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**Industrial & Infrastructure Fund Investment Corporation**  
**21<sup>st</sup> Period Asset Management Report**  
**(Semi-Annual Report)**

August 1, 2017 – January 31, 2018

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”).

#### **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 21<sup>st</sup> Fiscal Period (6 months result: August 1, 2017 – January 31, 2018) 10,282 yen
- The 22<sup>nd</sup> Fiscal Period (6 months forecast: February 1, 2018– July 31, 2018) 2,689 yen

## Highlight of the 21<sup>st</sup> Period

	The 18 <sup>th</sup> period	The 19 <sup>th</sup> period	The 20 <sup>th</sup> period	<b>The 21<sup>st</sup> period</b>	The 22 <sup>nd</sup> period (Forecast)	The 23 <sup>rd</sup> period (Forecast)
Operating Revenue (million yen)	7,886	8,069	10,054	<b>8,976</b>	9,681	9,710
Net Income (million yen)	3,381	3,442	4,633	<b>4,081</b>	4,572	4,517
Total Asset (million yen)	216,639	224,749	261,999	<b>261,500</b>	-	-
Distribution per Unit (yen) <sup>(Note1)(Note2)</sup>	9,590 (2,397)	9,768 (2,442)	11,674 (2,918)	<b>10,282</b> <b>(2,570)</b>	2,689	2,656
Net Asset Value per Unit (yen) <sup>(Note3)</sup>	266,048	266,503	294,608	<b>293,287</b> <b>(73,321)</b>	-	-

(Note1) The figures for the 18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup>, 21<sup>st</sup>, 22<sup>nd</sup>, and 23<sup>rd</sup> periods include distribution in excess of profit.

(Note2) IIF executed a four-for-one unit split on February 1, 2018 as the effective date. With respect to the distributions per unit and net asset values per unit for the periods prior to the fiscal period ended January 31, 2018 (the 21st period), the figures in parentheses show pro forma per unit information which has been adjusted assuming the unit split.

(Note3) IIF executed a four-for-one unit split on February 1, 2018 as the effective date. With respect to the net asset value per unit for the fiscal period ended January 31, 2018 (the 21st period), the figure in parentheses shows pro forma per unit information which has been adjusted assuming the unit split.

## Notice Regarding the Unit Split

IIF has implemented the four-for-one unit split of its units, which became effective as of February 1, 2018, and the figures shown in this report does not reflect such unit split unless otherwise it is indicated in the footnotes.

# 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 January 31, 2018 (the 21st period). In this period, IIF completed extension building development project involving IIF Sendai Taiwa Logistics Center and acquired the property on December 22, 2017 (acquisition price: 66 million yen). With regards to existing properties, we renewed lease agreement with tenant while raising rent for IIF Sagami-hara R&D Center, securing a long-term, stable earnings base. In the area of sustainability measures, we acquired "Building-Housing Energy-efficiency Labeling System (BELS)" certification for IIF Kashiwa Logistics Center, IIF Atsugi Logistics Center III, and IIF Shinagawa IT Solution Center. In particular, IIF Kashiwa Logistics Center acquired the highest BELS rating of five stars. We will continue to take environmentally friendly measures on which greater importance has recently been placed

In financial matters, we worked to reduce interest rates and implement longer term, fixed interest borrowings through debt refinancing totaling 11.6 billion yen. This has improved the stability of our financial foundations. As a result of these activities, the distribution per unit (including distribution in excess of profit) was 10,282 yen.

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 Kuratsu**  
Executive Director  
Industrial & Infrastructure Fund Investment Corporation

# IIF Focus

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

### Topics of the 21<sup>st</sup> period

- Implemented the four-for-one unit split of its units to enable investors to invest more easily by reducing the investment unit price and to broaden investor base.
- Completion of the extension project of IIF Sendai Taiwa Logistics Center
- Renewal of the lease contract for IIF Sagamihara R&D Center
- Received “Building-Housing Energy-efficiency Labeling System (BELS)” certification for three properties

### Summary of the 21<sup>st</sup> Period (Fiscal Period Ended January 31, 2018)

In this period, operating revenue was 8,976 million yen (decrease of 1,078 million yen from the previous period), and net income was 4,081 million yen (decrease of 552 million yen from the previous period). The results were due to internal growth measures such as the renewal of lease agreements with tenants, the completion of an extension project, and environmentally friendly initiatives, as well as regular six-month period compared to the previous seven-month period associated with the change of the fiscal period.

As a result, the distribution per unit decreased by 1,392 yen from the previous period to 10,282 yen (including distribution in excess of profit of six yen per unit). Meanwhile, net asset value (NAV) per unit<sup>\*1</sup> increased by 4,583 yen from the previous fiscal period to 395,490 yen.

IIF's portfolio as of January 31, 2018 comprised 59 properties worth 246.6 billion yen (based on acquisition price) with total leasable area of 1,225,135.91 m<sup>2</sup> and an occupancy rate of 100.0%<sup>\*2</sup>. The average remaining lease term is 8.3 years. These long-term lease agreements helped us to secure stable management except for the temporary factor related to the change of the fiscal period.

<sup>\*1</sup> NAV per unit is based on the appraisal value (or researched value) as of the end of the most recent fiscal period.

<sup>\*2</sup> Figures are rounded to the nearest first decimal place.

## **Prospect for the 22<sup>nd</sup> Period (Fiscal Period Ending July 31, 2018) and Future Management Policies**

Regarding the outlook for the fiscal period ending July 31, 2018 (the 22<sup>nd</sup> period), we forecast an operating revenue of 9,681 million yen and net income of 4,572 million yen. In consideration of the four-for-one unit split that took effect on February 1, 2018, we expect that the distribution per unit will be 2,689 yen (including distribution in excess of profit of one yen).

We also forecast an operating revenue of 9,710 million yen, net income of 4,517 million yen, and a distribution per unit of 2,656 yen (including distribution in excess of profit of one yen) for the fiscal period ending January 31, 2019 (the 23<sup>rd</sup> period).

As Japan's only REIT specializing in industrial properties, IIF has cultivated manufacturing and research and development (R&D) facilities and infrastructure facilities—new asset classes with few competitors—and other sectors based upon its unique Corporate Real Estate (CRE) proposals. Capitalizing on the know-how accumulated through such proposals, we continuously acquire quality assets with high profitability. In light of the recent increase in the number of off-balance development projects and extension projects based on the needs of tenants and Japanese companies owning properties, we have also been engaged in a wide range of initiatives aimed at enhancing the asset value of properties held.

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

## IIF's External Growth:

### CRE Beyond : Assets Acquired during the Fiscal Period Ending July 31, 2018 (the 22nd Period)

IIF Fukuoka Hakozaki Logistics Center I  
(40%co-ownership)

Logistics



Location	Fukuoka City, Fukuoka
Acquisition Date	Feb. 1, 2018
Acquisition Price	JPY2,055m
Gross Floor Area	24,771.74m <sup>2</sup>
Land Area	13,400.00m <sup>2</sup>

IIF Fukuoka Hakozaki Logistics Center II  
(40%co-ownership)

Logistics



Location	Fukuoka City, Fukuoka
Acquisition Date	Feb. 1, 2018
Acquisition Price	JPY3,593m
Gross Floor Area	44,135.76m <sup>2</sup>
Land Area	27,371.86m <sup>2</sup>

IIF Fukuoka Hakozaki Logistics Center II  
(Extension Building)

Logistics



Location	Fukuoka City, Fukuoka
Acquisition Date	Mar. 14, 2018
Acquisition Price	JPY1,135m
Gross Floor Area	9,153.68m <sup>2</sup>
Land Area	5,287.25m <sup>2</sup>

IIF Atsugi Manufacturing Center  
(land with leasehold interest)

Manufacturing / R&D

CRE



Location	Atsugi City, Kanagawa
Acquisition Date	Apr. 2, 2018
Acquisition Price	JPY4,940m
Gross Floor Area	N/A
Land Area	64,327.54m <sup>2</sup>

IIF Totsuka Manufacturing Center  
(land with leasehold interest)

Manufacturing / R&D

CRE



Location	Yokohama City, Kanagawa
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY2,300m
Gross Floor Area	N/A
Land Area	19,458.49m <sup>2</sup>

IIF Hiroshima Manufacturing Center  
(land with leasehold interest)

Manufacturing / R&D

CRE



Location	Hiroshima City, Hiroshima
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY1,608m
Gross Floor Area	N/A
Land Area	23,106.75m <sup>2</sup>

IIF Kobe Nishi Logistics Center  
(land with leasehold interest)

Logistics

PRE

CRE



Location	Kobe City, Hyogo
Acquisition Date	Mar. 29, 2018
Acquisition Price	JPY1,960m
Gross Floor Area	N/A
Land Area	33,000.00m <sup>2</sup>

IIF Hitachinaka Port Logistics Center  
(land with leasehold interest)

Logistics

CRE



Location	Hitachinaka-gun, Ibaraki
Acquisition Date	Mar. 9, 2018
Acquisition Price	JPY1,145m
Gross Floor Area	N/A
Land Area	20,000.00m <sup>2</sup>

# IIF Koriyama Logistics Center

Logistics

CRE



Location	Koriyama City, Fukushima
Acquisition Date	Mar. 9, 2018
Acquisition Price	JPY2,585m
Gross Floor Area	17,057.42m <sup>2</sup>
Land Area	26,572.28m <sup>2</sup>

# IIF Sapporo Logistics Center

Logistics



Location	Sapporo City, Hokkaido
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY2,480m
Gross Floor Area	13,020.28m <sup>2</sup>
Land Area	12,497.77m <sup>2</sup>

