)	(3,442,787)	—	—	(3,442,787)
Reversal of allowance for temporary difference adjustment	—	98,970	98,970	98,970	(98,970)	(98,970)	—	—	—	—
Dividend in excess of profit from allowance for temporary difference adjustment	—	(1,057)	(1,057)	(1,057)	—	—	(1,057)	—	—	(1,057)
Net income	—	—	—	—	4,633,743	4,633,743	4,633,743	—	—	4,633,743
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	30,512	30,512	30,512
Total changes during the period	21,827,998	97,912	97,912	21,925,911	1,091,985	1,091,985	23,017,896	30,512	30,512	23,048,408
Balance as of July 31, 2017	112,651,215	(307,535)	(307,535)	112,343,680	4,940,608	4,940,608	117,284,288	(276,221)	(276,221)	117,008,066

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

(4) Statements of cash distributions

(Yen)

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
I Unappropriated retained earnings	3,848,622,404	4,940,608,248
II Distributions in excess of profit	1,057,692	2,780,148
Allowance for temporary difference adjustment	1,057,692	2,780,148
III Capitalization	98,970,554	30,512,052
Reversal of allowance for temporary difference adjustment	98,970,554	30,512,052
IV Cash distribution declared	3,443,845,152	4,636,492,536
<i>(Cash distribution declared per unit)</i>	<i>(9,768)</i>	<i>(11,674)</i>
Profit distributions	3,442,787,460	4,633,712,388
<i>(Profit distributions per unit)</i>	<i>(9,765)</i>	<i>(11,667)</i>
Allowance for temporary difference adjustment	1,057,692	2,780,148
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustment)</i>	<i>(3)</i>	<i>(7)</i>
V Retained earnings carried forward	306,864,390	276,383,808

Note:

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.

For the seven months ended July 31, 2017:

Cash distributions declared for the seven months ended July 31, 2017 were ¥4,636,492,536.

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 seven months ended July 31, 2017 were ¥4,633,712,388 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 seven months ended July 31, 2017 were amounting to ¥2,780,148 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 seven months ended July 31, 2017 amounting to ¥2,780,148 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.

(5) Statements of cash flows

(Thousands of yen)

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
Net cash provided by (used in) operating activities:		
Income before income taxes	3,443,659	4,634,957
Depreciation and amortization	1,130,850	1,442,896
Amortization of investment corporation bonds issuance costs	6,043	4,442
Amortization of investment unit issuance costs	54,528	67,536
Interest income	(84)	(52)
Interest expenses	729,872	863,186
Changes in assets and liabilities:		
Increase in operating accounts receivable	223,539	(6,958)
Decrease (increase) in consumption taxes refundable	(20,586)	(399,496)
Decrease (increase) in prepaid expenses	(220,896)	(482,543)
Decrease (increase) in long-term prepaid expenses	61,139	(313,713)
Increase in operating accounts payable	(142,681)	(25,086)
Increase (decrease) in accounts payable - other	13,123	207,217
Increase (decrease) in accrued expenses	2,656	(4,937)
Increase (decrease) in consumption taxes payable	(24,824)	(24,546)
Increase (decrease) in advances received	197,232	528,943
Decrease in other noncurrent liabilities	(8,060)	(8,560)
Decrease in property, plant and equipment in trust due to disposition	8,957,749	—
Other, net	(110,728)	(16,532)
Subtotal	14,292,533	6,466,751
Interest income received	84	52
Interest expenses paid	(725,896)	(738,061)
Income taxes paid	(849)	(872)
Net cash provided by operating activities	13,565,871	5,727,869
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(36,537)	(1,319,121)
Purchases of property, plant and equipment in trust	(11,934,980)	(34,136,069)
Payments of intangible assets	—	(1,275)
Proceeds from tenant leasehold and security deposits	—	145,068
Proceeds from tenant leasehold and security deposits in trust	444,709	576,539
Payments of tenant leasehold and security deposits in trust	(1,493,866)	(126,816)
Payments for lease and guarantee deposits	(181)	(212)
Net cash used in investing activities	(13,020,856)	(34,861,886)
Net cash provided by (used in) financing activities:		
Proceeds from short-term loans payable	10,700,000	—
Repayments of short-term loans payable	—	(10,700,000)
Proceeds from long-term loans payable	2,000,000	32,700,000
Repayments of long-term loans payable	(2,000,000)	(9,000,000)
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)	(1,240)
Proceeds from issuance of investment units	—	21,647,034
Dividends paid	(3,381,306)	(3,444,513)
Other	(995)	(1,160)
Net cash provided by (used in) financing activities	5,293,671	31,200,119
Net change in cash and cash equivalents	5,838,686	2,066,102
Cash and cash equivalents at beginning of period	6,906,797	12,745,483
Cash and cash equivalents at end of period (Note 6)	12,745,483	14,811,585

