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Industrial & Infrastructure Fund Investment Corporation

22nd Period Asset Management Report

(Semi-Annual Report)

February 1, 2018 – July 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 22nd Fiscal Period (Result: February 1, 2018 – July 31, 2018) 2,716 yen
- The 23rd Fiscal Period (Forecast: August 1, 2018 – January 31, 2019) 2,680 yen

Highlight of the 22nd Period

	The 19 th period	The 20 th period	The 21 st period	The 22nd period	The 23 rd period (Forecast)
Operating Revenue (million yen)	8,069	10,054	8,976	9,686	9,789
Net Income (million yen)	3,442	4,633	4,081	4,612	4,552
Total Asset (million yen)	224,749	261,999	261,500	289,221	-
Distribution per Unit (yen) ^{(Note1)(Note2)}	9,768 (2,442)	11,674 (2,918)	10,282 (2,570)	2,716	2,680
Net Asset Value per Unit (yen) ^(Note3)	266,503	294,608	293,287 (73,321)	76,385	-

(Note1) The figures for the 19th, 20th, 21st, 22nd, and 23rd 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.

Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support.

This report provides an update on IIF's performance for the fiscal period ended July 31, 2018 (the 22nd period). In this period, IIF acquired 10 properties (total acquisition price: 21.3 billion yen) by using the approximately 12.7 billion yen raised through our seventh public offering conducted in February 2018 as well as loans totaling 20.8 billion yen (new loans of 7.3 billion yen and refinanced loans of 13.5 billion yen). Ahead of the public offering, we also acquired three properties. These additions brought the total number of properties under management to 66 and the total asset size to 274.7 billion yen (on an acquisition price basis) as of the end of this period.

With regards to existing properties, we revised or renewed lease agreements with existing tenants following their expiration, and raised rent for IIF Fukuoka Hakozaki Logistics Center. As part of our sustainability initiatives, we also installed LED lighting equipment at IIF Kazo Logistics Center, IIF Koshigaya Logistics Center, and IIF Noda Logistics Center, thereby promoting measures aimed at reducing environmental impacts.

In financial matters, when conducting the public offering, we obtained new and refinanced loans with an average borrowing period of 8.9 years to improve the stability of our financial foundations by implementing longer term, fixed interest borrowings and reducing interest rate costs.

As a result of these activities, the distribution per unit (including distribution in excess of profit) was 2,716 yen. IIF will steadily enhance the value of quality assets in the portfolio and secure stable profits, while stepping up initiatives for ESG (Environment, Social and Governance), which has been growing in importance year by year, with the aim of maximizing unitholder value. 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 22nd period

- Raised approximately 12.7 billion yen through the issuance of new investment units at the seventh public offering conducted in February 2018
- Acquired 13 new properties (including five properties of additional co-ownership interest acquisitions), thereby increasing the asset scale to 274.7 billion yen
- Made steady progress in development of two properties for which preferential negotiation rights have been acquired
- Received new CASBEE Real Estate certification for three properties

Summary of the 22nd Period (Fiscal Period Ended July 31, 2018)

In this period, operating revenue was 9,686 million yen (increase of 709 million yen from the previous period), and net income was 4,612 million yen (increase of 531 million yen from the previous period). The results were mainly due to the profits generated by the 10 properties acquired through the public offering and contribution by the three properties that were acquired in January 2018 and brought into operation.

As a result, the distribution per unit increased by 146 yen¹ from the previous period to 2,716 yen (including distribution in excess of profit of one yen per unit). Net asset value (NAV) per unit² also increased by 2,998 yen from the previous fiscal period to 101,870 yen.

IIF's portfolio as of July 31, 2018 comprised IIF 66 properties worth 274.7 billion yen (based on acquisition price) with total leasable area of 1,469,821.16 m² and an occupancy rate of 99.8%³. The average remaining lease term is 9.0 years. These long-term lease agreements have helped us to continuously secure stable management with long-term growth in mind.

Prospect for the 23rd Period (Fiscal Period Ending January 31, 2019) and Future Management Policies

We forecast an operating revenue of 9,789 million yen, net income of 4,552 million yen, and a distribution per unit of 2,680 yen (including distribution in excess of profit of one yen) for the fiscal period ending January 31, 2019 (the 23rd period).

