

Think bold today for a brighter tomorrow.



## **Industrial & Infrastructure Fund Investment Corporation**

### **20<sup>th</sup> Period Asset Management Report**

**(Semi-Annual Report)**

**January 1, 2017 – July 31, 2017**

# **Industrial & Infrastructure Fund Investment Corporation**

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

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

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

Thanks to the support of our stakeholders, IIF has marked its 10th year of business. We look forward to your continued support in the future.

#### **Mitsubishi Corp. – UBS Realty Inc.**

IIF has signed an asset management agreement with Mitsubishi Corp. – UBS Realty Inc. (hereinafter referred to as the “Asset Manager”) and consigned the asset management business based on its articles of incorporation and investment policy. The Asset Manager is sponsored by Mitsubishi Corporation, one of the largest general trading companies in Japan, and UBS Asset Management A.G., the world's leading financial group. It manages IIF's portfolio with the aim of securing a stable profit and achieving steady growth of the properties under management in the medium and long term.

## Distribution Per Unit

- The 20<sup>th</sup> Fiscal Period (7 months result : January 1, 2017 – July 31, 2017) 11,674 yen
- The 21<sup>st</sup> Fiscal Period (6 months forecast : August 1, 2017– January 31, 2018) 10,186 yen

## Highlight of the 20<sup>th</sup> Period

	The 17 <sup>th</sup> period	The 18 <sup>th</sup> period	The 19 <sup>th</sup> period	<b>The 20<sup>th</sup> period</b>	The 21 <sup>st</sup> period (forecast)
Operating Revenue (million yen)	7,788	7,886	8,069	<b>10,054</b>	8,983
Net Income (million yen)	3,287	3,381	3,442	<b>4,633</b>	4,043
Total Asset (million yen)	215,694	216,639	224,749	<b>261,999</b>	-
Distribution per Unit (yen)*	9,324	9,590	9,768	<b>11,674</b>	10,186
Net Asset Value per Unit (yen)*	266,100	266,048	266,503	<b>294,608</b>	-

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

## Notice Regarding Change of Fiscal Period

The ends of IIF's fiscal periods will be changed from June and December to January and July of each year, effective as of this fiscal period (the 20th fiscal period). As a result, the business term of the 20th period will be the seven months from January 1 to July 31, 2017. The next fiscal period (the 21st fiscal period) will be a normal six-month period (from August 1, 2017 to January 31, 2018).

## Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support. This report provides an update on IIF's performance for the fiscal period ended July 31, 2017 (the 20th fiscal period).

During this period, IIF secured approximately 21.8 billion yen through its sixth public offering in February and borrowed 13.0 billion yen to acquire 11 properties including two factories with a total acquisition cost of 33.8 billion yen. As a result, at the end of the period, IIF was managing 59 properties with a combined worth of 246.5 billion yen (based on acquisition cost).

With regard to existing properties, IIF carried out internal growth measures by carefully communicating with tenants for the expiration and renewal of lease agreements and raised rents for the IIF Kashiwa Logistics Center, IIF Shinagawa Data Center, and IIF Atsugi Logistics Center, securing a long-term, stable earnings base. In the area of sustainability measures, the IIF Higashi Osaka Logistics Center and the IIF Kyotanabe Logistics Center acquired CASBEE for Real Estate certifications, a first for J-REIT's logistic properties. In financial matters, we obtained new loans with an average term of 9.3 years in order to acquire new properties. Fixing loan interest rates over the long-term has improved the stability of our financial foundations.

As a result of these activities and the unusual circumstance whereby the current period has a seven-month business term, the distribution per unit (including distribution in excess of profit) increased by 19.5% from the previous period to 11,674 yen, making this the 13th consecutive increase since the eighth fiscal period.

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

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

# IIF Focus

## Maximizing Unitholder Value by Securing Stable Profit and Expanding Assets Even Further

### Topics of the 20<sup>th</sup> Period

- Implemented the sixth public offering, raising approximately 21.8 billion yen from issuance of new investment units
- Acquired 11 new properties (acquisition of additional interests with regard to one property), increasing the total number of properties managed to 59 with a combined worth of 246.5 billion yen
- Obtained new loans with a total value of 32.7 billion yen to refinance existing loans and acquire 11 new properties
- The IIF Higashi Osaka Logistics Center and the IIF Kyotanabe Logistics Center acquiring A rank CASBEE for Real Estate certifications, a first for J-REIT's logistic properties.
- Included in the MSCI Japan ESG Select Leaders Index

### Summary of the 20<sup>th</sup> Period (Fiscal Period Ended July 31, 2017)

In this period, operating revenue increased by 1,985 million yen to 10,054 million yen and net profit increased by 1,190 million yen to 4,633 million yen due to the impact on earnings from the 11 newly-acquired properties, operation for the entire period of the four properties acquired in the previous fiscal period, and other factors. As a result, the distribution per unit increased by 1,906 yen (up 19.5%) from the previous period to 11,674 yen (including distribution in excess of profit of seven yen per unit), making this the 13th consecutive fiscal period in which the distribution has increased.

Net asset value (NAV) per unit\* increased steadily from 361,629 yen in the previous fiscal period to 390,907 yen as of the end of the 20th fiscal period. IIF's portfolio as of July 31, 2017 comprised 59 properties worth 246.5 billion yen (based on acquisition price) with total leasable area of 1,219,657.97 m<sup>2</sup> and an occupancy rate of 99.9 %. The average remaining lease term is 8.2 years. These long-term lease agreements generated stable cash flows during the period.

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

### Prospect for the 21<sup>st</sup> Period (Fiscal Period Ending January 31, 2018) and Future Management Policies

The outlook for the fiscal period ending January 31, 2018 (the 21st fiscal period) is operating revenue of 8,983 million yen, net profit of 4,043 million yen, and distribution per unit of 10,186 yen (including distribution in excess of profit of seven yen per unit). We expect the distribution per unit on a normal distribution basis to reach the 10,000 yen level. In the logistics real estate market, 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. With regard to logistics facilities that IIF acquired ahead of competitors since its listing, IIF has built a portfolio comprising mainly facilities with long-term lease contracts with tenants. IIF will continue to develop relationships with the tenants to raise rents for to improve its profitability.

IIF also aims to gain an advantage over its competitors by making the first move in investment in manufacturing, R&D,

and other facilities and infrastructure facilities with the aim of gaining a long-term competitive edge. IIF will continue to leverage its unique CRE proposal-based business model, one of its strengths, and develop new sectors or categories characterized by less competition that are not targeted by other J-REITs.

We look forward to receiving unitholders' continued understanding and support for IIF's activities.

## Change of the IIF's Name Logo

This fiscal period, the Asset Manager, with which IIF has entered into an asset management agreement with and to which it has entrusted asset management in accordance with the IIF's rules and investment policies, established a new Group logo and Group slogan that symbolize Group companies.