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

(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

(a) Property, plant and equipment

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

Buildings	13-68 years
Structures.....	4-45 years
Machinery and equipment	3-10 years
Tools, furniture and fixtures	6-15 years

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

(b) Other intangible assets

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

(c) Long-term prepaid expenses

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

(d) Investment unit issuance costs

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

(e) Investment corporation bonds issuance costs

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

(f) Taxes on property, plant and equipment

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

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

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥24,924 thousand and ¥172,898 thousand for the fiscal period ended December 31, 2016 and July 31, 2017, respectively.

(g) Hedge accounting

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of hedging risks that are prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable through the use of interest rate swaps as hedging instruments and deferred hedge accounting is generally applied. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments with those of the hedged items. The Investment Corporation applies, however, the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under such swap contracts can be recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swap is not required to be evaluated separately. An assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

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

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

(j) Consumption taxes

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

(8) Notes to financial information

Note 1 – Leasehold right

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

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	December 31, 2016	July 31, 2017
Authorized	8,000,000 units	8,000,000 units
Issued and outstanding	352,564 units	397,164 units

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by Article 67-4 of the Act on Investment Trusts and Investment Corporations of Japan.

Note 3 – Allowance for temporary difference adjustment

Movements of allowance for temporary difference adjustment for the fiscal period ended December 31, 2016 and July 31, 2017 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)

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

(Thousands of yen)

For the seven months ended July 31, 2017:

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
Buildings in trust	Excess of depreciation allowance	¥1,057	—	¥1,057	—	¥1,057	(i)
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	¥405,448	¥405,448	—	(¥98,970)	¥307,535	(ii)
Total		¥406,506	¥405,448	¥1,507	(¥98,970)	¥307,535	

Note (i): The allowance will be reversed corresponding to disposal of the buildings in the future.

Note (ii): The allowance will be reversed corresponding to future change in values of the hedging derivatives.

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

Rent revenue—real estate and expenses related to property rental business for the fiscal period ended December 31, 2016 and July 31, 2017 consist of the following:

	(Thousands of yen)	
	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
Rent revenue—real estate:		
Rental and parking revenue	7,670,186	9,617,016
Common area charges	290,590	321,611
Other	61,722	115,961
Total rent revenue—real estate	8,022,499	10,054,590
Expenses related to property rental business:		
Property management fees	53,600	58,312
Facility management fees	150,369	169,441
Utilities	298,622	331,526
Property-related taxes	691,033	673,088
Insurance	24,334	27,976
Repair and maintenance	81,471	73,214
Depreciation	1,130,850	1,442,896
Trust fees	13,831	16,382
Leasehold rents	350,867	426,529
Other	2,989	1,789
Total expenses related to property rental business	2,797,971	3,221,157
Operating income from property leasing activities	5,224,528	6,833,432

Note 5 – Gain on sales of property

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

	(Thousands of yen)	
	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
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 6 – Cash and cash equivalents

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

	(Thousands of yen)	
	As of	
	December 31, 2016	July 31, 2017
Cash and bank deposits	9,486,357	12,329,473
Cash and bank deposits in trust	3,259,125	2,482,111
Cash and cash equivalents	12,745,483	14,811,585

Note 7 – 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.

Note 8 – Lease rental revenues

The Investment Corporation leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of December 31, 2016 and July 31, 2017 scheduled to be received are summarized as follows:

	As of	
	December 31, 2016	July 31, 2017
Due within one year	12,984,805	14,815,962
Due after one year	76,991,296	76,367,193
Total	89,976,101	91,183,155

(Thousands of yen)

Note 9 – Financial instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

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

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

The funds raised through loans payable or issuance of investment corporation bonds are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing loans payable or investment corporation bonds. Tenant leasehold and security deposits are deposits from tenants. Although loans payable with floating interest rates are subject to fluctuations in market interest rates, the asset manager manages interest fluctuation risk by monitoring market interest rates and measuring the effect on the results of operation of the Investment Corporation. In addition, a certain portion of loans payable with floating interest rates is hedged by derivative instruments (interest rate swaps) as hedging instruments. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items. When the interest rate swaps meet specific criteria required for the special treatment provided under Japanese GAAP, the assessment of hedge effectiveness is not performed. The Investment Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

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

(iii) Supplemental information on fair value of financial instruments

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

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of December 31, 2016 and July 31, 2017.