# IIF Itabashi Logistics Center (40% co-ownership)

Logistics



Location	Itabashi-ku, Tokyo
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY686m
Gross Floor Area	5,057.68m <sup>2</sup>
Land Area	2,522.30m <sup>2</sup> *

\*The land area shown is for the entire property

# IIF Osaka Suminoe Logistics Center I (25% co-ownership)

Logistics



Location	Osaka City, Osaka
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY3,025m
Gross Floor Area	51,846.21m <sup>2</sup>
Land Area	35,386.00m <sup>2</sup> *

\*The land area shown is for the entire property

# IIF Osaka Suminoe Logistics Center II (25% co-ownership)

Logistics



Location	Osaka City, Osaka
Acquisition Date	Mar. 8, 2018
Acquisition Price	JPY635m
Gross Floor Area	12,166.17m <sup>2</sup>
Land Area	7,588.47m <sup>2</sup> *

\*The land area shown is for the entire property

## IIF has been granted preferential negotiation rights for the acquisition of the following properties

### New Development Project Plan

#### IIF Atsugi Manufacturing Center (Expected to be completed in May 2019)



Building	Preferential negotiation rights <sup>(Note2)</sup>
Land	Anticipated acquisition

- Off-balance sheet development project which satisfies the needs of Ichikoh Industries, Ltd., a major automotive-parts manufacturer that is looking to establish a new plant
- Received preferential negotiation rights<sup>(Note2)</sup> with respect to the building upon its completion

### New Development Project Plan

#### Gifu Kakamigahara Logistics Center

(provisional name)  
(Expected to be completed in January 2019)

Building	Preferential negotiation rights <sup>(Note2)</sup>
Land	

- Development project which satisfies the needs of a major logistics company
- Received preferential negotiation rights to acquire a trust beneficiary interest in both the underlying land and the building<sup>(Note2)</sup>



(Note1) This is a rendering reflecting the image of the building as expected to be completed, which may differ from the actual building upon completion.

(Note2) As of today, IIF does not have any plans to acquire these buildings and land, and the preferential negotiation rights do not have legally binding power. In addition, these buildings and land have not been completed yet as of today and projects may not go as planned.



## IIF's Internal Growth:

### Portfolio management through 3C Management Cycle


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

\* 3C Management:

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).

### Internal Growth Measures Implemented in the Fiscal Period Ended January 31, 2018 (the 21<sup>st</sup> Period)

**IIF Sagamihara R&D Center** Rent Increase Stabilization



**Key point**  
Enhanced flexibility in usage by changing the lease format to lease of the entire building to the current tenant, while **increasing profitability by including common areas in the leasable area.**

Before the effective date of a revised lease agreement		After the effective date of a revised lease agreement	
NOI yield	7.5%		8.4%
NOI yield after depreciation	6.6%		7.5%

Before		After	
Lease contract term	1 year		10 years
Non-cancellation period	None		5 years
Early termination	6 months' notice		24 months' notice


**IIF Fukuoka Hakozaki Logistics Center II** Extension



**Key point**  
**Increased profitability** through the extension project after identifying the tenant's need to set up a new logistics service hub and **ensuring a contract with tenants.**

	Before the extension (100% ownership)	Extension Building	After the extension
NOI yield	4.4%	7.1%	4.7%
NOI yield after depreciation	3.8%	4.4%	3.8%

**IIF Sendai Taiwa Logistics Center** Extension Stabilization



**Key point**  
**Stabilized the lease contract while maintaining profitability** through the extension project based on the tenant's needs

Before		After	
Lease contract remaining term	1.6 years		5.4 years
Early termination	6 months' notice		Not allowed

**IIF Inzai Logistics Center** Rent Increase Eco-friendly measure



**Key point**  
**Increasing profitability and reducing environmental load** by installing the LED lighting on the roof of the building.

## **Financial Initiatives of IIF**

In this period, IIF refinanced long-term loans of 11.6 billion yen that came due on September 29, 2017. 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 1.1% and an average of 5.9 years remaining until maturity. The loan to value (LTV) rate was 50.3%. IIF will continue to aim to establish 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.

\* The figure is an estimate made as of January 29, 2018 based on various numerical values. Since the applicable interest rates are determined by the scheduled dates of borrowing execution based on a loan agreement concluded on February 20, 2018, the estimated average applicable interest rate above may differ from the actual applicable interest rate.

# IIF's Sustainability Management

## • Inclusion in the MSCI Japan ESG Select Leaders Index

IIF has been included in the MSCI Japan ESG<sup>\*1</sup> Select Leaders Index which was launched by MSCI on July 3, 2017. IIF sees inclusion in the index having a favorable effect to broaden our potential investor base and increase the liquidity of the fund.



2017 Constituent  
MSCI Japan ESG  
Select Leaders Index

### 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 Environment, Social, and Governance (ESG) performance relative to their sector peers. The Government Pension Investment Fund (GPIF) also announced on July 3, 2017 that it has selected the index one of three ESG indices. 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<sup>\*2</sup> with outstanding ESG ratings.

<sup>\*1</sup> ESG stands for Environmental, Social, and Governance. IIF's efforts towards ESG issues will help solve and improve environmental and social issues, and foster a sound and growing capital market.

<sup>\*2</sup> Announced by MSCI in June 2017.

## • Third-Party Evaluation and Certifications

### GRESB Real Estate Assessment

Awarded the “Green Star”, GRESB's (Global Real Estate Sustainability Benchmark) highest award, for five consecutive years. Received five stars under the GRESB rating system (five-star scale), with 5 being the highest.



### BELS

In January 2018, three of the properties in IIF's portfolio were awarded BELS Certification. In particular, IIF Atsugi Logistics Center III, IIF Kashiwa Logistics Center, and IIF Shinagawa IT Solution Center. Currently, eight properties in IIF's portfolio are awarded certifications.



### DBJ Green Building Certification

As of the end of January 2018, five properties have received the DBJ Green Building Certification.



### CASBEE

IIF Higashi-Osaka Logistics Center and IIF Kyotanabe Logistics Center became the first J-REIT-owned logistics properties to receive “CASBEE for Real Estate Certification”.



## ◆ Continuous Efforts Regarding ESG

MC-UBS has been promoting ESG initiatives. Having established basic policy on sustainability in 2013, IIF has implemented the following initiatives. IIF shares this policy in making investments.

### In 2013

- Established an environmental charter
- Established the Responsible Property Investment (RPI) Policy
- Signed the Principles for Responsible Investment (PRI) proposed by the UN
- Became the first J-REIT asset manager to sign the Principles for Financial Action

Towards a Sustainable Society (Principles for Financial Action for the 21st Century)

### In 2015

- Became the first J-REIT asset manager to sign the UN PRI Montreal Carbon Pledge, a new commitment to reduce CO2

### In 2016

- Became the first J-REIT asset manager to sign the United Nation's Environment Programme – Finance Initiative (UNEP FI) and participated in a working group
- Became the first J-REIT asset manager to sign the United Nations Global Compact



# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>
As of /for the fiscal period ended			December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (Note 1)	January 31, 2018
Operating revenues	Note 2	(Millions of yen)	7,788	7,886	8,069	10,054	8,976
(Rental revenues)	Note 2	(Millions of yen)	(7,788)	(7,886)	(8,022)	(10,054)	(8,976)
Operating expenses	Note 2	(Millions of yen)	3,511	3,547	3,652	4,266	3,905
(Rental expenses)	Note 2	(Millions of yen)	(2,736)	(2,763)	(2,797)	(3,221)	(2,976)
Operating income		(Millions of yen)	4,277	4,338	4,416	5,787	5,071
Ordinary income		(Millions of yen)	3,288	3,382	3,443	4,634	4,082
Net income	(a)	(Millions of yen)	3,287	3,381	3,442	4,633	4,081
Net assets	(b)	(Millions of yen)	93,817	93,799	93,959	117,008	116,483
(Period-on-period change)		(%)	(0.1)	(-0.0)	(0.2)	(24.5)	(-0.4)
Total assets	(c)	(Millions of yen)	215,694	216,639	224,749	261,999	261,500
(Period-on-period change)		(%)	(0.4)	(0.4)	(3.7)	(16.6)	(-0.2)
Unitholders' capital	Note 4	(Millions of yen)	90,823	90,823	90,823	112,651	112,651
(Period-on-period change)		(%)	(—)	(—)	(—)	(24.0)	(—)
Number of units issued and outstanding	(d)	(Units)	352,564	352,564	352,564	397,164	397,164
Net asset value per unit Note 5	(b)/(d)	(Yen)	266,100	266,048	266,503	294,608	73,321
Total distributions	(e)	(Millions of yen)	3,287	3,381	3,443	4,636	4,083
Distribution per unit	(e)/(d)	(Yen)	9,324	9,590	9,768	11,674	10,282
(Profit distribution per unit)		(Yen)	(9,324)	(8,440)	(9,765)	(11,667)	(10,276)
(Distribution per unit in excess of profit)		(Yen)	(—)	(1,150)	(3)	(7)	(6)
Ratio of ordinary income to total assets	Note 6	(%)	1.5 (3.0)	1.6 (3.1)	1.6 (3.1)	1.9 (3.3)	1.6 (3.1)
Return on unitholders' equity	Note 6	(%)	3.5 (7.0)	3.6 (7.2)	3.7 (7.3)	4.4 (7.6)	3.5 (6.9)
Ratio of net assets to total assets	(b)/(c)	(%)	43.5	43.3	41.8	44.7	44.5
(Period-on-period change)			(-0.1)	(-0.2)	(-1.5)	(2.9)	(-0.2)
Payout ratio Note 6	(e)/(a)	(%)	100.0	88.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 6	(Millions of yen)	6,125	6,206	6,355	8,276	7,262
Net profit margin	Note 6	(%)	42.2	42.9	42.7	46.1	45.5
Debt service coverage ratio	Note 6	(Multiple)	7.2	7.4	7.3	8.1	8.3
Funds from operation (FFO) per unit	Note 6	(Yen)	12,370	12,663	12,839	15,300	13,456
FFO multiples	Note 6	(Multiple)	23.5	22.5	21.9	18.9	18.7
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 7	(Yen)	9,091	8,415	9,655	11,451	10,057
FFO per unit after adjustment for taxes on property, plant and equipment	Note 7	(Yen)	12,137	12,638	12,729	15,083	13,237

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 The Investment Corporation executed a four-for-one unit split (the "Unit Split") on February 1, 2018 as the effective date. Net asset value per unit in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on August 1, 2017.