\* IIF and the Asset Manager also changed the logos of their corporate names.

TOPICS

Change of the IIF's Name Logo

This fiscal period, Mitsubishi Corp.-UBS Realty Inc. ("Asset Manager"), with which IIF has entered into an asset management agreement with and to which it has entrusted asset management in accordance with the IIF's rules and investment policies, established a new Group logo and Group slogan that symbolize Group companies\*. IIF and Asset Manager also changed the logos of their corporate names.

### Concept of the New Logo

The logo expresses the "M" of Mitsubishi Corporation, our asset manager sponsor, and the "U" of UBS Asset Management AG. The logo conveys the idea of a group created against the backdrop of the knowledge and experience gained by the two companies in the real estate and financial markets.

Group Slogan

Think bold today for a brighter tomorrow.

Group Logo

Investment Corporation Logo

Industrial & Infrastructure Fund Investment Corporation

Asset Management Company Logo

Mitsubishi Corp.-UBS Realty Inc.

Asset Management Company Profile

Corporate Name
Mitsubishi Corp.-UBS Realty Inc. <small>Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer) Number 403</small>
Capital Fund
500 million yen
Shareholder Composition
Mitsubishi Corporation 51% UBS Asset Management AG 49%
President & CEO Representative Director
Toru Tsuji
Office Location
Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

**Mitsubishi Corporation**  
Investment ratio 51.0%

**UBS**  
Investment ratio 49.0%

**Asset management company**  
**Mitsubishi Corp.-UBS Realty Inc.**

Investment ratio  
**100.0%**

Private real estate fund management  
**MCUBS Japan Advisors Inc.**

Investment ratio  
**65.0%**

Asset management company  
**MCUBS MidCity Inc.**

**Asset Management Agreement**

**Asset Management Agreement**

**Asset Management Agreement**

**Japan Retail Fund Investment Corporation**  
Company code: 8953  
(Tokyo Stock Exchange)  
J-REIT specialized in retail facilities

**Industrial & Infrastructure Fund Investment Corporation**  
Company code: 3249  
(Tokyo Stock Exchange)  
J-REIT specialized in industrial facilities

**MCUBS MidCity Investment Corporation**  
Company code: 3227  
(Tokyo Stock Exchange)  
J-REIT focused on office properties

\* Indicates the asset manager, MCUBS MidCity Inc., and MCUBS Japan Advisors Inc.

For further information, please visit the MC-UBS website. <http://www.mc-ubs.com/english/brand/>

## IIF's External Growth:

### Developing Manufacturing and Research and Development (R&D) Facilities Market

IIF continued to demonstrate its strengths in proposal-based acquisition activities in the area of corporate real estate (CRE) and developed the plant sector, which has tremendous growth potential. As a result, IIF invested in plant properties including its first plant building during this fiscal period. By actively approaching both the sellers and the tenants of these properties, IIF was able to acquire these highly profitable and stable properties through direct dealings.

F-11 Manufacturing and R&D, and other non-logistics facilities		IIF Yokosuka Technology Center
Acquisition price		JPY 4,000 mn
NOI Yield based on stabilized forecast (Based on Appraisals)	before depreciation	7.2% (7.3%)
	after depreciation	6.6% (6.7%)
Tenant		Nikon Corporation
Occupancy rate		100.0%
Lease type		Ordinary Lease
Contract term (Remaining term)		10.0 years (9.1 years)
Cancellation before maturity / Rent revision		Not allowed for 5 years/Not allowed in general



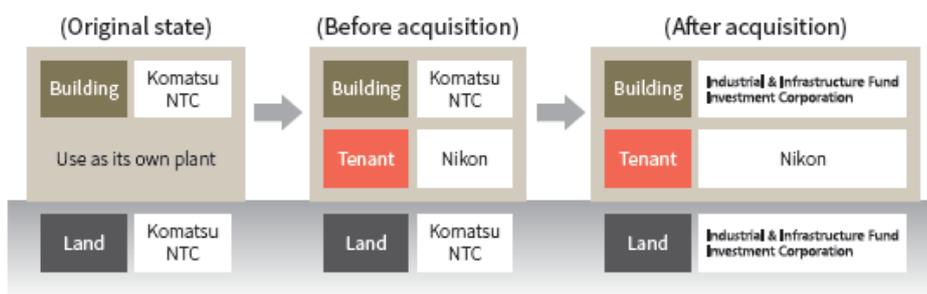
F-12 Manufacturing and R&D, and other non-logistics facilities		IIF Shonan Technology Center
Acquisition price		JPY 1,200 mn
NOI Yield based on stabilized forecast (Based on Appraisals)	before depreciation	6.6% (6.8%)
	after depreciation	6.2% (6.4%)
Tenant		Nikon Corporation
Occupancy rate		100.0%
Lease type		Ordinary Lease
Contract term (Remaining term)		10.0 years (9.1 years)
Cancellation before maturity / Rent revision		Not allowed for 3 years/Not allowed in general



### Acquisition made through CRE proposal to the seller, Komatsu NTC, and the tenant, Nikon



IIF noticed that both properties, owned and previously used by Komatsu NTC were rented in their entirety to Nikon, and IIF made a CRE proposal to Komatsu NTC, the owner of the land and buildings, and to Nikon, the lessee of the buildings for the acquisition.



\* The figures for “NOI Yield based on stabilized forecast (Based on Appraisals)” are based on the time of actual acquisition of the properties.

\*\* “Contract term” states the period between commencement and maturity of the lease agreement. “Remaining term” states the remaining period until maturity from July 31, 2017 of lease agreement.

## IIF's Internal Growth:

### Environmental Value Added Projects for Sustainable Real Estate

IIF conducts the 3C Management Cycle\* to achieve long-term growth in the form of long-term stable management and enhanced profitability and asset value by providing added value to tenants. In the 20th fiscal period, IIF raised profitability by installing environmentally friendly solar power facilities and switching lighting to LEDs.

#### Profitability Increased by Installing Solar Power Facilities

With this initiative, IIF is increasing property rental income by leasing property rooftops to solar power operators.

##### L-17 Logistics facilities

IIF Kobe Logistics Center



##### L-21 Logistics facilities

IIF Iruma Logistics Center



#### LED Lighting Systems Raise Profitability

Installing LED lighting systems reduces electricity charges at owned properties. IIF is taking environmentally-conscious measures that save energy and raise profitability.

##### I-2 Infrastructure facilities

IIF Haneda Airport Maintenance Center



before



after

\* A portfolio management approach that accurately determines tenant needs through close communications (Communicate), strategically makes custom proposals to meet individual needs (Customize) so that the value to meet those needs and investor value (long-term, stable investment return, plus added value) can be created (Create).