(Thousands of yen)

	As of					
	December 31, 2016			July 31, 2017		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	9,486,357	9,486,357	—	12,329,473	12,329,473	—
(2) Cash and bank deposits in trust	3,259,125	3,259,125	—	2,482,111	2,482,111	—
Total assets	12,745,483	12,745,483	—	14,811,585	14,811,585	—
(1) Short-term loans payable	10,700,000	10,700,000	—	—	—	—
(2) Current portion of long-term loans payable	20,600,000	20,709,648	109,648	25,100,000	25,247,694	147,694
(3) Investment corporation bonds—unsecured	10,000,000	10,306,900	306,900	10,000,000	10,270,320	270,320
(4) Long-term loans payable	77,200,000	80,525,737	3,325,737	96,400,000	99,367,624	2,967,624
(5) Tenant leasehold and security deposits in trust	851,383	837,141	(14,242)	724,566	712,085	(12,480)
Total liabilities	119,351,383	123,079,428	3,728,044	132,224,566	135,597,724	3,373,157
Derivatives (derivatives liabilities), net	(306,733)	(306,733)	—	(276,221)	(276,221)	—

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 long-term loans payable and (4) Long-term loans payable

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

(3) Investment corporation bonds—unsecured

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

(5) Tenant leasehold and security deposits in trust

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

Derivative instruments

Please refer to “Note 10 - Derivative instruments.”

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

(Thousands of yen)

	As of	
	December 31, 2016	July 31, 2017
Tenant leasehold and security deposits	2,256,639	2,401,707
Tenant leasehold and security deposits in trust	6,409,734	6,986,273
Total liabilities	8,666,374	9,387,981

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

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

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

(Thousands of yen)						
As of July 31, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,329,473	-	-	-	-	-
Cash and bank deposits in trust	2,482,111	-	-	-	-	-
Total	14,811,585	-	-	-	-	-

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

(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

(Thousands of yen)						
As of July 31, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds — unsecured	-	-	-	-	-	10,000,000
Long-term loans payable	25,100,000	4,000,000	7,900,000	-	7,200,000	77,300,000
Total	25,100,000	4,000,000	7,900,000	-	7,200,000	87,300,000

Note 10 – Derivative instruments

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

As of December 31, 2016 (Thousands of yen)

			Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
Method of hedge accounting	Derivative instruments	Hedged item		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 (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	68,300,000	47,700,000	Note (i)	-

As of July 31, 2017 (Thousands of yen)

As of July 31, 2017						(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	(276,221)	Note (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	59,300,000	39,200,000	Note (i)	-

Note:

- (i) As disclosed in “(7) Summary of significant accounting policies (g) Hedge accounting”, the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (i) in “Note 9 - Financial instruments (b) Quantitative information for financial instruments”.
- (ii) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

Note 11 – Related-party transactions

There were no related-party transactions to be disclosed for the fiscal period ended December 31, 2016 and July 31, 2017.

Note 12 – Income taxes

Deferred tax assets consist of the following:

	(Thousands of yen)	
	As of	
	December 31, 2016	July 31, 2017
Deferred tax assets, current:		
Enterprise tax payable	13	17
Subtotal	13	17
Valuation allowance	(13)	(17)
Total	—	—
Net deferred tax assets, current	—	—
Deferred tax assets, noncurrent:		
Asset retirement obligations	54,292	54,473
Deferred losses on hedges	96,897	87,258
Subtotal	151,190	141,732
Valuation allowance	(151,690)	(141,732)
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 fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
Statutory tax rates	31.74%	31.74%
Deductible cash distributions	(31.74)	(31.75)
Other	0.03	0.04
Effective tax rates	0.03%	0.03%

Note 13 – 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 / For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
Balance at the beginning of the period	—	171,867
Increase due to acquisition of properties	171,681	—
Adjustment for passage of time	186	572
Balance at the end of the period	171,867	172,439

(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 14 – 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 fiscal period ended December 31, 2016 and July 31, 2017.

(Thousands of yen)

		As of / For the fiscal period ended	
		December 31, 2016	July 31, 2017
		(six months)	(seven months)
Net book value⁽ⁱ⁾			
	Balance at the beginning of the period	207,993,730	210,342,809
	Net increase during the period ⁽ⁱⁱ⁾	2,349,078	33,861,117
	Balance at the end of the period	210,342,809	244,203,926
Fair value⁽ⁱⁱⁱ⁾		247,017,000	286,807,000

Note:

(i) The net book value includes leasehold right.