As Japan's only REIT specializing in industrial properties⁴, IIF has cultivated manufacturing and research facilities and infrastructure facilities—new asset classes with few competitors—and other sectors based upon its unique Corporate Real Estate (CRE) proposals⁵. Capitalizing on the know-

how accumulated through such proposals, we continuously acquire quality assets with high profitability. In light of the current increase in acquisition of assets based on these CRE proposals, we have also been steadily building track records in initiatives for development projects and extension projects aimed at enhancing the asset value of properties held. We look forward to receiving unitholders' continued understanding and support for IIF's activities.

*1 As IIF executed a four-for-one unit split on February 1, 2018, the comparison was made with the figure of 2,570 yen obtained by dividing a distribution per unit of 10,282 yen for the fiscal period ended January 31, 2018 (21st period) by four and discarding numbers after the decimal point.

*2 NAV per unit is based on the appraisal value (or researched value) as of the end of the most recent fiscal period. As IIF executed a four-for-one unit split on February 1, 2018, the comparison was made with the figure of 98,872 yen obtained by dividing NAV per unit of 395,490 yen for the fiscal period ended January 31, 2018 (21st period) by four and discarding numbers after the decimal point.

*3 Figures are rounded to the nearest first decimal place.

*4 "Industrial properties" is a collective term for properties that serve as bases for a range of industrial activities such as research and development, raw material procurement, stockpiling, storage, manufacturing, production, intercompany distribution, assembly and processing, sale distribution, and recycling, and infrastructure properties that serve as bases for supporting these industrial activities.

*5 "CRE" is the abbreviation for Corporate Real Estate, which refers to properties owned by companies. To contribute to solving managerial and operational issues and needs of private-sector companies and public institutions, IIF purses CRE strategy that involves making proposals for optimum and efficient management of such property holdings, and works on projects for developing plants, research facilities, and other properties.

Greetings from the New President

I assumed the role of president and CEO of Mitsubishi Corp.-UBS Realty Inc., the asset manager of Industrial & Infrastructure Fund Investment Corporation (IIF), as of April 1, 2018. Under the strong leadership of its past three presidents, IIF has worked continuously on expanding its asset scale and profits and has built a firm foundation as the only J-REIT specializing in industrial properties. Regarding future management, we will make our utmost efforts to achieve further growth, while carrying on the strategy adopted to date, towards the maximization of unitholder value. We look forward to continued guidance and encouragement from unitholders.

Aspirations as the New President

Among the approximately 60 J-REITs that currently exist, IIF is the only REIT specializing in industrial properties. Since it was established in 2007 under the philosophy of supporting Japan's industrial activities from the perspective of real estate through investment in social infrastructure that serves as a source for generating the power of the Japanese economy, IIF has invested in properties that serve as bases for all kinds of industrial activities, such as logistics and manufacturing facilities, plants, research and development facilities, and infrastructure facilities. We will continue to conduct stable management, capitalizing on our wealth of investment experience accumulated over a period of more than 10 years.

Management policies

As the only J-REIT specializing in industrial properties, IIF has worked on property sourcing centered on CRE and PRE* and has acquired a large number of properties that become a stable source of profits by directly incorporating CRE needs of various companies through negotiations. We will further deepen and develop this strength, thereby continuing to achieve external growth, while working on new development projects based on the favorable relationships with tenants and experience in leasing, extension and rebuilding of property holdings that we have nurtured over the past more than 10 years. We will also engage in active management to enhance unitholder value, including the implementation of environmentally friendly measures to meet social demands that have grown in recent years.

* "PRE" is the abbreviation for Public Real Estate, and refers to the idea of promoting appropriate and efficient management and operation of public properties for revitalization of the economy and healthier finances while taking into account public interest and welfare.

IIF's External Growth:

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

IIF acquired 13 properties worth 28.1 billion yen in the fiscal period ended July 31, 2018 (the 22nd period) through continuous initiatives for CRE (Corporate Real Estate) proposals, a strength of IIF. By continuing to make CRE proposals going forward, IIF will work on investment in new asset classes, including plants and research facilities.

Major Properties Acquired in the 22nd Period

IIF Atsugi Manufacturing Center (land with leasehold interest)

CRE

- The new plant of Ichikoh Industries, Ltd., a 115-year-old automotive-parts, mainly head lamps, manufacturer, that is planned to construct the base plant for their main product, automobile headlamps. (Production function is planned to be transferred from Isehara manufacturing plant.) IIF has accurately identified the company's need for new construction of a plant on an off-balance sheet basis and has been granted preferential negotiation rights with respect to the acquisition of the plant after its development



■ Assembly line (Oita factory, Kyushu Ichikoh Industries)



(Note 1) This is a rendering reflecting the image of the building as expected to be completed, which may differ from the actual building upon completion.