## Financial Initiatives of IIF

During this period, IIF newly borrowed long-term loan and engaged in refinancing in February and March 2017 for acquisition of new properties. As a result, at the end of the period, the percentages of long-term and fixed-interest rate borrowings were 100% and 100%, respectively, with an average applicable interest rate of 1.16% and an average of 5.6 years remaining until maturity. The loan to value (LTV) rate was 50.2%.

IIF established a commitment line (three-year agreement term with a maximum loan term of three years at the time of disbursement and credit limit of 10 billion yen) on July 1, 2015, and when the commitment line agreement extension date arrived, IIF extended the commitment line agreement term until June 30, 2020 to maintain a flexible and stable means of financing.

IIF remains committed to establishing a stable financial position over the long term through an asset liability management (ALM) strategy for procurement of long-term, fixed-interest rate loans together with a long-term, stable portfolio.

# IIF's Sustainability Management

IIF and its Asset Manager share common sustainability objectives, and continue to pursue environmental initiatives. IIF is taking environment-friendly, environmental load-reducing initiatives by adopting measures to improve energy efficiency at its properties.

## ◆ Efforts Regarding Sustainability

Asset Manager has implemented the following initiatives.

### PRI:

Signatory of:



The Principles for Responsible Investment (PRI) is an international network of investors organized to realize the six principles proposed to the financial services sector by the then Secretary-General of the United Nations in 2006. The principles advocate incorporating Environmental, Social and Corporate Governance (ESG) issues into investment decision-making, and are aimed at enhancing the long-term investment results of beneficiaries by incorporating such viewpoints into the investment decision-making process.

### PRI Montreal Pledge:



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

### Principles for Financial Action for the 21st Century:



Principles for Financial Action for the 21st Century were drawn up in October 2011, with the Ministry of Environment serving as secretariat, as guidelines for action by financial institutions seeking to fulfill their roles and responsibilities necessary for the establishment of a sustainable society.

### UNEP FI:



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



### UNGC:

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

## ◆ GRESB Green Star for 5th Consecutive Year

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



**GRESB:**

The Global Real Estate Sustainability Benchmark (GRESB) was established by leading European pension funds in 2009 to assess the environmental, social and corporate governance (ESG) performance of real-estate portfolios, infrastructure facilities and other real assets. GRESB members, representing over USD 17 trillion in institutional capital, use GRESB data to better manage ESG risks and enhance returns of their real asset investments worldwide.

◆ **Inclusion in the MSCI Japan ESG Select Leaders Index**

IIF is included in the MSCI Japan ESG Select Leaders Index as of July 2017. Concurrent with its inclusion in the index, IIF received A grade rating from ESG Ratings.



**MSCI Japan ESG Select Leaders Index:**

MSCI, an American stock index provider listed on the New York Stock Exchange, launched index called the MSCI Japan ESG Select Leaders Index. The index is the capitalization weighted index which provides exposure to companies with high Environmental, Social, and Governance (ESG) performance relative to their sector peers. As announced in June, 2017 by MSCI, the index covers the top 500 equities from its 1,221 constituents in the MSCI Japan Investable Market Index (IMI), and selects 251 equities with outstanding ESG ratings.

◆ **Environmental Certifications of the Properties**



CASBEE Real Estate

- IIF Higashi-Osaka Logistics Center **NEW**
- IIF Kyotanabe Logistics Center **NEW**



BELS

- IIF Haneda Air Port Maintenance Center **NEW**
- IIF Hiroshima Logistics Center
- IIF Yokohama Tsuzuki Logistics Center
- IIF Kawasaki Science Center
- IIF Nishinomiya Logistics Center  
(Extension building)



DBJ Green Building Certification

- IIF Koshigaya Logistics Center
- IIF Noda Logistics Center
- IIF Tosu Logistics Center
- IIF Kobe Logistics Center
- IIF Hiroshima Logistics Center

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
As of /for the fiscal period ended			June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (Note 1)
Operating revenues	Note 2	(Millions of yen)	7,357	7,788	7,886	8,069	10,054
(Rental revenues)	Note 2	(Millions of yen)	(7,356)	(7,788)	(7,886)	(8,022)	(10,054)
Operating expenses	Note 2	(Millions of yen)	3,320	3,511	3,547	3,652	4,266
(Rental expenses)	Note 2	(Millions of yen)	(2,578)	(2,736)	(2,763)	(2,797)	(3,221)
Operating income		(Millions of yen)	4,036	4,277	4,338	4,416	5,787
Ordinary income		(Millions of yen)	3,102	3,288	3,382	3,443	4,634
Net income	(a)	(Millions of yen)	3,101	3,287	3,381	3,442	4,633
Net assets	(b)	(Millions of yen)	93,677	93,817	93,799	93,959	117,008
(Period-on-period change)		(%)	(14.2)	(0.1)	(-0.0)	(0.2)	(24.5)
Total assets	(c)	(Millions of yen)	214,877	215,694	216,639	224,749	261,999
(Period-on-period change)		(%)	(12.6)	(0.4)	(0.4)	(3.7)	(16.6)
Unitholders' capital	Note 4	(Millions of yen)	90,823	90,823	90,823	90,823	112,651
(Period-on-period change)		(%)	(14.3)	(-)	(-)	(-)	(24.0)
Number of units issued and outstanding	(d)	(Units)	352,564	352,564	352,564	352,564	397,164
Net asset value per unit	(b)/(d)	(Yen)	265,703	266,100	266,048	266,503	294,608
Total distributions	(e)	(Millions of yen)	3,101	3,287	3,381	3,443	4,636
Distribution per unit	(e)/(d)	(Yen)	8,796	9,324	9,590	9,768	11,674
(Profit distribution per unit)		(Yen)	(8,796)	(9,324)	(8,440)	(9,765)	(11,667)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(1,150)	(3)	(7)
Ratio of ordinary income to total assets	Note 5	(%)	1.5 (3.1)	1.5 (3.0)	1.6 (3.1)	1.6 (3.1)	1.9 (3.3)
Return on unitholders' equity	Note 5	(%)	3.5 (7.1)	3.5 (7.0)	3.6 (7.2)	3.7 (7.3)	4.4 (7.6)
Ratio of net assets to total assets	(b)/(c)	(%)	43.6	43.5	43.3	41.8	44.7
(Period-on-period change)			(0.6)	(-0.1)	(-0.2)	(-1.5)	(2.9)
Payout ratio	Note 5 (e)/(a)	(%)	100.0	100.0	88.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 5	(Millions of yen)	5,825	6,125	6,206	6,355	8,276
Net profit margin	Note 5	(%)	42.2	42.2	42.9	42.7	46.1
Debt service coverage ratio	Note 5	(Multiple)	7.2	7.2	7.4	7.3	8.1
Funds from operation (FFO) per unit	Note 5	(Yen)	11,765	12,370	12,663	12,839	15,300
FFO multiples	Note 5	(Multiple)	23.3	23.5	22.5	21.9	18.9
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 6	(Yen)	8,671	9,091	8,415	9,655	11,451
FFO per unit after adjustment for taxes on property, plant and equipment	Note 6	(Yen)	11,640	12,137	12,638	12,729	15,083

Note 1 With the approval of the 6<sup>th</sup> 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.