(ii) For the six months ended December 31, 2016:

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

		Increase (decrease) in net book value
		(Thousands of yen)
Acquisitions:	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)

For the seven months ended July 31, 2017:

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 Yokosuka Technology Center	4,191,540
	IIF Shonan Technology Center	1,268,161
	IIF Osaka Konohana Logistics Center	4,319,863
	IIF Fukuoka Hakozaki Logistics Center I	3,161,948
	IIF Fukuoka Hakozaki Logistics Center II	5,528,431
	IIF Itabashi Logistics Center	1,051,263
	IIF Sendai Taiwa Logistics Center	1,554,028
	IIF Ota Logistics Center	1,034,732
	IIF Osaka Suminoe Logistics Center I	9,198,091
	IIF Osaka Suminoe Logistics Center II	1,938,940
	IIF Morioka Logistics Center II	1,395,329

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

For rental revenues and expenses for the fiscal period ended December 31, 2016 and July 31, 2017, please refer to “Note 4 - Rent revenue—real estate and expenses related to property rental business.”

Note 15 – Segment information

Segment information for the fiscal period ended December 31, 2016 and July 31, 2017 is as follows:

(a) Operating segment information

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

(b) Enterprise-wide disclosures

(i) Information about products and services

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

(ii) Information about geographic areas

Revenues from overseas customers:

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

Tangible fixed assets:

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

(c) Information about major customers

Name of customer	Revenues for the fiscal period ended		Relating segment
	December 31, 2016 (six months)	July 31, 2017 (seven months)	
Japan Airlines Co., Ltd.	1,382,297	1,630,276	Property rental business

(Thousands of yen)

Note 16 – Per unit information

The net asset value per unit as of December 31, 2016 and July 31, 2017 was ¥266,503 and ¥294,608, respectively. Net income per unit for the fiscal period ended December 31, 2016 and July 31, 2017 was ¥9,764 and ¥11,948, 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 fiscal period. The Investment Corporation has no potentially dilutive units.

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

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
	(in thousands of yen)	
Net income.....	¥ 3,442,762	¥ 4,633,743
Effect of dilutive units	-	-
Net income attributable to unitholders	3,442,762	4,633,743
Adjusted weighted-average number of units outstanding for the period	352,564 units	387,822 units

Note 17 – Subsequent events

Unit split

The Board of Directors of the Investment Corporation, at its meeting held on September 13, 2017, resolved to implement a unit split (the “Unit Split”) as follows:

(1) Purpose of the Unit Split

The Investment Corporation hopes to expand investors through improvement of an investment environment by reducing the market price per investment with the Unit Split.

(2) Split method

Each unit owned by unitholders listed in the final unitholders register on January 31, 2018 will be split into four units.

(3) Number of units increased by the Unit Split

- 1) Number of outstanding units of the Investment Corporation before the Unit Split: 397,164 units
- 2) Number of units increased by the Unit Split: 1,191,492 units
- 3) Number of outstanding units of the Investment Corporation after the Unit Split: 1,588,656 units
- 4) Number of authorized units of the Investment Corporation after the Unit Split: 32,000,000 units

(4) Schedule of the Units Split

- 1) Record date: January 31, 2018
- 2) Effective date: February 1, 2018

(5) Pro forma information

Pro forma per unit information for the seven months ended July 31, 2017 which has been adjusted to reflect the Unit Split as if it had been effective on the beginning of each period is as follows:

	<i>(Yen)</i>
1) Net asset value per unit:	¥73,652
2) Net income per unit:	¥2,987

Note 18 – Information on allowance for temporary difference adjustments

Changes of temporary difference subject to allowance for temporary difference adjustment for the fiscal period ended December 31, 2016 and July 31, 2017 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 December 31, 2016	Buildings in trust	Excess of depreciation allowance	¥1,057	(i)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(¥98,970)	(ii)
For the seven months ended July 31, 2017	Buildings in trust	Excess of depreciation allowance	¥2,780	(i)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(¥30,512)	(ii)

Note (i): The allowance will be reversed corresponding to disposal of the buildings in the future.

Note (ii): The allowance will be reversed corresponding to future change in values of the hedging derivatives.

[Omission of disclosure]

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

(9) Changes in unit issued and outstanding

The changes in unitholders' capital and number of units issued and outstanding for last five years were as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Note 1) (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
February 4, 2013	Public offering	15,424	156,056	10,304	72,186	Note 2
March 5, 2013	Allocation of investment units to a third party	376	156,432	251	72,437	Note 3
February 3, 2014	Public offering	8,884	165,316	6,888	79,326	Note 4
March 4, 2014	Allocation of investment units to a third party	216	165,532	167	79,493	Note 5
January 1, 2015	Unit Split	165,532	331,064	—	79,493	Note 6
March 16, 2015	Public offering	20,988	352,052	11,059	90,553	Note 7
March 27, 2015	Allocation of investment units to a third party	512	352,564	269	90,823	Note 8
February 14, 2017	Public offering	43,538	396,102	21,308	112,131	Note 9
March 3, 2017	Allocation of investment units to a third party	1,062	397,164	519	112,651	Note 10

Note 1 Unitholders' capital does not reflect capital deduction item caused by allowance for temporary difference adjustment.