Note 6 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 182, 184, 212 and 184 days for 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup> and 21<sup>st</sup> fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income / Average total assets
Return on unitholders' equity	Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2 Net income / Average net assets
Rental net operating income (NOI)	Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2 (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 7 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) Management policies

There are no material changes to Investment Policy, Investment Targets, or Distribution Policies in the most recent securities report (submitted on October 26, 2017), and accordingly, disclosure is omitted.

### (2) Operations

#### A. Operations during the period

##### i. Major developments and management performance of IIF

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

IIF has continued to mark steady growth since it began investment operations in 2007 when it acquired nine properties for the total acquisition price of 66,000 million yen. IIF owned 59 properties whose total acquisition price amounted to 246,615 million yen as of January 31, 2018.

##### ii. Investment environment and management performance

During this fiscal period (August 2017 to January 2018), the Japanese economy performed well amid a robust global economy, buoyed by the strong performance of the corporate sector. Announced on February 14, 2018, gross domestic product (GDP) for October to December 2017 recorded positive growth for the eighth consecutive quarter, the second longest run in about 28 years since the 12 consecutive quarters between April–June 1986 and January–March 1988. Furthermore, according to the preliminary release of the December 2017 diffusion index (2010 = 100), which was announced on February 7, 2018, the coincident index was 120.7, the highest level since May 2007, prior to the global financial crisis. All indices were positive, including industrial production and shipments (mining and manufacturing) as well as retail sales, demonstrating that the range of economic improvement is expanding.

The Japanese stock market remained on an upward trend, linked to the U.S. stock market which is continuing to rise due to favorable economic statistics and in expectation of a tax reduction policy. While it has continued strong even after the start of 2018, there was an apparent phase of adjustment near the end of the quarter associated with fluctuations in foreign exchange markets combined with concerns of an increase in domestic interest rates accompanying an increase in long-term interest rates in the U.S. In the J-REIT market, funds continued to outflow from monthly distribution-type domestic investment trusts. The Tokyo Stock Exchange REIT Index did dip below 1,605 points on November 10, 2017, but subsequently rallied as a result of buying from ETFs and overseas investors, and finished at 1,744 points at the end of the period on January 31, 2018.

Under this environment, at the IIF Sendai Taiwa Logistics Center, which was acquired on February 21, 2017, IIF commenced a project during the current period to develop an extension building, taking account of the need for floor space based on its close relationship with the tenant. The IIF Sendai Taiwa Logistics Center (Extension Building) (acquisition price: 66 million yen) was acquired on December 22, 2017.

As a result, the properties IIF owned as of January 31, 2018 consisted of 39 logistics facilities, 11 manufacturing, R&D and other facilities and nine infrastructure facilities, whose total acquisition price amounted to 246,615 million yen. The total leasable area as of January 31, 2018 was 1,225,135.91 m<sup>2</sup>, and the average occupancy rate was 100.0%.

### iii. Funding

#### a) Debt Financing

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

As for funding for interest-bearing debt for this fiscal period, on September 29, 2017, IIF obtained new long-term loans of 11.6 billion yen (average term to maturity: 9 years) at fixed interest rates, and repaid long-term loans that came due on the same day (loan term: 6 years). Through refinancing, IIF is shifting to longer-term, fixed rate loans and, in effect, reducing its interest costs, in order to establish a financial position that will provide stable distributions over the long-term.

As a result, as of January 31, 2018, 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.

#### b) Equity Financing

IIF did not raise funds through equity during this fiscal period.

### iv. Overview of financial results and distributions

As a result of the above management activities, IIF recorded operating revenue of 8,976 million yen, operating income of 5,071 million yen, ordinary income of 4,082 million yen and net income of 4,081 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 4,081,257,264 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 2,382,984 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 10,282 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.

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.

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.

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.

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.

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.

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.

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.

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

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

(Yen)					
Fiscal period	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>
As of /for the fiscal period ended	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (seven months)	January 31, 2018
Highest price	585,000	595,000	589,000	567,000	(Note 1) 521,000 (Note 2) 125,400
Lowest price	445,000	499,500	500,000	488,500	(Note 1) 454,000 (Note 2) 122,300
Closing price at end of period	576,000	573,000	557,000	499,000	(Note 2) 124,800

Note 1 The market price (before January 26, 2018) does not reflect the Unit Split.

Note 2 The market price (on or after January 29, 2018) reflects the Unit Split.



## 4. Distributions

The Investment Corporation intends to make profit distributions amounting to ¥4,081,257,264 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 ¥2,382,984 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 January 31, 2018 amounted to ¥10,282.

Fiscal period	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>
As of /for the fiscal period ended	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (seven months)	January 31, 2018
Net income (Thousands of yen)	3,287,384	3,381,287	3,442,762	4,633,743	4,081,126
Retained earnings carried forward (Thousands of yen)	212	405,859	306,864	276,383	245,613
Total cash distributions (Thousands of yen)	3,287,306	3,381,088	3,443,845	4,636,492	4,083,640
(Cash distribution per unit) (Yen)	(9,324)	(9,590)	(9,768)	(11,674)	(10,282)
Profit distributions (Thousands of yen)	3,287,306	2,975,640	3,442,787	4,633,712	4,081,257
(Profit distribution per unit) (Yen)	(9,324)	(8,440)	(9,765)	(11,667)	(10,276)
Unitcapital refunds (Thousands of yen)	—	405,448	1,057	2,780	2,382
(Unitcapital refund per unit) (Yen)	(—)	(1,150)	(3)	(7)	(6)
Unitcapital refunds from allowance for temporary difference adjustment (Thousands of yen)	—	405,448	1,057	2,780	2,382
(Unitcapital refund per unit from allowance for temporary difference adjustment) (Yen)	(—)	(1,150)	(3)	(7)	(6)
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

Against a backdrop of strong economic conditions worldwide, a so-called “Goldilocks” market (not too hot, not too cold) had been widely recognized, but since February 2018—following the end of the current period—growing uncertainty has been seen in the market, for instance, a sharp decline in global stock markets due to concerns of an interest rate rise in the U.S. Furthermore, although close attention must still be paid to concerns such as increasing geopolitical risks, the Japanese economy is supported by the robust performance of the corporate sector, and domestic consumption is also on an increasing trend. In financial markets too, while governments in Europe and America are working out the end of monetary easing, attention is being drawn to whether monetary easing in Japan will be maintained after the Governor of the Bank of Japan concludes his term of office in April this year.

In the J-REIT market, financing had quietened up until fall last year while investment unit prices had continued to slide, but since about the end of last year, financing through public offerings has become more active, including for new listings. Nevertheless, it is becoming increasingly tough for investors to make selections, with somewhat soft results being seen in cases, for instance, if the NAV per unit (see Note) falls below fair value. In this context, some J-REITs have become more active in their various approaches to meeting the needs of investors seeking returns following negative interest rates, such as the acquisition of treasury units designed to improve the NAV per unit, and unit splits which facilitate acquisitions by individual investors. Such a trend is likely to continue going forward.

In the real estate market, the environment for investing in domestic real estate is expected to remain strong, on the back of continuing good conditions for capital procurement. In the logistics facilities leasing market in particular, while the supply of new large-scale logistics facilities will continue, the change in distribution channels resulting primarily from growth in e-commerce has led to third party logistics (3PL) operations also showing signs of activity, and driving demand for logistics facilities. Despite signs of temporary increases in vacancy rates seen in some areas due to an increase in new supply, there is an overall balance between supply and demand, and vacancy rates in each of the main areas also remain low. Properties managed by IIF are also likely to see stable occupancy, given their high versatility and excellent locations.

Also, considering that the necessity of the companies to sell their properties are diversifying by the improvement in the corporate sector’s performance, IIF is expected to see a rise in investment opportunities through its property acquisition activities based on the CRE (Corporate Real Estate) proposal, which is a strength of IIF.

Note: The term “NAV per unit” refers to the net asset value per unit based on the appraisal value (or researched value) as of the end of the most recent fiscal period, and is calculated as follows. It is different to the net asset value per unit stated in the reference securities report. The same applies below.

NAV per unit = NAV / Number of issued investment units as of the end of the most recent fiscal period

Moreover, the term “NAV” refers to the difference between IIF’s assets and liabilities (net amount), where the value of real estate related assets held by IIF have been evaluated based on appraisal value (or researched value), and is calculated as follows. It is different to the accounting-based net asset value, and does not fluctuate due to changes in the amount of deferred gains or losses on hedges. The same applies below.

NAV = Unitholders’ capital\* + (Appraisal value (or researched value) of real estate related assets at the end of the period – Book value of real estate related assets at the end of the period\*)

\* For the book value of unitholders’ capital and real estate related assets at the end of the period, the balance sheet amounts as of the end of the most recent fiscal period in question are used.

## (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.

### a) External growth

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

IIF will continue to pioneer new asset category, while avoiding price competition using our experience, expertise, and networks in both CRE and PRE sectors. By aiming to further increase the property acquisitions 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 acquisitions 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 bridge scheme structure.