Note 2 Consumption taxes are not included.

Note 3 Figures less than unit indicated in the above table are rounded down for amounts and rounded for ratio unless otherwise indicated.

Note 4 Unitholders' capital does not reflect capital deduction item caused by allowance for temporary difference adjustment.

Note 5 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181, 184, 182, 184 and 212 days for 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

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

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

## 2. Outline of asset management operation

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

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

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

### (2) 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 m<sup>2</sup>, and the average occupancy rate was 99.9%.

### (3) 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.

#### 1) 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.

#### 2) 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.

### (4) 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.

### 3. Changes in unitholders' capital

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 (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.

### Fluctuation in market price of the investment securities:

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

Fiscal period	(Yen)				
	16 <sup>th</sup> June 30, 2015	17 <sup>th</sup> December 31, 2015	18 <sup>th</sup> June 30, 2016	19 <sup>th</sup> December 31, 2016	20 <sup>th</sup> July 31, 2017 (seven months)
Highest price	620,000	585,000	595,000	589,000	567,000
Lowest price	541,000	445,000	499,500	500,000	488,500
Closing price at end of period	553,000	576,000	573,000	557,000	499,000

## 4. Distributions

The Investment Corporation intends to make profit distributions amounting to ¥4,633,712,388 which are all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. The Investment Corporation also intends to make ¥2,780,148 of distributions in excess of profit, considering an effect of differences between net income and taxable income and items deducted from net assets, which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of profit less than one yen.

As a result, cash distribution per unit for the seven months ended July 31, 2017 amounted to ¥11,674.

Fiscal period	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
As of /for the fiscal period ended	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (seven months)
Net income (Thousands of yen)	3,101,182	3,287,384	3,381,287	3,442,762	4,633,743
Retained earnings carried forward (Thousands of yen)	134	212	405,859	306,864	276,383
Total cash distributions (Thousands of yen)	3,101,152	3,287,306	3,381,088	3,443,845	4,636,492
(Cash distribution per unit) (Yen)	(8,796)	(9,324)	(9,590)	(9,768)	(11,674)
Profit distributions (Thousands of yen)	3,101,152	3,287,306	2,975,640	3,442,787	4,633,712
(Profit distribution per unit) (Yen)	(8,796)	(9,324)	(8,440)	(9,765)	(11,667)
Unitcapital refunds (Thousands of yen)	—	—	405,448	1,057	2,780
(Unitcapital refund per unit) (Yen)	(—)	(—)	(1,150)	(3)	(7)
Unitcapital refunds from allowance for temporary difference adjustment (Thousands of yen)	—	—	405,448	1,057	2,780
(Unitcapital refund per unit from allowance for temporary difference adjustment) (Yen)	(—)	(—)	(1,150)	(3)	(7)
Unitcapital refunds from deduction of unitcapital under tax rules (Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from deduction of unitcapital under tax rules) (Yen)	(—)	(—)	(—)	(—)	(—)

## 5. Management policies and issues

### (1) Outlook for the overall management

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.

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

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

#### 1) 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.

#### 2) 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.

### 3) Financial strategy

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

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

## 6. Subsequent events

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

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
As of	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017
Number of units authorized (Units)	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	352,564	352,564	352,564	352,564	397,164
Number of unitholders (People)	5,160	4,804	4,779	4,725	5,776

## 2. Unitholders

Major unitholders as of July 31, 2017 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	68,613	17.27
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	36,144	9.10
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	35,272	8.88
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	14,440	3.63
STATE STREET BANK AND TRUST COMPANY 505012	ONE LINCOLN STREET, BOSTON MA USA. 02111	8,391	2.11
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	7,874	1.98
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	7,272	1.83
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	6,400	1.61
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	6,099	1.53
The Joyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	5,558	1.39
Total		196,063	49.36

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

### 3. Officers

#### (1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the seven months ended July 31, 2017 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	3,010
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,890
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,890
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 35,600

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

Note 2 The compensation for Independent auditor includes the audit fees for the financial statements prepared in English and the preparation fee of a comfort letter with respect to the issuance of new investment corporation units in February 2017.

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

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

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

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

# Condition of investment assets

## 1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of December 31, 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

Note 1 "Location category" is classified as bellow.

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

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

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

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

## 2. Major property

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

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	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.

### 3. Details of property

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

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	19-4, Shinonome 2-chome, Koto-ku, Tokyo, etc.	Trust beneficial interest	27,493.29	16,960	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, Nishinomiya 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, Wasinoya, 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, Shukumachi, 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
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

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF 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
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 Sagami-hara R&D Center	41-1, Minamihashimoto 3-chome, Chuo-ku, Sagami-hara-shi, Kanagawa	Trust beneficial interest	14,304.37	3,650	3,240
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, Tekkadori 3-chome, Urayasu-shi, Chiba	Real property	7,925.94	1,670	1,345

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF 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 m<sup>2</sup>) and that of the building on the leased land (25,835.16 m<sup>2</sup>).

Note 6 The Investment Corporation 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)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Shinonome Logistics Center	1	100.0	400	5.0	1	100.0	466	4.6
IIF Noda Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Shinsuna Logistics Center	1	100.0	178	2.2	1	100.0	208	2.1
IIF Atsugi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Koshigaya Logistics Center	1	100.0	75	0.9	1	100.0	87	0.9
IIF Nishinomiya Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Narashino Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Narashino Logistics Center II (Note 4)	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Atsugi Logistics Center II	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Yokohama Tsuzuki Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Saitama Logistics Center	1	100.0	66	0.8	1	100.0	78	0.8
IIF Nagoya Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Atsugi Logistics Center III	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kawaguchi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kobe Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Higashi-Osaka Logistics Center	2	97.3	(Note 3)	(Note 3)	2	97.3	(Note 3)	(Note 3)
IIF Kashiwa Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Misato Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Iruma Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Tosu Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Inzai Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Morioka Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Hiroshima Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Izumisano Food Processing and Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kyotanabe Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)