Note 2 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 3 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 4 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 5 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 6 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 7 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 8 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 9 New investment units were issued at a price of ¥506,025 per unit (subscription price of ¥489,417 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 10 New investment units were issued at a price of ¥489,417 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

4. Changes in officers

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

5. Additional information

(1) Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of December 31, 2016		As of July 31, 2017	
				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	13,029	5.8	13,032	5.0
			Osaka and Nagoya metropolitan areas	4,566	2.0	4,551	1.7
			Other area	914	0.4	1,944	0.8
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	45,059	20.1	44,770	17.1
			Osaka and Nagoya metropolitan areas	1,998	0.9	1,998	0.8
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Trust beneficial interest in real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	77,724	34.6	83,996	32.1
			Osaka and Nagoya metropolitan areas	21,760	9.7	37,041	14.1
			Other area	6,986	3.1	17,149	6.5
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	2,130	0.9	3,504	1.3
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,765	5.7	12,952	4.9
			Osaka and Nagoya metropolitan areas	23,406	10.4	23,260	8.9
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				210,342	93.6	244,203	93.2
Bank deposits and other assets				14,406	6.4	17,795	6.8
Total assets				224,749	100.0	261,999	100.0
Total liabilities				130,789	58.2	144,991	55.3
Total net assets				93,959	41.8	117,008	44.7

Note 1 “Location category” is classified as below.

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

(i) Japan's three major urban areas are the greater Tokyo, Osaka and Nagoya areas. The greater Tokyo area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the greater Osaka area consists of Shiga, Kyoto, Osaka, Hyogo, Nara and Wakayama prefectures; and the greater Nagoya area consists of Aichi, Mie and Gifu prefectures.
(ii) Industrial zones means industrial zones as defined in the Report on Industry Statistics issued by Ministry of Economy, Trade and Industry of Japan.

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

(2) Outline of portfolio properties

The principal properties (top ten properties in net book value) as of July 31, 2017 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	38,907	81,995.81	81,995.81	100.0	16.2	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,386	11,292.79	11,292.79	100.0	3.8	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,016	27,493.29	27,493.29	100.0	4.6	Logistics facility
IIF Osaka Suminoe Logistics Center I (Note 5)	9,163	39,150.98	39,150.98	100.0	Note 7	Logistics facility
IIF Mitaka Card Center	9,160	21,615.01	21,615.01	100.0	4.2	Manufacturing and R&D facility, etc.
IIF Osaka Konohana Logistics Center (Note 6)	8,759	46,262.20	46,262.20	100.0	Note 7	Logistics facility
IIF Shinagawa IT Solution Center	7,772	7,089.62	7,089.62	100.0	Note 7	Infrastructure facility
IIF Kamata R&D Center	7,449	21,896.56	21,896.56	100.0	Note 7	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center	5,822	33,243.99	33,243.99	100.0	Note 7	Logistics facility
IIF Osaka Toyonaka Data Center	5,632	20,027.14	20,027.14	100.0	Note 7	Infrastructure facility
Total	122,070	310,067.39	310,067.39	100.0	46.1	

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

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

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

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

Note 5 The Investment Corporation owns 75% of the trust beneficial interest in the property. The leasable area and leased area of the property show 75% of the total leasable area or leased area as the share of quasi-co-ownership.

Note 6 The Investment Corporation acquired 51% of the trust beneficial interest in the property on July 1, 2016, and remaining 49% of the trust beneficial interest in the property on February 20, 2017.