(Note 2) Please note that although IIF has obtained preferential negotiation rights with respect to the acquisition of the building, but no decision has been made with respect to acquisition, and IIF cannot assure that IIF will be able to acquire the building in the future.

IIF Kobe Nishi Logistics Center (land with leasehold interest)

PRE

CRE

- IIF acquired the facility (land with leasehold interest) by making dual proposals—a PRE proposal for Kobe City's need to sell the land and a CRE proposal to Kohnan Shoji Co., Ltd., the tenant, in light of the company's need for a long-term lease of the facility



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 22nd Period

IIF Fukuoka Hakozaki Logistics Center II

Extension



- IIF increased profitability through an extension project within the site after identifying tenants' needs to set up a new logistics service hub and ensuring contracts with tenants

IIF Shinsuna Logistics Center

Lease Renewal

Following the expiration of the term of the normal lease contract with the existing tenant, Sagawa Express, the lease period was extended to 20 years in a memorandum of amendment entered into as of July 15, 2018 after negotiation of revisions to the conditions of the contract



IIF Fukuoka Hakozaki Logistics Center I

Lease Renewal

Identifying existing tenant Fukuoka Soko's need for floor space, IIF concluded a new periodic building lease contract for the area that had been used by Sagawa Express



Scheduled Completion Time for Development Plans

IIF has worked continuously on development plans for the purpose of acquiring highly profitable properties and expanding its acquisition pipeline. We have started working on a development plan for Hiroshima Seifushinto Logistics Center, in addition to the plans for Gifu Kakamigahara Logistics Center and IIF Atsugi Manufacturing Center announced in February 2018.



(Note 1) This is a rendering reflecting the image of the building as expected to be completed, which may differ from the actual building upon completion.

(Note 2) Please note that although IIF has obtained preferential negotiation rights with respect to the acquisition of the building, but no decision has been made with respect to acquisition, and IIF cannot assure that IIF will be able to acquire the building in the future.

(Note 3) "3PL Company" refers to logistics companies which handle outsourced logistics function for client businesses. The same shall apply hereinafter.

Financial Initiatives of IIF

In this period, IIF obtained new long-term loan of 20.8 billion yen with respect to the seventh public offering announced on February 20, 2018. The average applicable interest rate is slightly down by 0.15% compared to the previous fiscal period. As a result of the new borrowing, the percentages of long-term and fixed-interest rate borrowings were 100% and 100%, respectively, with an average applicable interest rate of 0.95% and an average of 6.5 years remaining until maturity. The loan to value (LTV) rate was 50.1%.

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.

IIF's Sustainability Management

◆ Inclusion in the MSCI Japan ESG Select Leaders Index

IIF has been included in the MSCI Japan ESG^{*1} 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.



2018 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 2018 by MSCI, the index covers the top 500 equities from its 1,283 constituents in the MSCI Japan Investable Market Index (IMI), and selects 251 equities with outstanding ESG ratings.

*1 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.

◆ Third-Party Evaluation and Certifications

GRESB Real Estate Assessment

Awarded the “Green Star”, GRESB's (Global Real Estate Sustainability Benchmark) highest award, for six consecutive years. The measures implemented from the past including proactive information disclosures on website related to sustainability, new measures such as improvement of corporate governance and diversity inclusion were recognized. IIF also awarded four stars under the GRESB rating system (five-star scale).



CASBEE

IIF has been promoting environmental and energy conservation measures as well as the efficient use of energy in its properties for the effort to strengthen environmental consciousness and reduce environmental load. As the result of such measures, IIF Fukuoka Hakozaki Logistics Center II, IIF Kashiwa Logistics Center, and IIF Iruma Logistics Center received “CASBEE for Real Estate Certification” in July 2018.



BELS

As of the end of July 2018, eight properties in IIF's portfolio were awarded BELS Certification.