Name of property	For the 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)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Fukuoka Higashi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Konohana Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kazo Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Hamura Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Fukuoka Hakozaki Logistics Center I	—	—	—	—	3	100.0	(Note 3)	(Note 3)
IIF Fukuoka Hakozaki Logistics Center II	—	—	—	—	4	100.0	(Note 3)	(Note 3)
IIF Itabashi Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Sendai Taiwa Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Ota Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Osaka Suminoe Logistics Center I	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Osaka Suminoe Logistics Center II	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Morioka Logistics Center II	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	1.9	1	100.0	177	1.8
IIF Yokohama Tsuzuki Technology Center	1	100.0	58	0.7	1	100.0	68	0.7
IIF Mitaka Card Center	1	100.0	364	4.5	1	100.0	425	4.2
IIF Shinonome R&D Center (Note 5)	—	—	(Note 3)	(Note 3)	—	—	—	—
IIF Kamata R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kawasaki Science Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Sagami-hara R&D Center	5	98.3	(Note 3)	(Note 3)	5	98.3	(Note 3)	(Note 3)
IIF Yokohama Shinyamashita R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Yokosuka Technology Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Shonan Technology Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Kobe District Heating and Cooling Center	3	100.0	330	4.1	3	100.0	385	3.8
IIF Haneda Airport Maintenance Center	1	100.0	1,382	17.2	1	100.0	1,630	16.2

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)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Zama IT Solution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Shinagawa Data Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Toyonaka Data Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Nanko IT Solution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Nagoya Port Tank Terminal (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Shinagawa IT Solution Center	5	100.0	(Note 3)	(Note 3)	5	100.0	(Note 3)	(Note 3)
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
Total (Note 6)	64	99.9	8,022	100.0	79	99.9	10,054	100.0

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

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

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

Note 4 With respect to IIF Narashino Logistics Center II, the Investment Corporation invests both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, "Number of tenants" shows total of the number of tenant of leased land and that of the building.

Note 5 IIF sold the property on November 15, 2016.

Note 6 The total column of "Occupancy ratio" shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.

#### 4. Details of renewable energy generation facilities

None

#### 5. Details of operation rights of public facilities

None

#### 6. Details of investment securities

None

#### 7. Details of specified transaction

The details of specified transaction as of July 31, 2017 were as follows:

Classification	Transaction	Notional contract amount (Millions of yen)		Fair value (Note 1) (Millions of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	65,600	45,500	(1,725)
Total		65,600	45,500	(1,725)

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

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

#### 8. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property." There was no other significant specified asset as of July 31, 2017.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of July 31, 2017 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the seven months ended July 31, 2017	Total of advanced payment
IIF Kobe District Heating and Cooling Center	Kobe-shi, Hyogo	Renewal of the central monitoring equipment	November, 2017	160	—	—
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Renewal of the generator engine	November, 2017	134	—	—
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of air conditioning system and lighting equipment	August, 2017	132	—	—

### 2. Capital expenditures for the seven months ended July 31, 2017

Maintenance expenditures on property for the seven months ended July 31, 2017 were totaling to ¥723 million consisting of ¥649 million of capital expenditures stated as below and ¥73 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of fire extinguishing equipment, etc	August 2016 to January 2017	247
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Renewal of elevator	February 2017 to March 2017	34
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Repair of outer wall	February 2017 to April 2017	26
IIF Yokohama Tsuzuki Logistics Center	Yokohama-shi, Kanagawa	Renewal of the central monitoring equipment	May 2017 to June 2017	23
Other	—	—	—	318
Total				649

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

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

Fiscal period	(Millions of yen)				
	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
As of /for the fiscal period ended	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (seven months)
Reserved funds at beginning of period	1,251	1,385	—	—	—
Increase	486	—	—	—	—
Decrease	351	1,385	—	—	—
Reserved funds at end of period	1,385	—	—	—	—

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

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Fiscal period	19 <sup>th</sup>	20 <sup>th</sup>
Item	For the six months ended December 31, 2016	For the seven months ended July 31, 2017
(a) Asset management fees	683,551	906,068
(b) Asset custody fees	6,765	8,209
(c) Administrative service fees	33,452	39,945
(d) Directors' compensations	5,820	6,790
(e) Other operating expenses	124,970	84,562
Total	854,560	1,045,575

### 2. Loans payable

Loans payable as of July 31, 2017 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2016 (Millions of yen)	July 31, 2017 (Millions of yen)					
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 1, 2016	1,880	—	0.2	June 30, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,740	—					
	Sumitomo Mitsui Trust Bank, Limited		1,380	—					
	Mitsubishi UFJ Trust and Banking Corporation	July 1, 2016	1,000	—	0.2	June 30, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	July 1, 2016	1,200	—	0.2	June 30, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	July 1, 2016	1,000	—	0.2	June 30, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	September 1, 2016	1,300	—	0.2	August 31, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	September 1, 2016	1,200	—	0.2	August 31, 2017	Lump sum (Notes 4 and 5)	Note 6	Unsecured and unguaranteed
		Sub-total		10,700	—				
Long-term loans payable	Development Bank of Japan Inc. (Note 2)	February 28, 2011	5,000	5,000	1.7	February 27, 2018	Lump sum	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	March 11, 2011	3,200	3,200	1.8 (Note 3)	March 9, 2018	Lump sum (Note 4)	Notes 6 and 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (Note 2)		2,950	2,950					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		2,350	2,350					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	September 30, 2011	4,463	4,463	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (Note 2)		4,057	4,057					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		3,080	3,080					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2012	2,823	—	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,603	—					
	Sumitomo Mitsui Trust Bank, Limited		2,074	—					
	Sumitomo Mitsui Banking Corporation	March 6, 2012	1,500	—	0.9 (Note 3)	March 6, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 7	Unsecured and unguaranteed	