Note 7 “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of July 31, 2017 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	16,960	13,016
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba, etc.	Trust beneficial interest	38,828.10	8,580	5,458
IIF Shinsuna Logistics Center	2458-5, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	7,070	5,186
IIF Atsugi Logistics Center	6-19, Aza Ikoda, Hase, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	10,959.68	2,130	1,609
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,690	1,824
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	17,200.00	2,990	2,012
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,550	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,430	4,649
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,920	3,246
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	9,464.03	3,200	2,321
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama, etc.	Trust beneficial interest	8,995.00	2,080	1,473
IIF Nagoya Logistics Center	34, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi, etc.	Real property	8,721.01	1,550	1,153
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	3,050	2,390
IIF Kawaguchi Logistics Center	4829 Midori-cho, Kawaguchi-shi, Saitama, etc.	Real property	11,705.02	4,180	2,053
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo, etc.	Trust beneficial interest	39,567.74	7,120	5,170
IIF Higashi-Osaka Logistics Center	701-2, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka, etc.	Real property	20,495.06	3,180	2,458
IIF Kashiwa Logistics Center	1027-1, Aza Miyagohara, Washinoya, Kashiwa-shi, Chiba, etc.	Real property	17,373.53	2,840	1,863
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	5,100	3,496
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama, etc.	Trust beneficial interest	17,881.65	4,140	3,138
IIF Tosu Logistics Center	781-1 Aza Hiratsuka, Shuku-machi, Tosu-shi, Saga, etc.	Trust beneficial interest	13,862.05	1,930	1,531
IIF Inzai Logistics Center	6-6, Matsuzakidai 2-chome, Inzai-shi, Chiba, etc.	Trust beneficial interest	5,490.00	1,340	1,041

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Morioka Logistics Center	Plot 5-44-5, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,220	580
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,480	3,440
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	39, Nagisa-cho, Izumiotsu-shi, Osaka, etc.	Trust beneficial interest	48,932.00	4,400	4,179
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,080	938
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	7,100	5,822
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka, etc.	Real property	30,815.97	973	914
IIF Fukuoka Higashi Logistics Center	90-1 Kamata 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka, etc.	Trust beneficial interest	11,262.86	2,050	1,937
IIF Osaka Konohana Logistics Center (Note 6)	21-6, Shimaya 4-chome, Konohana-ku, Osaka-shi, Osaka	Trust beneficial interest	46,262.20	9,120	8,759
IIF Kazo Logistics Center	6-1, Shintone 2-chome, Kazo-shi, Saitama, etc.	Trust beneficial interest	17,744.41	2,660	2,613
IIF Hamura Logistics Center	8-16, Shinmeidai 4-chome, Hamura-shi, Tokyo	Trust beneficial interest	3,892.66	886	924
IIF Fukuoka Hakozaki Logistics Center I (Note 4)	38-11, Hakozakifuto 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	14,999.86	3,170	3,146
IIF Fukuoka Hakozaki Logistics Center II (Note 4)	5-1, Hakozakifuto 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka, etc.	Trust beneficial interest	25,338.99	5,540	5,507
IIF Itabashi Logistics Center (Note 4)	28-3, Higashi-sakashita 2-chome, Itabashi-ku, Tokyo, etc.	Trust beneficial interest	3,034.61	1,100	1,047
IIF Sendai Taiwa Logistics Center	3-15, Maino 2-chome, Taiwa-cho, Kurokawa-gun, Miyagi	Trust beneficial interest	15,290.75	1,580	1,545
IIF Ota Logistics Center	236-1, Anyoji-cho, Ota-shi, Gunma	Real property	6,900.01	1,160	1,030
IIF Osaka Suminoe Logistics Center I (Note 4)	10-34, Shibatani 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	39,150.98	10,400	9,163
IIF Osaka Suminoe Logistics Center II (Note 4)	10-20, Shibatani 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	9,224.82	2,050	1,933
IIF Morioka Logistics Center II	4-15, Ryutsu Center Minami 2-chome, Yahaba-cho, Shiwa-gun, Iwate	Trust beneficial interest	12,383.30	1,530	1,392
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	5,400	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,350	1,188
IIF Mitaka Card Center	444-2, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo, etc.	Trust beneficial interest	21,615.01	10,200	9,160
IIF Kamata R&D Center	31-1, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,400	7,449

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,950	2,111
IIF Sagamiara R&D Center	41-1, Minamihashimoto 3-chome, Chuo-ku, Sagamiara-shi, Kanagawa	Trust beneficial interest	14,304.37	3,650	3,240
IIF Yokohama Shinyamashita R&D Center	2-19, Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	4,887.83	4,160	3,932
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, Tekkodo 3-chome, Urayasu-shi, Chiba	Real property	7,925.94	1,670	1,345
IIF Yokosuka Technology Center	1-15, Shinmei-cho, Yokosuka-shi, Kanagawa	Trust beneficial interest	13,779.77	4,450	4,179
IIF Shonan Technology Center	2001-13, Ichinomiya 6-chome, Samukawa-cho, Koza-gun, Kanagawa	Trust beneficial interest	7,244.71	1,320	1,289
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	16,386
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,600	38,907
IIF Zama IT Solution Center	5505-7, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,530	5,180
IIF Shinagawa Data Center	521-1, Futaba 2-chome, Shinagawa-ku, Tokyo, etc.	Real property	19,547.11	6,810	5,134
IIF Osaka Toyonaka Data Center	1-38, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,030	5,632
IIF Osaka Nanko IT Solution Center	21, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	18,435.93	2,390	1,241
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	7,980	7,772
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	748	729
Total			1,219,657.97	286,807	244,203

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 leasable area of the following properties in which the Investment Corporation owns partial share of the trust beneficial interest is calculated multiplying the total leasable area of each property by the share of quasi-co-ownership.