DBJ Green Building Certification

As of the end of July 2018, five properties have received the DBJ Green Building 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



ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			18th	19th	20th	21st	22nd
As of /for the six months ended			June 30, 2016	December 31, 2016	July 31, 2017 (Note 1)	January 31, 2018	July 31, 2018
Operating revenues	Note 2	(Millions of yen)	7,886	8,069	10,054	8,976	9,686
(Rental revenues)	Note 2	(Millions of yen)	(7,886)	(8,022)	(10,054)	(8,976)	(9,686)
Operating expenses	Note 2	(Millions of yen)	3,547	3,652	4,266	3,905	4,132
(Rental expenses)	Note 2	(Millions of yen)	(2,763)	(2,797)	(3,221)	(2,976)	(3,135)
Operating income		(Millions of yen)	4,338	4,416	5,787	5,071	5,553
Ordinary income		(Millions of yen)	3,382	3,443	4,634	4,082	4,614
Net income	(a)	(Millions of yen)	3,381	3,442	4,633	4,081	4,612
Net assets	(b)	(Millions of yen)	93,799	93,959	117,008	116,483	129,765
(Period-on-period change)		(%)	(-0.0)	(0.2)	(24.5)	(-0.4)	(11.4)
Total assets	(c)	(Millions of yen)	216,639	224,749	261,999	261,500	289,221
(Period-on-period change)		(%)	(0.4)	(3.7)	(16.6)	(-0.2)	(10.6)
Unitholders' capital	Note 4	(Millions of yen)	90,823	90,823	112,651	112,651	125,376
(Period-on-period change)		(%)	(—)	(—)	(24.0)	(—)	(11.3)
Number of units issued and outstanding	(d)	(Units)	352,564	352,564	397,164	397,164	1,698,816
Net asset value per unit	Note 5	(b)/(d) (Yen)	266,048	266,503	294,608	73,321	76,385
Total distributions	(e)	(Millions of yen)	3,381	3,443	4,636	4,083	4,613
Distribution per unit	(e)/(d)	(Yen)	9,590	9,768	11,674	10,282	2,716
(Profit distribution per unit)		(Yen)	(8,440)	(9,765)	(11,667)	(10,276)	(2,715)
(Distribution per unit in excess of profit)		(Yen)	(1,150)	(3)	(7)	(6)	(1)
Ratio of ordinary income to total assets	Note 6	(%)	1.6 (3.1)	1.6 (3.1)	1.9 (3.3)	1.6 (3.1)	1.7 (3.4)
Return on unitholders' equity	Note 6	(%)	3.6 (7.2)	3.7 (7.3)	4.4 (7.6)	3.5 (6.9)	3.7 (7.6)
Ratio of net assets to total assets	(b)/(c)	(%)	43.3	41.8	44.7	44.5	44.9
(Period-on-period change)		(%)	(-0.2)	(-1.5)	(2.9)	(-0.2)	(0.4)
Payout ratio	(e)/(a)	(%)	88.0	100.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 6	(Millions of yen)	6,206	6,355	8,276	7,262	7,882
Net profit margin	Note 6	(%)	42.9	42.7	46.1	45.5	47.6
Debt service coverage ratio	Note 6	(Multiple)	7.4	7.3	8.1	8.3	9.7
Funds from operation (FFO) per unit	Note 6	(Yen)	12,663	12,839	15,300	13,456	3,499
FFO multiples	Note 6	(Multiple)	22.5	21.9	18.9	18.7	17.1
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 7	(Yen)	8,415	9,655	11,451	10,057	2,680
FFO per unit after adjustment for taxes on property, plant and equipment	Note 7	(Yen)	12,638	12,729	15,083	13,237	3,464

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

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 using the formulas below. Percentages in parentheses are annualized using 182,184,212,184 and 181 days for the 18th, 19th, 20th, 21st and 22nd fiscal period, respectively. FFO multiples are unaudited.

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

Note 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 April 26, 2018), 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 66 properties whose total acquisition price amounted to 274,764 million yen as of July 31, 2018.

ii. Investment environment and management performance

During this fiscal period (February to July 2018), the Japanese economy performed well. Gross domestic product (GDP), which had maintained positive growth for eight consecutive quarters, recorded negative growth for January to March 2018 for the first time in nine quarters, but despite this, returned to positive growth for April to June 2018 (second preliminary release of September 10, 2018). Amid strong performance of the corporate sector, increases in capital investment contributed to the positive growth. In addition, consumer spending has also turned positive due to an improvement in consumer confidence.