### b) Internal growth

As of January 31, 2018, IIF's portfolio consisted of 59 properties for a total acquisition price of 246,615 million yen.

The average occupancy rate as of the end of the period stands at 100.0%. The properties are managed under long-term lease contracts with an average remaining lease period of 8.3 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 extension development project was started in August 2017 to realize the needs of tenants and end tenants in the IIF Sendai Taiwa Logistics Center. The Extension Building was acquired on completion in December 2017, and IIF has started leasing it to the existing lessee. In addition to improving the stability of contracts through lengthening contract periods and setting no cancellation periods while maintaining profitability, at the same time, this project will improve asset value by contributing to the creation of comfortable work environments for employees. IIF will work to maintain the quality of its portfolio and further improve profitability through efforts based on 3C Management Cycle and by implementing the required management tasks to maintain and improve the functionality, safety and comfort of the buildings it manages and by carrying out suitable repair work as necessary. At the same time, in order to maintain and improve the rent level and prevent cancellations, IIF will continue to exert efforts in building favorable relationships with lessees by continuously making close communications.

c) Financial strategy

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

IIF will also proceed with reducing fund-raising costs, lengthening borrowing periods, standardizing repayment amounts and diversifying 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.

(3) Earnings forecast for the next fiscal period

a) Issuance of New Investment Units

The Board of Directors adopted resolutions at meetings held on February 20, 2018 and February 28, 2018 regarding the issuance of new investment units as set forth below. Pay-in for the publicly offered new investment units was completed on March 7, 2018. The issuance terms are as indicated below. As a result of the issuance, total unitholders' capital as of March 7, 2018 was 125,274,336,084 yen and the total number of issued investment units was 1,697,931. In cases where new investment units are issued through the allocation of investment units to a third-party in conjunction with a secondary offering through over-allotment, the scheduled pay-in deadline is April 4, 2018.

Issuance of New Investment Units through Public Offering

Public offerings in Japan and in overseas markets, primarily in the U.S., Europe, and Asia (provided, however, that the offering in the U.S. market shall be restricted to qualified institutional investors pursuant to Rule 144A of the U.S. Securities Act of 1933)

Number of new investment units to be issued: 109,275 units

53,600 units in domestic market and 55,675 units in overseas markets (53,600 new units to be underwritten and purchased by overseas underwriters plus 2,075 units issuable upon exercise of an option to purchase additional new units granted to the overseas underwriters (2,600 units at the maximum))

Issue price (Offer price):	¥119,437 per unit
Total issue price (Total offer price):	¥13,051,478,175
Issue value (Amount to be paid in):	¥115,517 per unit
Total issue value (Total amount to be paid in):	¥12,623,120,175
Payment date:	March 7, 2018
Record date for distributions:	February 1, 2018

#### Issuance of New Investment Units through Third-Party Allotment

Number of new investment units to be issued:	2,600 units
Issue value (Amount to be paid in):	¥115,517 per unit
Total issue value (Total amount to be paid in):	¥300,344,200
Payment date:	April 4, 2018
Record date for distributions:	February 1, 2018
Allottee:	SMBC Nikko Securities Inc.

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 issuance itself may not take place at all.

#### Use of Proceeds

IIF will use proceeds from the public offerings and the third-party allotment to partially finance the acquisition of additional specified assets (as defined in Article 2(1) of the Act on Investment Trusts and Investment Corporations).

#### b) Earnings forecast

The forecasts of operating results for the fiscal period ending July 31, 2018 (February 1, 2018 to July 31, 2018) are operating revenue of 9,681 million yen, ordinary income of 4,574 million yen, net income of 4,572 million yen and distributions per unit of 2,689 yen (including a distribution per unit in excess of profit of 1 yen).

For the assumptions regarding these forecasts, refer to the following “Earnings Forecast Assumptions for the 22<sup>nd</sup> Fiscal Period (February 1, 2018 to July 31, 2018) and the 23<sup>rd</sup> Fiscal Period (August 1, 2018 to January 31, 2019)”.

The main changes from the 21<sup>st</sup> Fiscal Period (August 1, 2017 to January 31, 2018) include the following.

Operating revenue (increase of 704 million yen from the previous fiscal period)

- Increase in rental revenue from the 13 properties acquired or scheduled to be acquired in the fiscal period ending July 31, 2018 (February 1, 2018 to July 31, 2018)

Operating expense (increase of 252 million yen from the previous fiscal period)

- Increase in property management fees for the 13 properties acquired or scheduled to be acquired in the fiscal period ending July 31, 2018 (February 1, 2018 to July 31, 2018)
- Taxes and public charges expensed on the 11 properties acquired in the fiscal period ended July 31, 2017 (January 1, 2017 to July 31, 2017) and in the fiscal period ended January 31, 2018 (August 1, 2017 to January 31, 2018)

## Reference

The forecasts of operating results for the fiscal period ending January 31, 2019 (August 1, 2018 to January 31, 2019) are operating revenue of 9,710 million yen, ordinary income of 4,518 million yen, net income of 4,517 million yen and distributions per unit of 2,656 yen (including a distribution per unit in excess of profit of 1 yen). For the assumptions regarding these forecasts, refer to the following “Earnings Forecast Assumptions for the 22<sup>nd</sup> Fiscal Period (February 1, 2018 to July 31, 2018) and the 23<sup>rd</sup> Fiscal Period (August 1, 2018 to January 31, 2019)”.

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

## 6. Subsequent events

### ***Unit split***

The Investment Corporation executed a four-for-one unit split (the “Unit Split”) with January 31, 2018 as the record date and February 1, 2018 as the effective date for the Unit Split.

#### *(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 was 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

For pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on the beginning of the six months ended January 31, 2018, please refer to “Note 12 – Per unit information” in “V. Notes to financial information.”

### ***Issuance of new investment units***

The Board of Directors of the Investment Corporation, at its meeting held on February 20, 2018 and February 28, 2018, 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:*

109,275 investment units, out of which 53,600 new units to be offered through the Domestic Public Offering and 55,675 new units to be offered through the Overseas Offering consisting of 53,600 new units to be underwritten and purchased by overseas underwriters and 2,075 new units to be additionally issued pursuant to an option (maximum of 2,600 units) granted to the overseas underwriters.

- (ii) Issue price (Offer price): ¥119,437 per unit
- (iii) Total issue price (Total offer price): ¥13,051,478,175
- (iv) Issue value (Amount to be paid in): ¥115,517 per unit
- (v) Total issue value (Total amount to be paid in): ¥12,623,120,175
- (vi) Payment date: March 7, 2018
- (vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on February 1, 2018 and ending on July 31, 2018.

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

- (i) Number of new investment units: 2,600 units
- (ii) Issue value (Amount to be paid in): ¥115,517 per unit
- (iii) Total issue value (Total amount to be paid in): ¥300,344,200
- (iv) Payment date: Scheduled on April 4, 2018
- (v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on February 1, 2018 and ending on July 31, 2018.

- (iv) Allottee: SMBC Nikko Securities Inc.

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 defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations.)

As a result of the Offerings, unitholders' capital increased to ¥125,274,336,084 and number of investment units issued and outstanding increased to 1,697,931 units on March 7, 2018.



# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>
As of	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017	January 31, 2018
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	397,164	397,164
Number of unitholders (People)	4,804	4,779	4,725	5,776	6,398

## 2. Unitholders

Major unitholders as of January 31, 2018 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	62,265	15.67
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	50,603	12.74
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	20,603	5.18
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	16,337	4.11
STATE STREET BANK AND TRUST COMPANY 505012	ONE LINCOLN STREET, BOSTON MA USA 02111	8,721	2.19
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	6,872	1.73
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	6,400	1.61
The Chugoku Bank, LTD.	15-20, Marunouchi 1-chome, Kita-ku, Okayama-shi, Okayama	6,098	1.53
The Joyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	5,558	1.39
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	5,163	1.29
Total		188,620	47.49

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

### 3. Officers

#### (1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended January 31, 2018 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 12,500

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

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

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

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

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

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

# Condition of investment assets

## 1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of July 31, 2017		As of January 31, 2018	
				Total of net book value	Composition ratio (Note 2)	Total of net book value	Composition ratio (Note 2)
				(Millions of yen)	(%)	(Millions of yen)	(%)
Real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	13,032	5.0	12,987	5.0
			Osaka and Nagoya metropolitan areas	4,551	1.7	4,558	1.7
			Other area	1,944	0.8	1,946	0.7
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	44,770	17.1	44,645	17.1
			Osaka and Nagoya metropolitan areas	1,998	0.8	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	83,996	32.1	83,734	32.0
			Osaka and Nagoya metropolitan areas	37,041	14.1	36,895	14.1
			Other area	17,149	6.5	17,148	6.6
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	3,504	1.3	3,485	1.3
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,952	4.9	13,034	5.0
			Osaka and Nagoya metropolitan areas	23,260	8.9	23,264	8.9
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				244,203	93.2	243,699	93.2
Bank deposits and other assets				17,795	6.8	17,800	6.8
Total assets				261,999	100.0	261,500	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 January 31, 2018 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	38,687	81,995.81	81,995.81	100.0	15.8	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,421	11,476.05	11,476.05	100.0	3.7	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	12,974	27,493.29	27,493.29	100.0	4.5	Logistics facility
IIF Mitaka Card Center	9,161	21,615.01	21,615.01	100.0	4.1	Manufacturing and R&D facility, etc.
IIF Osaka Suminoe Logistics Center I (Note 5)	9,125	39,150.98	39,150.98	100.0	(Note 6)	Logistics facility
IIF Osaka Konohana Logistics Center	8,727	46,262.20	46,262.20	100.0	(Note 6)	Logistics facility
IIF Shinagawa IT Solution Center	7,889	7,089.62	7,089.62	100.0	(Note 6)	Infrastructure facility
IIF Kamata R&D Center	7,441	21,896.56	21,896.56	100.0	(Note 6)	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center	5,790	33,243.99	33,243.99	100.0	(Note 6)	Logistics facility
IIF Osaka Toyonaka Data Center	5,611	20,027.14	20,027.14	100.0	(Note 6)	Infrastructure facility
Total	121,830	310,250.65	310,250.65	100.0	46.0	