Name of property (Share of quasi-co-ownership):

IIF Shinonome Logistics Center (53%), IIF Fukuoka Hakozaki Logistics Center I (60%), IIF Fukuoka Hakozaki Logistics Center II (60%), IIF Itabashi Logistics Center (60%), IIF Osaka Suminoe Logistics Center I (75%), IIF Osaka Suminoe Logistics Center II (75%)

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

Note 6 The Investment Corporation acquired 51% of the trust beneficial interest in IIF Osaka Konohana Logistics Center on July 1, 2016 and remaining 49% of the trust beneficial interest in the property on February 20, 2017.

Operating results of each property for the fiscal period ended December 31, 2016 and July 31, 2017 were as follows:

Name of property	For the fiscal period ended									
	December 31, 2016 (six months)					July 31, 2017 (seven months)				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Shinonome Logistics Center	1	100.0	400	367	5.8	1	100.0	466	433	5.2
IIF Noda Logistics Center (Note 4)	2	100.0	—	207	3.3	2	100.0	—	244	3.0
IIF Shinsuna Logistics Center	1	100.0	178	159	2.5	1	100.0	208	190	2.3
IIF Atsugi Logistics Center (Note 4)	1	100.0	—	47	0.7	1	100.0	—	57	0.7
IIF Koshigaya Logistics Center	1	100.0	75	69	1.1	1	100.0	87	80	1.0
IIF Nishinomiya Logistics Center (Note 4)	2	100.0	—	82	1.3	2	100.0	—	94	1.1
IIF Narashino Logistics Center (land with leasehold interest) (Note 4)	1	100.0	—	38	0.6	1	100.0	—	45	0.5
IIF Narashino Logistics Center II (Notes 4 and 5)	2	100.0	—	176	2.8	2	100.0	—	204	2.5
IIF Atsugi Logistics Center II (Note 4)	1	100.0	—	113	1.8	1	100.0	—	132	1.6
IIF Yokohama Tsuzuki Logistics Center (Note 4)	1	100.0	—	77	1.2	1	100.0	—	90	1.1
IIF Saitama Logistics Center	1	100.0	66	61	1.0	1	100.0	78	71	0.9
IIF Nagoya Logistics Center (Note 4)	1	100.0	—	42	0.7	1	100.0	—	50	0.6
IIF Atsugi Logistics Center III (Note 4)	1	100.0	—	72	1.1	1	100.0	—	94	1.1
IIF Kawaguchi Logistics Center (Note 4)	1	100.0	—	105	1.7	1	100.0	—	125	1.5
IIF Kobe Logistics Center (Note 4)	1	100.0	—	177	2.8	1	100.0	—	213	2.6
IIF Higashi-Osaka Logistics Center (Note 4)	2	97.3	—	88	1.4	2	97.3	—	103	1.2
IIF Kashiwa Logistics Center (Note 4)	1	100.0	—	68	1.1	1	100.0	—	82	1.0
IIF Misato Logistics Center (Note 4)	1	100.0	—	116	1.8	1	100.0	—	136	1.7
IIF Iruma Logistics Center (Note 4)	1	100.0	—	106	1.7	1	100.0	—	126	1.5
IIF Tosu Logistics Center (Note 4)	2	100.0	—	52	0.8	2	100.0	—	62	0.8
IIF Inzai Logistics Center (Note 4)	1	100.0	—	37	0.6	1	100.0	—	43	0.5