In the J-REIT market, although the start of the period was weak, in part affected by a decline in global stock markets due to concerns of an interest rate rise in the U.S., financing and property acquisitions were

both active. During the first quarter of 2018 (January–March), funds raised through public offerings totaled approximately 280 billion yen, exceeding the amount for the same period of the previous year. From April onwards, concerns about such risks as the North Korea problem and the US-China trade war made the stock markets and foreign exchange markets more volatile. The J-REIT market, though, was recognized for its defensiveness and sense of being undervalued, and so funds flowed in and the market remained strong. In the second half of July toward the end of this period, as yields on 10-year Japanese government bonds (JGBs) started to rise amid speculation that the Bank of Japan (BOJ) might adjust its monetary policy to address the side effects of its prolonged monetary easing, the Tokyo Stock Exchange (TSE) REIT Index pointed to a downward trend. However, as a result of the Monetary Policy Meeting of July 31, it was announced that monetary easing would be maintained, and the BOJ intervened with a buying operation against the rising 10-year JGB yields. This has worked to placate concerns about rising JGB yields, and the TSE REIT Index also appears to be recovering.

Under this environment, IIF has continued to pursue property-sourcing activities based on a Corporate Real Estate (CRE) proposal, an approach in which IIF has strengths. During this fiscal period, IIF acquired the following 10 properties with a public offering: IIF Itabashi Logistics Center (acquisition price: 686 million yen / 40% co-ownership interest), IIF Osaka Suminoe Logistics Center I (acquisition price: 3,025 million yen / 25% co-ownership interest), IIF Osaka Suminoe Logistics Center II (acquisition price: 635 million yen / 25% co-ownership interest), IIF Sapporo Logistics Center (acquisition price: 2,480 million yen), IIF Hiroshima Manufacturing Center (land with leasehold interest) (acquisition price: 1,608 million yen), IIF Totsuka Manufacturing Center (land with leasehold interest) (acquisition price: 2,300 million yen), IIF Hitachinaka Port Logistics Center (land with leasehold interest) (acquisition price: 1,145 million yen), IIF Koriyama Logistics Center (acquisition price: 2,585 million yen), IIF Kobe Nishi Logistics Center (land with leasehold interest) (acquisition price: 1,960 million yen), and IIF Atsugi Manufacturing Center (land with leasehold interest) (acquisition price: 4,940 million yen). In addition, IIF acquired: IIF Fukuoka Hakozaki Logistics Center I (acquisition price: 2,055 million yen / 40% co-ownership interest), IIF Fukuoka Hakozaki Logistics Center II (acquisition price: 3,593 million yen / 40% co-ownership interest), and IIF Fukuoka Hakozaki Logistics Center II (Extension Building) (acquisition price: 1,135 million yen), bringing the total for the period to 13 properties (total acquisition price: 28,147 million yen).

As a result, the properties IIF owned as of July 31, 2018 consisted of 43 logistics facilities, 14 manufacturing, R&D and other facilities and nine infrastructure facilities, whose total acquisition price amounted to 274,764 million yen. The total leasable area as of July 31, 2018 was 1,469,821.16 m², and the average occupancy rate was 99.8%.

iii. Funding

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

a) Equity Financing

Continuing on from last year, IIF announced a public offering in February 2018, issuing 110,160 new

investment units (including third-party allotment in conjunction with a secondary offering through over-allotment) and procuring 12,725 million yen with the aim of financing to acquire new properties. As a result, the number of issued investment units reached 1,698,816 as of the end of this fiscal period.

b) Debt Financing

As for funding for interest-bearing debt for this fiscal period, IIF obtained new long-term loans of 6.0 billion yen (average term to maturity: 9.1 years) in February and 7.3 billion yen (average term to maturity: 8.1 years) in March 2018, each at fixed interest rates, with the aim of acquiring new properties. Furthermore, IIF obtained new long-term loans of 5.0 billion yen in February and 8.5 billion yen in March 2018, totaling 13.5 billion yen (average term to maturity: 9.3 years) at fixed interest rates, and repaid long-term loans for the same amount that came due on the same day. Through new loans and 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 July 31, 2018, IIF's total interest-bearing debt was 144,800 million yen, which was comprised of 134,800 million yen in long-term loans (including long-term loans to be repaid within one year), and 10,000 million yen in investment corporation bonds.