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 "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 January 31, 2018 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Fair value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	13-32, Shinonome 2-chome, Koto-ku, Tokyo	Trust beneficial interest	27,493.29	16,960	12,974
IIF Noda Logistics Center	340-13, Nishi-sangao, Noda-shi, Chiba	Trust beneficial interest	38,828.10	8,960	5,410
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	7,070	5,175
IIF Atsugi Logistics Center	6-19, Hase, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	2,110	1,577
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,700	1,799
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	17,200.00	2,980	1,996
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,650	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,480	4,655
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,910	3,231
IIF Yokohama Tsuzuki Logistics Center	747, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa	Trust beneficial interest	9,464.03	3,210	2,320
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	8,995.00	2,080	1,462
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi	Real property	8,721.01	1,580	1,150
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	5-3 Midori-cho, Kawaguchi-shi, Saitama	Real property	11,705.02	4,260	2,055
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo	Trust beneficial interest	39,567.74	7,400	5,148
IIF Higashi-Osaka Logistics Center	7-46, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka	Real property	20,495.06	3,130	2,468
IIF Kashiwa Logistics Center	1027-1, Wasinoya, Kashiwa-shi, Chiba	Real property	17,379.78	2,840	1,853
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	5,200	3,478
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama	Trust beneficial interest	17,881.65	4,220	3,109
IIF Tosu Logistics Center	127-1, Aza Uchishirage, Kuranoue-machi,, Tosu-shi, Saga	Trust beneficial interest	13,862.05	1,970	1,522
IIF Inzai Logistics Center	6-1, Matsuzakidai 2-chome, Inzai-shi, Chiba	Trust beneficial interest	5,490.00	1,370	1,035
IIF Morioka Logistics Center	Plot 3-25-2, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,240	574

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Fair value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,560	3,415
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	8-1, Nagisa-cho, Izumiotsu-shi, Osaka	Trust beneficial interest	48,932.00	4,420	4,179
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,090	940
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	7,230	5,790
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka	Real property	30,815.97	977	914
IIF Fukuoka Higashi Logistics Center	9-1 Kamata 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	11,262.86	2,050	1,932
IIF Osaka Konohana Logistics Center (Note 6)	4-51, Shimaya 4-chome, Konohana-ku, Osaka-shi, Osaka	Trust beneficial interest	46,262.20	9,340	8,727
IIF Kazo Logistics Center	6-1, Shintone 2-chome, Kazo-shi, Saitama	Trust beneficial interest	17,744.41	2,730	2,605
IIF Hamura Logistics Center	8-16, Shinmeidai 4-chome, Hamura-shi, Tokyo	Trust beneficial interest	3,892.66	887	921
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	3,131
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	5,530	5,490
IIF Itabashi Logistics Center (Note 4)	28-3, Higashi-sakashita 2-chome, Itabashi-ku, Tokyo, etc.	Trust beneficial interest	3,034.61	1,130	1,043
IIF Sendai Taiwa Logistics Center (Note 6)	3-15, Maino 2-chome, Taiwa-cho, Kurokawa-gun, Miyagi	Trust beneficial interest	15,555.15	1,650	1,606
IIF Ota Logistics Center	236-1, Anyoji-cho, Ota-shi, Gunma	Real property	6,900.01	1,160	1,032
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	9,125
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	2,047	1,927
IIF Morioka Logistics Center II	4-15, Ryutsu Center Minami 2-chome, Yahaba-cho, Shiwa-gun, Iwate	Trust beneficial interest	12,383.30	1,560	1,388
IIF Totsuka Technology Center (land with leasehold interest)	344-1, 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	1,189
IIF Mitaka Card Center	5-14, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo	Trust beneficial interest	21,615.01	10,100	9,161
IIF Kamata R&D Center	16-46, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,400	7,441
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,950	2,087
IIF Sagami-hara R&D Center	1-35, Minamihashimoto 3-chome, Chuo-ku, Sagami-hara-shi, Kanagawa	Trust beneficial interest	19,328.40	3,960	3,226
IIF Yokohama Shinyamashita R&D Center	16, Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	4,887.83	4,220	3,912

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Fair value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	30, Tanyo, Kakegawa-shi, Shizuoka	Trust beneficial interest	66,171.92	1,770	1,572
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	195, Tekkadori 3-chome, Urayasu-shi, Chiba	Real property	7,925.94	1,670	1,345
IIF Yokosuka Technology Center	1-15, Shinmei-cho, Yokosuka-shi, Kanagawa	Trust beneficial interest	13,779.77	4,450	4,184
IIF Shonan Technology Center	1-1, Ichinomiya 6-chome, Samukawa-cho, Koza-gun, Kanagawa	Trust beneficial interest	7,244.71	1,320	1,296
IIF Kobe District Heating and Cooling Center	8-2, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,476.05	14,600	16,421
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,200	38,687
IIF Zama IT Solution Center	1-78, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,530	5,144
IIF Shinagawa Data Center	9-15, Futaba 2-chome, Shinagawa-ku, Tokyo	Real property	19,547.11	6,890	5,228
IIF Osaka Toyonaka Data Center	1-8, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,030	5,611
IIF Osaka Nanko IT Solution Center	1-23, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka	Trust beneficial interest	18,435.93	2,400	1,231
IIF Nagoya Port Tank Terminal (land with leasehold interest)	37-31, Shiomi-cho, Minato-ku, Nagoya-shi, Aichi	Real property	51,583.70	2,240	1,998
IIF Shinagawa IT Solution Center	31-18, Nishi-Gotanda 4-chome, Shinagawa-ku, Tokyo	Trust beneficial interest	7,089.62	7,590	7,889
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	752	729
Total			1,225,135.91	288,123	243,699

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 "Fair value at end of period" shows the appraisal or researched value provided 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 An extension building additionally was acquired on December 22, 2017.

Operating results of each property for the fiscal period ended July 31, 2017 and January 31, 2018 were as follows:

Name of property	For the fiscal period ended							
	July 31, 2017 (seven months)				January 31, 2018 (six 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	466	4.6	1	100.0	400	4.5
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	208	2.1	1	100.0	179	2.0
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	87	0.9	1	100.0	75	0.8
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	78	0.8	1	100.0	66	0.7
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)



Name of property	For the fiscal period ended							
	July 31, 2017 (seven months)				January 31, 2018 (six 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 Kyotanabe Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
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 Hakozaiki Logistics Center I	3	100.0	(Note 3)	(Note 3)	3	100.0	(Note 3)	(Note 3)
IIF Fukuoka Hakozaiki Logistics Center II	4	100.0	(Note 3)	(Note 3)	4	100.0	(Note 3)	(Note 3)
IIF Itabashi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Sendai Taiwa Logistics Center (Note 5)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Ota Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Suminoe Logistics Center I	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Suminoe Logistics Center II	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Morioka Logistics Center II	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	177	1.8	1	100.0	154	1.7
IIF Yokohama Tsuzuki Technology Center	1	100.0	68	0.7	1	100.0	59	0.7
IIF Mitaka Card Center	1	100.0	425	4.2	1	100.0	364	4.1
IIF Kamata R&D Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kawasaki Science Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Sagamiara R&D Center	5	98.3	(Note 3)	(Note 3)	2	100.0	(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)	1	100.0	(Note 3)	(Note 3)
IIF Shonan Technology Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kobe District Heating and Cooling Center	3	100.0	385	3.8	4	100.0	332	3.7

Name of property	For the fiscal period ended							
	July 31, 2017 (seven months)				January 31, 2018 (six 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 Haneda Airport Maintenance Center	1	100.0	1,630	16.2	1	100.0	1,421	15.8
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)	79	99.9	10,054	100.0	77	100.0	8,976	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 An extension building additionally was acquired on December 22, 2017.