Name of property	For the fiscal period ended									
	December 31, 2016 (six months)					July 31, 2017 (seven months)				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Morioka Logistics Center (Note 4)	1	100.0	—	37	0.6	1	100.0	—	44	0.5
IIF Hiroshima Logistics Center (Note 4)	1	100.0	—	119	1.9	1	100.0	—	142	1.7
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest) (Note 4)	1	100.0	—	110	1.7	1	100.0	—	131	1.6
IIF Izumisano Food Processing and Logistics Center (Note 4)	1	100.0	—	28	0.5	1	100.0	—	34	0.4
IIF Kyotanabe Logistics Center (Note 4)	1	100.0	—	174	2.7	1	100.0	—	206	2.5
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest) (Note 4)	1	100.0	—	27	0.4	1	100.0	—	32	0.4
IIF Fukuoka Higashi Logistics Center (Note 4)	1	100.0	—	57	0.9	1	100.0	—	64	0.8
IIF Osaka Konohana Logistics Center (Note 4)	1	100.0	—	121	1.9	1	100.0	—	238	2.9
IIF Kazo Logistics Center (Note 4)	1	100.0	—	49	0.8	1	100.0	—	82	1.0
IIF Hamura Logistics Center (Note 4)	1	100.0	—	1	0.0	1	100.0	—	28	0.3
IIF Fukuoka Hakozaki Logistics Center I (Note 4)	—	—	—	—	—	3	100.0	—	73	0.9
IIF Fukuoka Hakozaki Logistics Center II (Note 4)	—	—	—	—	—	4	100.0	—	124	1.5
IIF Itabashi Logistics Center (Note 4)	—	—	—	—	—	1	100.0	—	23	0.3
IIF Sendai Taiwa Logistics Center (Note 4)	—	—	—	—	—	1	100.0	—	44	0.5
IIF Ota Logistics Center (Note 4)	—	—	—	—	—	1	100.0	—	31	0.4
IIF Osaka Suminoe Logistics Center I (Note 4)	—	—	—	—	—	1	100.0	—	155	1.9
IIF Osaka Suminoe Logistics Center II (Note 4)	—	—	—	—	—	1	100.0	—	36	0.4
IIF Morioka Logistics Center II (Note 4)	—	—	—	—	—	1	100.0	—	18	0.2
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	137	2.2	1	100.0	177	160	1.9
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	34	0.5	1	100.0	68	48	0.6
IIF Mitaka Card Center	1	100.0	364	307	4.8	1	100.0	425	365	4.4
IIF Shinonome R&D Center (Notes 4 and 6)	—	—	—	139	2.2	—	—	—	—	—
IIF Kamata R&D Center (Note 4)	1	100.0	—	235	3.7	1	100.0	—	270	3.3
IIF Kawasaki Science Center (Note 4)	1	100.0	—	83	1.3	1	100.0	—	95	1.2

Name of property	For the fiscal period ended									
	December 31, 2016 (six months)					July 31, 2017 (seven months)				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Sagamihara R&D Center (Note 4)	5	98.3	—	131	2.1	5	98.3	—	165	2.0
IIF Yokohama Shinyamashita R&D Center (Note 4)	1	100.0	—	110	1.7	1	100.0	—	125	1.5
IIF Kakegawa Manufacturing Center (Land with leasehold interest) (Note 4)	1	100.0	—	47	0.8	1	100.0	—	53	0.6
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest) (Note 4)	1	100.0	—	40	0.6	1	100.0	—	45	0.6
IIF Yokosuka Technology Center (Note 4)	—	—	—	—	—	1	100.0	—	140	1.7
IIF Shonan Technology Center (Note 4)	—	—	—	—	—	1	100.0	—	40	0.5
IIF Kobe District Heating and Cooling Center	3	100.0	330	313	4.9	3	100.0	385	368	4.4
IIF Haneda Airport Maintenance Center	1	100.0	1,382	939	14.8	1	100.0	1,630	1,110	13.4
IIF Zama IT Solution Center (Note 4)	1	100.0	—	201	3.2	1	100.0	—	234	2.8
IIF Shinagawa Data Center (Note 4)	1	100.0	—	173	2.7	1	100.0	—	212	2.6
IIF Osaka Toyonaka Data Center (Note 4)	1	100.0	—	176	2.8	1	100.0	—	220	2.7
IIF Osaka Nanko IT Solution Center (Note 4)	1	100.0	—	69	1.1	1	100.0	—	88	1.1
IIF Nagoya Port Tank Terminal (land with leasehold interest) (Note 4)	1	100.0	—	62	1.0	1	100.0	—	73	0.9
IIF Shinagawa IT Solution Center (Note 4)	5	100.0	—	135	2.1	5	100.0	—	238	2.9
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest) (Note 4)	1	100.0	—	18	0.3	1	100.0	—	21	0.3
Total (Note 7)	64	99.9	8,022	6,355	100.0	79	99.9	10,054	8,276	100.0

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

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

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

Note 4 “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

Note 5 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. Therefore, “Number of tenants” shows total of the number of tenant of leased land and that of the building.

Note 6 IIF sold the property on November 15, 2016.

Note 7 The total column of “Occupancy ratio” shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.