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2016 (Millions of yen)	July 31, 2017 (Millions of yen)					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 3)	June 30, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 3)	June 30, 2022	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 3)	June 30, 2020	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Resona Bank, Limited.		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 18, 2013	3,900	3,900	1.4 (Note 3)	October 18, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 3)	December 29, 2023	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	700	700	1.3	August 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 3)	February 6, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	500	500	1.0 (Note 3)	August 5, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	451	451	0.9 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		417	417					
	Sumitomo Mitsui Trust Bank, Limited		331	331					
	Development Bank of Japan Inc.	March 13, 2014	1,000	1,000	1.7	March 13, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	376	376	1.7 (Note 3)	March 13, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		348	348					
	Sumitomo Mitsui Trust Bank, Limited		276	276					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	601	601	1.3 (Note 3)	March 13, 2024	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		556	556					
	Sumitomo Mitsui Trust Bank, Limited		441	441					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,350	1,350	1.0	March 14, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,334	1,334	0.9 (Note 3)	September 13, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,235	1,235					
	Sumitomo Mitsui Trust Bank, Limited		979	979					
	The Chugoku Bank, LTD.	March 16, 2015	700	700	0.7 (Note 3)	September 15, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 6	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2015	1,500	1,500	1.0	March 31, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2015	432	432	0.9 (Note 3)	September 30, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		400	400					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			December 31, 2016 (Millions of yen)	July 31, 2017 (Millions of yen)					
	Sumitomo Mitsui Trust Bank, Limited		317	317					
	Mizuho Bank, Ltd.	April 15, 2016	800	800	0.5 (Note 3)	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	April 15, 2016	800	800	0.5	March 31, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2016	2,000	2,000	0.4	August 31, 2026	Lump sum	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 17, 2017	—	1,600	0.5	August 15, 2025	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2017	—	1,693	0.6	March 6, 2026	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,561					
	Sumitomo Mitsui Trust Bank, Limited		—	1,244					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2017	—	1,129	0.7	September 4, 2026	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,041					
	Sumitomo Mitsui Trust Bank, Limited		—	829					
	Sumitomo Mitsui Banking Corporation	March 6, 2017	—	1,500	0.5	March 6, 2025	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 17, 2017	—	1,090	0.6	September 17, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,009					
	Sumitomo Mitsui Trust Bank, Limited		—	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 17, 2017	—	1,000	0.5	March 17, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 17, 2017	—	1,000	0.9	March 16, 2029	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 17, 2017	—	1,500	0.5	March 17, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 17, 2017	—	1,000	0.6	March 17, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	March 17, 2017	—	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 17, 2017	—	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	March 17, 2017	—	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Norinchukin Bank	March 17, 2017	—	1,000	0.5	March 17, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation	March 31, 2017	—	2,105	0.6	September 30, 2025	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	1,948					
	Sumitomo Mitsui Banking Corporation		—	1,545					
	Mitsubishi UFJ Trust and Banking Corporation	March 31, 2017	—	1,000	0.7	March 31, 2027	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 31, 2017	—	600	0.5	March 31, 2025	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 31, 2017	—	1,000	0.7	March 31, 2027	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2017	—	1,300	0.8	March 30, 2029	Lump sum	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 31, 2017	—	1,200	0.6	March 31, 2027	Lump sum (Note 4)	Note 7	Unsecured and unguaranteed
	Sub-total		97,800	121,500					
	Total		108,500	121,500					

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

Note 2 Long-term loans payable current portion.

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

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

Note 5 The Investment Corporation had repaid all principal of the loans payable on March 31, 2017 in advance of the due date.

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

Note 7 The funds were appropriated to repayment of outstanding loans payable.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		December 31, 2016 (Millions of yen)	July 31, 2017 (Millions of yen)					
The 2 <sup>nd</sup> Unsecured Investment Corporation Bond	December 27, 2012	5,000	5,000	1.40	December 27, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3 <sup>rd</sup> Unsecured Investment Corporation Bond	June 26, 2014	2,000	2,000	0.89	June 26, 2024	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 4 <sup>th</sup> Unsecured Investment Corporation Bond	December 26, 2016	3,000	3,000	0.40	December 25, 2026	Lump sum (Note)	Repayment of investment corporation bonds	Unsecured and unguaranteed
Total		10,000	10,000					

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

### 4. Short-term investment corporation bonds

None

### 5. Investment unit warrants

None

## Condition of investment transactions

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

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Yokosuka Technology Center	February 20, 2017	4,000	—	—	—	—
IIF Shonan Technology Center	February 20, 2017	1,200	—	—	—	—
IIF Osaka Konohana Logistics Center	February 20, 2017	4,263	—	—	—	—
IIF Fukuoka Hakozaki Logistics Center I	February 20, 2017	3,115	—	—	—	—
IIF Fukuoka Hakozaki Logistics Center II	February 20, 2017	5,451	—	—	—	—
IIF Itabashi Logistics Center	February 20, 2017	1,031	—	—	—	—
IIF Sendai Taiwa Logistics Center	February 21, 2017	1,480	—	—	—	—
IIF Ota Logistics Center	February 21, 2017	1,010	—	—	—	—
IIF Osaka Suminoe Logistics Center I	March 21, 2017	9,075	—	—	—	—
IIF Osaka Suminoe Logistics Center II	March 21, 2017	1,905	—	—	—	—
IIF Morioka Logistics Center II	May 1, 2017	1,302	—	—	—	—
<b>Total</b>	—	<b>33,832</b>	—	—	—	—

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

### 2. Transactions of other assets

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

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

#### (1) Property (Appraisal value)

(Millions of yen)

Acquisition/Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	IIF Yokosuka Technology Center	February 20, 2017	4,000	4,430	CBRE K.K.	December 1, 2016
Acquisition	IIF Shonan Technology Center	February 20, 2017	1,200	1,320	CBRE K.K.	December 1, 2016
Acquisition	IIF Osaka Konohana Logistics Center	February 20, 2017	4,263	4,340	CBRE K.K.	December 1, 2016
Acquisition	IIF Fukuoka Hakozaki Logistics Center I	February 20, 2017	3,115	3,170	CBRE K.K.	December 1, 2016
Acquisition	IIF Fukuoka Hakozaki Logistics Center II	February 20, 2017	5,451	5,530	CBRE K.K.	December 1, 2016
Acquisition	IIF Itabashi Logistics Center	February 20, 2017	1,031	1,070	CBRE K.K.	December 1, 2016
Acquisition	IIF Sendai Taiwa Logistics Center	February 21, 2017	1,480	1,560	Japan Real Estate Institute	December 1, 2016
Acquisition	IIF Ota Logistics Center	February 21, 2017	1,010	1,140	Tanizawa Sōgō Appraisal Co., Ltd.	December 1, 2016

Acquisition	IIF Osaka Suminoe Logistics Center I	March 21, 2017	9,075	10,100	Tanizawa Sōgō Appraisal Co., Ltd.	December 1, 2016
Acquisition	IIF Osaka Suminoe Logistics Center II	March 21, 2017	1,905	2,000	Tanizawa Sōgō Appraisal Co., Ltd.	December 1, 2016
Acquisition	IIF Morioka Logistics Center II	May 1, 2017	1,302	1,490	CBRE K.K.	December 1, 2016

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

(2) Other transaction

None

#### 4. Transactions with interested parties

(1) Outline of specified assets transactions

None

(2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	169,441	NIKKEN CORPORATION	5,203	3.1

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

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

None

## **Financial information**

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

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

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

None

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

None

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

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

None

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

None

## Other information

### 1. Investment units held by the asset manager

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

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

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

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

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

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 11 <sup>th</sup> fiscal period (July 1, 2012 to December 31, 2012)	600	387,600	0.4%
The 12 <sup>th</sup> fiscal period (January 1, 2013 to June 30, 2013)	600	579,000	0.4%
The 13 <sup>th</sup> fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14 <sup>th</sup> fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15 <sup>th</sup> fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	0.4%
The 16 <sup>th</sup> fiscal period (January 1, 2015 to June 30, 2015)	1,200	663,600	0.3%
The 17 <sup>th</sup> fiscal period (July 1, 2015 to December 31, 2015)	1,200	691,200	0.3%
The 18 <sup>th</sup> fiscal period (January 1, 2016 to June 30, 2016)	1,200	687,600	0.3%
The 19 <sup>th</sup> fiscal period (July 1, 2016 to December 31, 2016)	1,200	668,400	0.3%
The 20 <sup>th</sup> fiscal period (January 1, 2017 to July 31, 2017)	1,200	598,800	0.3%