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 January 31, 2018 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)	54,000	45,500	(1,481)
Total		54,000	45,500	(1,481)

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 January 31, 2018.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of January 31, 2018 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended January 31, 2018	Total of advanced payment
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of CVCF	July, 2018	110	—	—
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Renewal of automatic fire information alarm facilities	July, 2018	49	—	—
IIF Noda Logistics Center	Noda-shi, Chiba	Installment of LED lighting equipment	February, 2018	46	—	—

### 2. Capital expenditures for the six months ended January 31, 2018

Maintenance expenditures on property for the six months ended January 31, 2018 were totaling to ¥768 million consisting of ¥688 million of capital expenditures stated as below and ¥79 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 Kobe District Heating and Cooling Center	Kobe-shi, Hyogo	Renewal of the central monitoring equipment	April 2017 to September 2017	136
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of air conditioning system and lighting equipment	August 2016 to August 2017	132
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Renewal of the emergency generator engine	September 2017 to October 2017	105
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of underground machine room pump	December 2017 to January 2018	23
Other	—	—	—	290
Total				688

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

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

(Millions of yen)					
Fiscal period	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>
As of /for the fiscal period ended	December 31, 2015	June 30, 2016	December 31, 2016	July 31, 2017 (seven months)	January 31, 2018
Reserved funds at beginning of period	1,385	—	—	—	—
Increase	—	—	—	—	—
Decrease	1,385	—	—	—	—
Reserved funds at end of period	—	—	—	—	—

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	20 <sup>th</sup>	21 <sup>st</sup>
Item	For the seven months ended July 31, 2017	For the six months ended January 31, 2018
(a) Asset management fees	906,068	791,704
(b) Asset custody fees	8,209	5,879
(c) Administrative service fees	39,945	29,305
(d) Directors' compensations	6,790	5,820
(e) Other operating expenses	84,562	95,521
Total	1,045,575	928,230

### 2. Loans payable

Loans payable as of January 31, 2018 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
			July 31, 2017 (Millions of yen)	January 31, 2018 (Millions of yen)					
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 6	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 5 and 6	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.	September 30, 2011	4,463	—	1.3 (Note 3)	September 29, 2017	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,057	—					
	Sumitomo Mitsui Trust Bank, Limited		3,080	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	565	565	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		520	520					
	Sumitomo Mitsui Trust Bank, Limited		415	415					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2012	1,000	1,000	1.9 (Note 3)	March 30, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 3)	March 31, 2020	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 3)	March 31, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	1,500	1,500	1.3 (Note 3)	March 29, 2019	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2012	583	583	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	June 29, 2012	417	417	1.2 (Note 3)	June 28, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,274	2,274	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 3)	September 30, 2019	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,316	1,316	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,218	1,218					
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 5	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 3)	February 6, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			July 31, 2017 (Millions of yen)	January 31, 2018 (Millions of yen)					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2013	188	188	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		174	174					
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 3)	June 30, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 3)	June 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 3)	June 30, 2020	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Resona Bank, Limited.		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 18, 2013	3,900	3,900	1.4 (Note 3)	October 18, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 3)	December 29, 2023	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	700	700	1.3	August 6, 2024	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 3)	February 6, 2024	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	500	500	1.0 (Note 3)	August 5, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 6, 2014	451	451	0.9 (Note 3)	February 4, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		417	417					
	Sumitomo Mitsui Trust Bank, Limited		331	331					
	Development Bank of Japan Inc.	March 13, 2014	1,000	1,000	1.7	March 13, 2026	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	376	376	1.7 (Note 3)	March 13, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		348	348					
	Sumitomo Mitsui Trust Bank, Limited		276	276					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 13, 2014	601	601	1.3 (Note 3)	March 13, 2024	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		556	556					
	Sumitomo Mitsui Trust Bank, Limited		441	441					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,350	1,350	1.0	March 14, 2025	Lump sum	Note 5	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 16, 2015	850	850	1.0 (Note 3)	March 14, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 16, 2015	1,334	1,334	0.9 (Note 3)	September 13, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,235	1,235					
	Sumitomo Mitsui Trust Bank, Limited		979	979					
	The Chugoku Bank, LTD.	March 16, 2015	700	700	0.7 (Note 3)	September 15, 2022	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 5	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2015	1,500	1,500	1.0	March 31, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2015	432	432	0.9 (Note 3)	September 30, 2024	Lump sum	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		400	400					
	Sumitomo Mitsui Trust Bank, Limited		317	317					
	Mizuho Bank, Ltd.	April 15, 2016	800	800	0.5 (Note 3)	March 31, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	April 15, 2016	800	800	0.5	March 31, 2026	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 31, 2016	2,000	2,000	0.4	August 31, 2026	Lump sum	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 17, 2017	1,600	1,600	0.5	August 15, 2025	Lump sum	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2017	1,693	1,693	0.6	March 6, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,561	1,561					
	Sumitomo Mitsui Trust Bank, Limited		1,244	1,244					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 6, 2017	1,129	1,129	0.7	September 4, 2026	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,041	1,041					
	Sumitomo Mitsui Trust Bank, Limited		829	829					
	Sumitomo Mitsui Banking Corporation	March 6, 2017	1,500	1,500	0.5	March 6, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			July 31, 2017 (Millions of yen)	January 31, 2018 (Millions of yen)					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 17, 2017	1,090	1,090	0.6	September 17, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		800	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 17, 2017	1,000	1,000	0.5	March 17, 2026	Lump sum	Note 5	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 17, 2017	1,000	1,000	0.9	March 16, 2029	Lump sum	Note 5	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 17, 2017	1,500	1,500	0.5	March 17, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 17, 2017	1,000	1,000	0.6	March 17, 2027	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Norinchukin Bank	March 17, 2017	1,000	1,000	0.5	March 17, 2025	Lump sum (Note 4)	Note 5	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2017	2,105	2,105	0.6	September 30, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,948	1,948					
	Sumitomo Mitsui Trust Bank, Limited		1,545	1,545					
	Mitsubishi UFJ Trust and Banking Corporation	March 31, 2017	1,000	1,000	0.7	March 31, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 31, 2017	600	600	0.5	March 31, 2025	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 31, 2017	1,000	1,000	0.7	March 31, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2017	1,300	1,300	0.8	March 30, 2029	Lump sum	Note 6	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 31, 2017	1,200	1,200	0.6	March 31, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 29, 2017	—	1,462	0.3	September 30, 2022	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,329					
	Sumitomo Mitsui Trust Bank, Limited		—	1,009					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 29, 2017	—	1,539	0.7	September 30, 2027	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,399					
	Sumitomo Mitsui Trust Bank, Limited		—	1,062					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 29, 2017	—	1,462	0.9	September 28, 2029	Lump sum (Note 4)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,329					
	Sumitomo Mitsui Trust Bank, Limited		—	1,009					
	Sub-total		121,500	121,500					
	Total		121,500	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 These long-term loans payable are current portion as of January 31, 2018.

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

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

Note 5 The funds were appropriated to acquisition of real estate property, etc.

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

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		July 31, 2017 (Millions of yen)	January 31, 2018 (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 Sendai Taiwa Logistics Center (Extension Building)	December 22, 2017	66	—	—	—	—
Total	—	66	—	—	—	—

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 Sendai Taiwa Logistics Center (Extension Building)	December 22, 2017	66	70	Japan Real Estate Institute	December 15, 2017

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	154,111	NIKKEN CORPORATION	4,459	2.9

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

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

None

## **Financial information**

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

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

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

None

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

None

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

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

None

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

None

## Other information

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

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

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

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

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

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

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 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%
The 21 <sup>st</sup> fiscal period (August 1, 2017 to January 31, 2018)	1,200	599,040	0.3%

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

### 2. Notice

None

### 3. Other

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

## II. Balance sheets

(Thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits	12,329,473	12,976,836
Cash and bank deposits in trust	2,482,111	2,669,286
Rental receivables	164,653	182,669
Prepaid expenses	990,319	470,787
Consumption taxes refundable	427,204	—
Other	177	329
<b>Total current assets</b>	16,393,939	16,299,908
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost	33,067,594	33,277,719
Less: Accumulated depreciation	(5,624,589)	(5,993,602)
Buildings, net	27,443,005	27,284,116
Structures, at cost	93,211	93,211
Less: Accumulated depreciation	(19,700)	(22,669)
Structures, net	73,511	70,542
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	13,575
Less: Accumulated depreciation	(4,211)	(5,031)
Tools, furniture and fixtures, net	9,114	8,544
Land	18,935,436	18,937,009
Construction in progress	2,399	1,433
Buildings in trust, at cost	64,332,447	64,881,829
Less: Accumulated depreciation	(8,999,164)	(9,873,951)
Buildings in trust, net	55,333,283	55,007,877
Structures in trust, at cost	494,285	495,482
Less: Accumulated depreciation	(370,908)	(380,091)
Structures in trust, net	123,376	115,390
Machinery and equipment in trust, at cost	78,484	68,707
Less: Accumulated depreciation	(8,398)	(8,365)
Machinery and equipment in trust, net	70,086	60,342
Tools, furniture and fixtures in trust, at cost	24,224	24,742
Less: Accumulated depreciation	(5,903)	(7,526)
Tools, furniture and fixtures in trust, net	18,320	17,216
Land in trust	122,358,162	122,358,162
Construction in progress in trust	2,400	4,040
<b>Total net property, plant and equipment</b>	224,369,096	223,864,675
<b>Intangible assets:</b>		
Leasehold rights (Note 2)	19,833,966	19,833,966
Other	2,126	1,912
<b>Total intangible assets</b>	19,836,092	19,835,879
<b>Investments and other assets:</b>		
Lease and guarantee deposits	12,654	10,200
Long-term prepaid expenses	1,144,026	1,307,216
Other	5,974	6,783
<b>Total investments and other assets</b>	1,162,654	1,324,199
<b>Total noncurrent assets</b>	245,367,844	245,024,754
<b>Deferred assets:</b>		
Investment unit issuance costs	183,805	125,357
Investment corporation bonds issuance costs	54,208	50,400
<b>Total deferred assets</b>	238,013	175,757
<b>TOTAL ASSETS</b>	261,999,798	261,500,420