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

## 2. Notice

Execution or modification of significant agreement approved by the Board of Directors of IIF for the seven months ended July 31, 2017 was as follows:

Approval day	Item	Summary
January 24, 2017	Underwriting agreements of new investment units	In connection with the global offering of new investment units, the Board of Directors of IIF approved entering into the underwriting agreements with Nomura Securities Co., Ltd., SMBC Nikko Securities Inc, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited and Citigroup Global Markets Limited as international joint lead managers.

## 3. Other

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

## II. Balance sheets

(Thousands of yen)

	As of	
	December 31, 2016	July 31, 2017
<b>ASSETS</b>		
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>13,431,827</b>	<b>16,393,939</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
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
<b>Total net property, plant and equipment</b>	<b>190,507,934</b>	<b>224,369,096</b>
<b>Intangible assets:</b>		
Leasehold rights (Note 2)	19,833,966	19,833,966
Other	1,066	2,126
<b>Total intangible assets</b>	<b>19,835,032</b>	<b>19,836,092</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits	12,442	12,654
Long-term prepaid expenses	830,312	1,144,026
Other	3,000	5,974
<b>Total investments and other assets</b>	<b>845,754</b>	<b>1,162,654</b>
<b>Total noncurrent assets</b>	<b>211,188,722</b>	<b>245,367,844</b>
<b>Deferred assets:</b>		
Investment unit issuance costs	70,377	183,805
Investment corporation bonds issuance costs	58,650	54,208
<b>Total deferred assets</b>	<b>129,028</b>	<b>238,013</b>
<b>TOTAL ASSETS</b>	<b>224,749,578</b>	<b>261,999,798</b>

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

(Thousands of yen)

	As of	
	December 31, 2016	July 31, 2017
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
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
<b>Total current liabilities</b>	<b>33,584,738</b>	<b>28,027,284</b>
<b>Noncurrent liabilities:</b>		
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
Derivative liabilities	306,733	279,195
Other	8,823	262
<b>Total noncurrent liabilities</b>	<b>97,205,181</b>	<b>116,964,446</b>
<b>TOTAL LIABILITIES</b>	<b>130,789,920</b>	<b>144,991,731</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital	90,823,217	112,651,215
Capital deduction:		
Allowance for temporary difference adjustment (Note 4)	(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
<b>Total unitholders' equity</b>	<b>94,266,391</b>	<b>117,284,288</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges	(306,733)	(276,221)
<b>Total valuation and translation adjustments</b>	<b>(306,733)</b>	<b>(276,221)</b>
<b>TOTAL NET ASSETS (Note 3)</b>	<b>93,959,657</b>	<b>117,008,066</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>224,749,578</b>	<b>261,999,798</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
<b>Operating revenue</b>		
Rent revenue—real estate (Note 5)	8,022,499	10,054,590
Gain on sales of property (Note 6)	46,792	—
Total operating revenue	8,069,292	10,054,590
<b>Operating expenses</b>		
Expenses related to property rental business (Note 5)	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
<b>Operating income</b>	4,416,760	5,787,856
<b>Non-operating income</b>		
Interest income	84	52
Interest on refund	41	182
Reversal of distribution payable	632	536
Total non-operating income	758	771
<b>Non-operating expenses</b>		
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 units issuance costs	54,528	67,536
Other	2,070	5,062
Total non-operating expenses	973,859	1,153,670
<b>Ordinary income</b>	3,443,659	4,634,957
<b>Income before income taxes</b>	3,443,659	4,634,957
<b>Income taxes</b>		
Current	877	1,213
Deferred	18	—
Total income taxes	896	1,213
<b>Net income</b>	3,442,762	4,633,743
<b>Retained earnings brought forward</b>	405,859	306,864
<b>Unappropriated retained earnings</b>	3,848,622	4,940,608

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

## IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended December 31, 2016

	Unitholders' equity						Valuation and translation adjustments		Total net assets	
	Unitholders' capital			Surplus			Deferred gains or (losses) on hedges	Total valuation and translation adjustments		
	Unitholders' capital (Note 3)	Capital deduction	Allowance for temporary difference adjustment	Unitholders' capital, net	Retained earnings	Total surplus				
<b>Balance as of July 1, 2016</b>	90,823,217	—	—	90,823,217	3,381,499	3,381,499	94,204,717	(405,704)	(405,704)	93,799,013
<b>Changes during the period</b>										
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
<b>Total changes during the period</b>	—	(405,448)	(405,448)	(405,448)	467,122	467,122	61,674	98,970	98,970	160,644
<b>Balance as of December 31, 2016</b>	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		Total net assets	
	Unitholders' capital			Surplus			Deferred gains or (losses) on hedges	Total valuation and translation adjustments		
	Unitholders' capital (Note 3)	Capital deduction	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity				
<b>Balance as of January 1, 2017</b>	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
<b>Changes during the period</b>										
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
<b>Total changes during the period</b>	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
<b>Balance as of July 31, 2017</b>	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 "V. Notes to financial information" are an integral part of these statements.

## **V. Notes to financial information**

### **Note 1 – Summary of significant accounting policies**

#### ***(a) Property, plant and equipment***

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

	<b>For the fiscal period ended</b>	
	<b>December 31, 2016</b>	<b>July 31, 2017</b>
Buildings	13-68 years	13-68 years
Structures	4-45 years	4-45 years
Machinery and equipment	3-10 years	3-10 years
Tools, furniture and fixtures	6-15 years	6-15 years

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

#### ***(b) Other intangible assets***

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

#### ***(c) Long-term prepaid expenses***

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

#### ***(d) Investment units issuance costs***

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

#### ***(e) Investment corporation bonds issuance costs***

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

#### ***(f) Taxes on property, plant and equipment***

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

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

taxes on property, plant and equipment for each calendar year are charged as operating expenses in each fiscal period.