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

(Thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable	199,854	299,968
Current portion of long-term loans payable	25,100,000	13,500,000
Accounts payable – other	685,653	479,356
Accrued expenses	136,844	138,309
Income taxes payable	1,205	908
Consumption taxes payable	—	451,795
Advances received	1,896,450	1,484,895
Other	7,276	3,845
<b>Total current liabilities</b>	<b>28,027,284</b>	<b>16,359,078</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bonds – unsecured	10,000,000	10,000,000
Long-term loans payable	96,400,000	108,000,000
Tenant leasehold and security deposits	2,401,707	2,418,564
Tenant leasehold and security deposits in trust	7,710,840	7,816,815
Asset retirement obligations	172,439	172,938
Derivative liabilities	279,195	249,365
Other	262	317
<b>Total noncurrent liabilities</b>	<b>116,964,446</b>	<b>128,658,001</b>
<b>TOTAL LIABILITIES</b>	<b>144,991,731</b>	<b>145,017,080</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital	112,651,215	112,651,215
Capital deduction:		
Allowance for temporary difference adjustment (Note 4)	(307,535)	(279,803)
Total capital deduction	(307,535)	(279,803)
Unitholders' capital, net	112,343,680	112,371,412
Surplus:		
Retained earnings	4,940,608	4,357,510
Total surplus	4,940,608	4,357,510
<b>Total unitholders' equity</b>	<b>117,284,288</b>	<b>116,728,922</b>
<b>Valuation and translation adjustments:</b>		
Deferred gains or (losses) on hedges	(276,221)	(245,581)
<b>Total valuation and translation adjustments</b>	<b>(276,221)</b>	<b>(245,581)</b>
<b>TOTAL NET ASSETS (Note 3)</b>	<b>117,008,066</b>	<b>116,483,340</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>261,999,798</b>	<b>261,500,420</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	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
<b>Operating revenue</b>		
Rent revenue—real estate (Note 5)	10,054,590	8,976,411
Total operating revenue	10,054,590	8,976,411
<b>Operating expenses</b>		
Expenses related to property rental business (Note 5)	3,221,157	2,976,970
Asset management fees	906,068	791,704
Directors' compensations	6,790	5,820
Asset custody fees	8,209	5,879
Administrative service fees	39,945	29,305
Other	84,562	95,521
Total operating expenses	4,266,733	3,905,200
<b>Operating income</b>	5,787,856	5,071,211
<b>Non-operating income</b>		
Interest income	52	72
Interest on refund	182	1,782
Reversal of distribution payable	536	675
Total non-operating income	771	2,530
<b>Non-operating expenses</b>		
Interest expenses	805,083	690,272
Interest expenses on investment corporation bonds	58,102	50,173
Amortization of investment corporation bonds issuance costs	4,442	3,807
Borrowing related expenses	213,443	186,485
Amortization of investment units issuance costs	67,536	58,448
Other	5,062	2,508
Total non-operating expenses	1,153,670	991,695
<b>Ordinary income</b>	4,634,957	4,082,046
<b>Income before income taxes</b>	4,634,957	4,082,046
<b>Income taxes</b>		
Current	1,213	919
Total income taxes	1,213	919
<b>Net income</b>	4,633,743	4,081,126
<b>Retained earnings brought forward</b>	306,864	276,383
<b>Unappropriated retained earnings</b>	4,940,608	4,357,510

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 seven months ended July 31, 2017

	Unitholders' equity							Valuation and translation adjustments		Total net assets
	Unitholders' capital			Surplus						
	Capital deduction			Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	
	Unitholders' capital (Note 3)	Allowance for temporary difference adjustment	Total capital deduction							
Balance as of January 1, 2017	90,823,217	(405,448)	(405,448)	90,417,769	3,848,622	3,848,622	94,266,391	(306,733)	(306,733)	93,959,657
Changes during the period										
Issuance of new investment units	21,827,998	—	—	21,827,998	—	—	21,827,998	—	—	21,827,998
Dividends from surplus	—	—	—	—	(3,442,787)	(3,442,787)	(3,442,787)	—	—	(3,442,787)
Reversal of allowance for temporary difference adjustment	—	98,970	98,970	98,970	(98,970)	(98,970)	—	—	—	—
Dividend in excess of profit from allowance for temporary difference adjustment	—	(1,057)	(1,057)	(1,057)	—	—	(1,057)	—	—	(1,057)
Net income	—	—	—	—	4,633,743	4,633,743	4,633,743	—	—	4,633,743
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	30,512	30,512	30,512
Total changes during the period	21,827,998	97,912	97,912	21,925,911	1,091,985	1,091,985	23,017,896	30,512	30,512	23,048,408
Balance as of July 31, 2017	112,651,215	(307,535)	(307,535)	112,343,680	4,940,608	4,940,608	117,284,288	(276,221)	(276,221)	117,008,066

(Thousands of yen)

**For the six months ended January 31, 2018**

	Unitholders' equity							Valuation and translation adjustments		
	Unitholders' capital			Surplus						
	Capital deduction									
	Unitholders' capital (Note 3)	Allowance for temporary difference adjustment	Total capital deduction	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
Balance as of August 1, 2017	112,651,215	(307,535)	(307,535)	112,343,680	4,940,608	4,940,608	117,284,288	(276,221)	(276,221)	117,008,066
Changes during the period										
Dividends from surplus	—	—	—	—	(4,633,712)	(4,633,712)	(4,633,712)	—	—	(4,633,712)
Reversal of allowance for temporary difference adjustment	—	30,512	30,512	30,512	(30,512)	(30,512)	—	—	—	—
Dividend in excess of profit from allowance for temporary difference adjustment	—	(2,780)	(2,780)	(2,780)	—	—	(2,780)	—	—	(2,780)
Net income	—	—	—	—	4,081,126	4,081,126	4,081,126	—	—	4,081,126
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	30,639	30,639	30,639
Total changes during the period	—	27,731	27,731	27,731	(583,097)	(583,097)	(555,365)	30,639	30,639	(524,725)
Balance as of January 31, 2018	112,651,215	(279,803)	(279,803)	112,371,412	4,357,510	4,357,510	116,728,922	(245,581)	(245,581)	116,483,340

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>July 31, 2017</b>	<b>January 31, 2018</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 ¥172,898 thousand for the seven months ended July 31, 2017. No taxes on property and equipment were capitalized for the six months ended January 31, 2018.

***(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	
	July 31, 2017	January 31, 2018
Authorized	8,000,000 units	8,000,000 units
Issued and outstanding	397,164 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 July 31, 2017 and January 31, 2018 are as follows:

(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.

(Thousands of yen)

#### For the six months ended January 31, 2018:

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	3,837	1,057	2,780	—	3,837	(i)
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	405,448	306,478	—	(30,512)	275,965	(ii)
Total		409,286	307,535	2,780	(30,512)	279,803	

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 July 31, 2017 and January 31, 2018 consist of the following:

	(Thousands of yen)	
	For the fiscal period ended	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
<b>Rent revenue—real estate:</b>		
Rental and parking revenue	9,617,016	8,588,805
Common area charges	321,611	300,987
Other	115,961	86,618
Total rent revenue—real estate	10,054,590	8,976,411
<b>Expenses related to property rental business:</b>		
Property management fees	58,312	66,935
Facility management fees	169,441	154,111
Utilities	331,526	293,243
Property-related taxes	673,088	695,716
Insurance	27,976	23,323
Repair and maintenance	73,214	79,843
Depreciation	1,442,896	1,263,195
Trust fees	16,382	16,581
Leasehold rents	426,529	376,643
Other	1,789	7,375
Total expenses related to property rental business	3,221,157	2,976,970
<b>Operating income from property leasing activities</b>	<b>6,833,432</b>	<b>5,999,441</b>

## Note 6 – Income taxes

Deferred tax assets consist of the following:

	(Thousands of yen)	
	As of	
	July 31, 2017	January 31, 2018
Deferred tax assets, current:		
Enterprise tax payable	17	10
Subtotal	17	10
Valuation allowance	(17)	(10)
Total	—	—
Net deferred tax assets, current	—	—
Deferred tax assets, noncurrent:		
Asset retirement obligations	54,473	54,631
Deferred losses on hedges	87,258	77,579
Subtotal	141,732	132,210
Valuation allowance	(141,732)	(132,210)
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	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
Statutory tax rates	31.74%	31.74%
Deductible cash distributions	(31.75)	(31.75)
Other	0.04	0.03
Effective tax rates	0.03%	0.02%

## **Note 7 – 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 July 31, 2017 and January 31, 2018.

(Thousands of yen)

	As of					
	July 31, 2017			January 31, 2018		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	12,329,473	12,329,473	—	12,976,836	12,976,836	—
(2) Cash and bank deposits in trust	2,482,111	2,482,111	—	2,669,286	2,669,286	—
Total assets	14,811,585	14,811,585	—	15,646,122	15,646,122	—
(1) Current portion of long-term loans payable	25,100,000	25,247,694	147,694	13,500,000	13,519,444	19,444
(2) Investment corporation bonds—unsecured	10,000,000	10,270,320	270,320	10,000,000	10,252,880	252,880
(3) Long-term loans payable	96,400,000	99,367,624	2,967,624	108,000,000	110,926,019	2,926,019
(4) Tenant leasehold and security deposits in trust	724,566	712,085	(12,480)	717,066	706,975	(10,090)
Total liabilities	132,224,566	135,597,724	3,373,157	132,217,066	135,405,320	3,188,253
Derivative (derivative liabilities), net	(276,221)	(276,221)	—	(245,581)	(245,581)	—

Note (i): The methods and assumption used to estimate fair value are as follows:

Assets

*(1) Cash and bank deposits and (2) Cash and bank deposits in trust*

Because of their short maturities, the carrying amounts approximate their fair value.

Liabilities

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

*(2) Investment corporation bonds—unsecured*

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

*(4) 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 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)	-

**As of January 31, 2018**

(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	(245,581)	Note (b)
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	47,700,000	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, (1) Current portion of long-term loans payable and (3) 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	
	July 31, 2017	January 31, 2018
Tenant leasehold and security deposits	2,401,707	2,418,564
Tenant leasehold and security deposits in trust	6,986,273	7,099,748
Total liabilities	9,387,981	9,518,313

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 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	-	-	-	-	-

(Thousands of yen)						
As of January 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,976,836	-	-	-	-	-
Cash and bank deposits in trust	2,669,286	-	-	-	-	-
Total	15,646,122	-	-	-	-	-

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

(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

(Thousands of yen)						
As of January 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds—unsecured	-	-	-	-	5,000,000	5,000,000
Long-term loans payable	13,500,000	7,900,000	4,000,000	-	12,200,000	83,900,000
Total	13,500,000	7,900,000	4,000,000	-	17,200,000	88,900,000

## Note 8 – 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 July 31, 2017 and January 31, 2018.

	(Thousands of yen)	
	As of / For the fiscal period ended	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	210,342,809	244,203,926
Net increase during the period <sup>(ii)</sup>	33,861,117	504,459
Balance at the end of the period	244,203,926	243,699,467
<b>Fair value<sup>(iii)</sup></b>	286,807,000	288,123,000

Note:

(i) The net book value includes leasehold rights.