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

***(g) Hedge accounting***

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

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

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

***(i) Consumption taxes***

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

## Note 2 – Leasehold rights

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

## Note 3 – Unitholders' equity

### (1) Number of units

	As of	
	December 31, 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 4 – 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)

Notes:

- (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)	¥306,478	(ii)
Total		¥406,506	¥405,448	¥1,057	(¥98,970)	¥307,535	

Notes:

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

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

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

	(Thousands of yen)	
	<b>For the fiscal period ended</b>	
	<b>December 31, 2016</b> (six months)	<b>July 31, 2017</b> (seven months)
<b>Rent revenue—real estate:</b>		
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
<b>Expenses related to property rental business:</b>		
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
<b>Operating income from property leasing activities</b>	<b>5,224,528</b>	<b>6,833,432</b>

## Note 6 – Gain on sales of property

Analysis of gain or loss on sales of property for the fiscal period ended July 31, 2017 is as follows:

	(Thousands of yen)	
	<b>As of</b>	
	<b>December 31, 2016</b> (six months)	<b>July 31, 2017</b> (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 7 – 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	July 31, 2017
	(six months)	(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 8 – Financial instruments

### (a) Qualitative information for financial instruments

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

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

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

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

under Japanese GAAP, the assessment of hedge effectiveness is not performed. The Investment Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

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

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

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

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

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of 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	—
<b>Total assets</b>	<b>12,745,483</b>	<b>12,745,483</b>	<b>—</b>	<b>14,811,585</b>	<b>14,811,585</b>	<b>—</b>
(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)
<b>Total liabilities</b>	<b>119,351,383</b>	<b>123,079,428</b>	<b>3,728,044</b>	<b>132,224,566</b>	<b>135,597,724</b>	<b>3,373,157</b>
Derivative (derivative 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

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)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	6,300,000	6,300,000	(306,733)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	68,300,000	47,700,000	Note (a)	-

**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 (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	59,300,000	39,200,000	Note (a)	-

### Note:

- (a) As disclosed in "Note 1 - Summary of significant accounting policies (g) Hedge accounting", the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instrument and the long-term loans payable as the hedged item is calculated together as one. Please refer to above footnote ("Liabilities, (2) Current portion of long-term loans payable and (4) Long-term loans payable").
- (b) The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

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

(Thousands of yen)

	As of	
	December 31, 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 9 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the fiscal period ended December 31, 2016 and July 31, 2017.

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

Note:

(i) The net book value includes leasehold rights.

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

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

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

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 value 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 5 - Rent revenue—real estate and expenses related to property rental business.”

## Note 10 – Restriction on Asset Management

None

## Note 11 – Asset retirement obligations

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

The Investment Corporation has obligations to remove asbestos contained in the buildings of IIF Kazo Logistics Center and IIF Hamura Logistics Center. The estimated periods of use of the properties are estimated at 53 years and 33 years, respectively,

based on the useful life of each building containing asbestos. The asset retirement obligations for the removal of asbestos are recognized as a liability using discount rates at 0.5% and 0.689%, respectively.

Movements of asset retirement obligations are as follows:

	(Thousands of yen)	
	<b>As of / For the fiscal period ended</b>	
	<b>December 31, 2016</b>	<b>July 31, 2017</b>
	<b>(six months)</b>	<b>(seven months)</b>
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 12 – Related-party transactions

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

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Borrowing of short-term loans payable <sup>(i)</sup>	1,380,000	Short-term loans payable <sup>(i)</sup>	1,380,000
				—	—	Current portion of long-term loans payable <sup>(i)</sup>	5,154,000
				—	—	Long-term loans payable <sup>(i)</sup>	10,215,000
				Interest expenses <sup>(i)</sup>	91,004	Accrued expenses	493
—	—	—	—	Derivative liabilities <sup>(ii)</sup>	308,900		

Notes:

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

### For the seven months ended July 31, 2017:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Repayments of short-term loans payable	1,380,000	—	—
				Repayments of long-term loans payable	2,074,000	Current portion of long-term loans payable <sup>(i)</sup>	5,430,000
				Borrowing of long-term loans payable <sup>(i)</sup>	4,420,000	Long-term loans payable <sup>(i)</sup>	12,285,000
				Interest expenses <sup>(i)</sup>	109,673	Accrued expenses	16,456
				—	—	Derivative liabilities <sup>(ii)</sup>	279,195

Notes:

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

## Note 13 – Per unit information

The net asset value per unit as of 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:

	(Thousands of yen)	
	<b>For the fiscal period ended</b>	
	<b>December 31, 2016</b> (six month)	<b>July 31, 2017</b> (seven months)
Net income	3,442,762	4,633,743
Effect of dilutive unit	-	-
Net income attributable to common unitholders	3,442,762	4,633,743
Adjusted weighted-average number of units outstanding for the period	352,564 units	387,822 units

## Note 14 – Subsequent events

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

### *Issuance of new investment units*

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

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

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

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

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

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

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

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

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

(vi) Payment date: February 14, 2017

(vii) Distribution:

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

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

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

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

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

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

(v) Distribution:

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

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

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

#### *(c) Use of proceeds*

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

additional specified assets.

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

***For the seven months ended July 31, 2017:***

***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 15 – 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)

Notes:

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

## VI. 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	<b>4,940,608,248</b>
II Distributions in excess of profit	1,057,692	<b>2,780,148</b>
Allowance for temporary difference adjustment	1,057,692	<b>2,780,148</b>
III Capitalization	98,970,554	<b>30,512,052</b>
Reversal of allowance for temporary difference adjustment	98,970,554	<b>30,512,052</b>
III Cash distribution declared	3,443,845,152	<b>4,636,492,536</b>
<i>(Cash distribution declared per unit)</i>	<i>(9,768)</i>	<i>(11,674)</i>
Profit distributions	3,442,787,460	<b>4,633,712,388</b>
<i>(Profit distributions per unit)</i>	<i>(9,765)</i>	<i>(11,667)</i>
Allowance for temporary difference adjustment	1,057,692	<b>2,780,148</b>
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustment)</i>	<i>(3)</i>	<i>(7)</i>
IV Retained earnings carried forward	306,864,390	<b>276,383,808</b>

### 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.

**Note**

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the seven months ended July 31, 2017 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

## VII. Statements of cash flows (additional information)

(Thousands of yen)

	For the fiscal period ended	
	December 31, 2016 (six months)	July 31, 2017 (seven months)
<b>Net cash provided by (used in) operating activities:</b>		
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
<b>Net cash provided by (used in) investing activities:</b>		
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)
<b>Net cash provided by (used in) financing activities:</b>		
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
<b>Net change in cash and cash equivalents</b>	<b>5,838,686</b>	<b>2,066,102</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,906,797</b>	<b>12,745,483</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup></b>	<b>12,745,483</b>	<b>14,811,585</b>

**Note:**

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

(Thousands of yen)

	As of	
	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

- (iii) Significant non-cash transactions: Due to the recognition of asset retirement obligations for a property acquired for the six months ended December 31, 2016, the balances of buildings in trust and asset retirement obligations increased by ¥171,681 thousand.