(ii) Changes in the net book value are mainly due to the following transactions (except for depreciation):  
For the seven months ended July 31, 2017:

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

For the six months ended January 31, 2018:

Acquisitions:	Increase in net book value (Thousands of yen)
IIF Sendai Taiwa Logistics Center (Extension Building)	68,739

(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 July 31, 2017 and January 31, 2018, please refer to “Note



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

## Note 9 – Restriction on Asset Management

None

## Note 10 – Asset retirement obligations

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

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

Movements of asset retirement obligations are as follows:

	(Thousands of yen)	
	As of / For the fiscal period ended	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
Balance at the beginning of the period	171,867	172,439
Adjustment for passage of time	572	498
Balance at the end of the period	172,439	172,938

### *(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 11 – Related-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 are unsecured.
- (ii) The terms and conditions of interest rate swap contracts are decided based on third party transactions.

### For the six months ended January 31, 2018:

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 long-term loans payable	3,080,000	Current portion of long-term loans payable <sup>(i)</sup>	2,350,000
				Borrowing of long-term loans payable <sup>(i)</sup>	3,080,000	Long-term loans payable <sup>(i)</sup>	15,365,000
				Interest expenses <sup>(i)</sup>	97,184	Accrued expenses	17,347
				—	—	Derivative liabilities <sup>(ii)</sup>	249,365

Notes:

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

## Note 12 – Per unit information

The Investment Corporation executed a four-for-one unit split (the “Unit Split”) with February 1, 2018 as the effective date for the Unit Split. Following table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on August 1, 2017.

	(Yen)
<b>As of / For the six months ended</b>	
<b>January 31, 2018</b>	
Pro forma net asset value per unit	73,321
Pro forma net income per unit	2,568

The pro forma net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period as if the Unit Split had been effective on August 1, 2017. 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 six months ended</b>
	<b>January 31, 2018</b>
Net income	4,081,126
Effect of dilutive unit	-
Net income attributable to common unitholders	4,081,126
Adjusted weighted-average number of units outstanding for the period	1,588,656 units

Per unit information for the seven months ended July 31, 2017 was as follows:

	(Thousands of yen)
	<b>As of / For the seven months ended</b>
	<b>July 31, 2017</b>
Net asset value per unit	294,608
Net income per unit	11,948
Net income	4,633,743
Effect of dilutive unit	-
Net income attributable to common unitholders	4,633,743
Weighted-average number of units outstanding for the period	387,822 units

## Note 13 – Subsequent events

### *Unit split*

The Investment Corporation executed a four-for-one unit split (the “Unit Split”) with January 31, 2018 as the record date and February 1, 2018 as the effective date for the Unit Split.

#### *(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 was 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

For pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on the beginning of the six months ended January 31, 2018, please refer to “Note 12 – Per unit information.”

### ***Issuance of new investment units***

The Board of Directors of the Investment Corporation, at its meeting held on February 20, 2018 and February 28, 2018, 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:

109,275 investment units, out of which 53,600 new units to be offered through the Domestic Public Offering and 55,675 new units to be offered through the Overseas Offering consisting of 53,600 new units to be underwritten and purchased by overseas underwriters and 2,075 new units to be additionally issued pursuant to an option (maximum of 2,600 units) granted to the overseas underwriters.

(ii) Issue price (Offer price): ¥119,437 per unit

(iii) Total issue price (Total offer price): ¥13,051,478,175

(iv) Issue value (Amount to be paid in): ¥115,517 per unit

(v) Total issue value (Total amount to be paid in): ¥12,623,120,175

(vi) Payment date: March 7, 2018

(vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on February 1, 2018 and ending on July 31, 2018.

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

(i) Number of new investment units: 2,600 units

(ii) Issue value (Amount to be paid in): ¥115,517 per unit

(iii) Total issue value (Total amount to be paid in): ¥300,344,200

(iv) Payment date: Scheduled on April 4, 2018

(v) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on February 1, 2018 and ending on July 31, 2018.

(iv) Allottee: SMBC Nikko Securities Inc.

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 defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations.)

As a result of the Offerings, unitholders' capital increased to ¥125,274,336,084 and number of investment units issued and outstanding increased to 1,697,931 units on March 7, 2018.

## Note 14 – Information on allowance for temporary difference adjustments

Changes of temporary difference subject to allowance for temporary difference adjustment for the fiscal period ended July 31, 2017 and January 31, 2018 are as follows:

(Thousands of yen)				
Period	Item	Reason for changes of temporary difference	Amount for allowance (or reversal)	Note
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)
For the six months ended January 31, 2017	Buildings in trust	Excess of depreciation allowance	2,382	(i)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(30,639)	(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	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
I Unappropriated retained earnings	4,940,608,248	<b>4,357,510,597</b>
II Distributions in excess of profit	2,780,148	<b>2,382,984</b>
Allowance for temporary difference adjustment	2,780,148	<b>2,382,984</b>
III Capitalization	30,512,052	<b>30,639,769</b>
Reversal of allowance for temporary difference adjustment	30,512,052	<b>30,639,769</b>
III Cash distribution declared	4,636,492,536	<b>4,083,640,248</b>
<i>(Cash distribution declared per unit)</i>	<i>(11,674)</i>	<i>(10,282)</i>
Profit distributions	4,633,712,388	<b>4,081,257,264</b>
<i>(Profit distributions per unit)</i>	<i>(11,667)</i>	<i>(10,276)</i>
Allowance for temporary difference adjustment	2,780,148	<b>2,382,984</b>
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustment)</i>	<i>(7)</i>	<i>(6)</i>
IV Retained earnings carried forward	276,383,808	<b>245,613,564</b>

Note:

*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.

*For the six months ended January 31, 2018:*

Cash distributions declared for the six months ended January 31, 2018 were ¥4,083,640,248.

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 January 31, 2018 were ¥4,081,257,264 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 January 31, 2018 were amounting to ¥2,382,984 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 January 31, 2018 amounting to ¥2,382,984 consist only of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unitcapital refund from deduction of unitcapital under tax rules is not included.

**Note**

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended January 31, 2018 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	
	July 31, 2017 (seven months)	January 31, 2018 (six months)
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes	4,634,957	4,082,046
Depreciation and amortization	1,442,896	1,263,195
Amortization of investment corporation bonds issuance costs	4,442	3,807
Amortization of investment unit issuance costs	67,536	58,448
Interest income	(52)	(72)
Interest expenses	863,186	740,446
Changes in assets and liabilities:		
Increase in operating accounts receivable	(6,958)	(18,015)
Decrease (increase) in consumption taxes refundable	(399,496)	420,083
Decrease (increase) in prepaid expenses	(482,543)	519,532
Decrease (increase) in long-term prepaid expenses	(313,713)	(163,189)
Increase in operating accounts payable	(25,086)	22,606
Increase (decrease) in accounts payable – other	207,217	(152,204)
Increase (decrease) in accrued expenses	(4,937)	434
Increase (decrease) in consumption taxes payable	(24,546)	451,795
Increase (decrease) in advances received	528,943	(411,554)
Decrease in other noncurrent liabilities	(8,560)	55
Other, net	(16,532)	5,531
Subtotal	6,466,751	6,822,944
Interest income received	52	72
Interest expenses paid	(738,061)	(739,415)
Income taxes paid	(872)	(1,217)
Net cash provided by operating activities	5,727,869	6,082,385
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment	(1,319,121)	(188,275)
Purchases of property, plant and equipment in trust	(34,136,069)	(544,908)
Payments of intangible assets	(1,275)	—
Proceeds from tenant leasehold and security deposits	145,068	16,946
Payments of tenant leasehold and security deposits	—	(90)
Proceeds from tenant leasehold and security deposits in trust	576,539	113,474
Payments of tenant leasehold and security deposits in trust	(126,816)	(7,500)
Proceeds from lease and guarantee deposits	—	2,545
Payments for lease and guarantee deposits	(212)	(90)
Net cash used in investing activities	(34,861,886)	(607,898)
<b>Net cash provided by (used in) financing activities:</b>		
Repayments of short-term loans payable	(10,700,000)	—
Proceeds from long-term loans payable	32,700,000	11,600,000
Repayments of long-term loans payable	(9,000,000)	(11,600,000)
Payments of investment corporation bonds issuance costs	(1,240)	—
Proceeds from issuance of investment units	21,647,034	—
Dividends paid	(3,444,513)	(4,636,779)
Other	(1,160)	(3,170)
Net cash provided by (used in) financing activities	31,200,119	(4,639,949)
<b>Net change in cash and cash equivalents</b>	2,066,102	834,537
<b>Cash and cash equivalents at beginning of period</b>	12,745,483	14,811,585
<b>Cash and cash equivalents at end of period <sup>(ii)</sup></b>	14,811,585	15,646,122

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	
	July 31, 2017	January 31, 2018
Cash and bank deposits	12,329,473	12,976,836
Cash and bank deposits in trust	2,482,111	2,669,286
Cash and cash equivalents	14,811,585	15,646,122