iv. Overview of financial results and distributions

As a result of the above management activities, IIF recorded operating revenue of 9,686 million yen, operating income of 5,553 million yen, ordinary income of 4,614 million yen and net income of 4,612 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 4,612,285,440 yen, which was all profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deducting the provision of an allowance for temporary difference adjustments and excluding fractional distributions of less than one yen per unit. In addition, the Investment Corporation makes distributions in excess of profit in amounts determined by the Investment Corporation considering the effects of taxable income in excess of accounting income and items deducted from net assets on distribution amounts. For this fiscal period, distributions related to the allowance for temporary difference adjustments stood at 1,698,816 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 2,716 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 investment units issued and outstanding		Unitholders' capital (Millions of yen) (Note 1)		Note
		Increase	Balance	Increase	Balance	
February 3, 2014	Public offering	8,884	165,316	6,888	79,326	Note 2
March 4, 2014	Allocation of investment units to a third party	216	165,532	167	79,493	Note 3
January 1, 2015	Unit Split	165,532	331,064	-	79,493	Note 4
March 16, 2015	Public offering	20,988	352,052	11,059	90,553	Note 5
March 27, 2015	Allocation of investment units to a third party	512	352,564	269	90,823	Note 6
February 14, 2017	Public offering	43,538	396,102	21,308	112,131	Note 7
March 3, 2017	Allocation of investment units to a third party	1,062	397,164	519	112,651	Note 8
February 1, 2018	Unit Split	1,191,492	1,588,656	-	112,651	Note 9
March 7, 2018	Public offering	109,275	1,697,931	12,623	125,274	Note 10
April 4, 2018	Allocation of investment units to a third party	885	1,698,816	102	125,376	Note 11

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 ¥803,400 per unit (subscription price of ¥775,384 per unit) through a public offering.

Note 3 New investment units were issued at a price of ¥775,384 per unit through the allocation of investment units to a third-party.

Note 4 The Investment Corporation implemented a split of its investment units on a two-for-one basis with December 31, 2014 as the record date for the unit split.

Note 5 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 6 New investment units were issued at a price of ¥526,960 per unit through the allocation of investment units to a third-party.

Note 7 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 8 New investment units were issued at a price of ¥489,417 per unit through the allocation of investment units to a third-party.

Note 9 The Investment Corporation implemented a split of its investment units on a four-for-one basis with January 31, 2018 as the record date for the unit split.

Note 10 New investment units were issued at a price of ¥119,437 per unit (subscription price of ¥115,517 per unit) through a public offering.

Note 11 New investment units were issued at a price of ¥115,517 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	18th	19th	20th	21st	22nd
As of /for the six months ended	June 30, 2016	December 31, 2016	July 31, 2017 (Seven months)	January 31, 2018	July 31, 2018
Highest price	595,000	589,000	567,000	(Note 1) 521,000 (Note 2) 125,400	126,400
Lowest price	499,500	500,000	488,500	(Note 1) 454,000 (Note 2) 122,300	111,800
Closing price at end of period	573,000	557,000	499,000	(Note 2) 124,800	120,600

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 ¥4,612,285,440 which are all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. The Investment Corporation also intends to make ¥1,698,816 of distributions in excess of profit, considering an effect of differences between net income and taxable income and items deducted from net assets, which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of profit less than one yen.

As a result, cash distribution per unit for the seven months ended July 31, 2018 amounted to ¥2,716.

Fiscal period	18th	19th	20th	21st	22nd
As of /for the fiscal period ended	June 30, 2016	December 31, 2016	July 31, 2017 (Seven months)	January 31, 2018	July 31, 2018
Net income (Thousands of yen)	3,381,287	3,442,762	4,633,743	4,081,126	4,612,919
Retained earnings carried forward (Thousands of yen)	405,859	306,864	276,383	245,613	218,599
Total cash distributions (Thousands of yen)	3,381,088	3,443,845	4,636,492	4,083,640	4,613,984
(Cash distribution per unit) (Yen)	(9,590)	(9,768)	(11,674)	(10,282)	(2,716)
Profit distributions (Thousands of yen)	2,975,640	3,442,787	4,633,712	4,081,257	4,612,285
(Profit distribution per unit) (Yen)	(8,440)	(9,765)	(11,667)	(10,276)	(2,715)
Unitcapital refunds (Thousands of yen)	405,448	1,057	2,780	2,382	1,698
(Unitcapital refund per unit) (Yen)	(1,150)	(3)	(7)	(6)	(1)
Unitcapital refunds from allowance for temporary difference adjustment (Thousands of yen)	405,448	1,057	2,780	2,382	1,698
(Unitcapital refund per unit from allowance for temporary difference adjustment) (Yen)	(1,150)	(3)	(7)	(6)	(1)
Unitcapital refunds from deduction of unitcapital under tax rules (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit from deduction of unitcapital under tax rules) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and issues

(1) Outlook for the overall management

The Japanese economy is expected to remain on track for recovery. Despite concerns about a US-China trade war and geopolitical risks, against a backdrop of strong economic conditions worldwide, the employment environment and corporate performance are expected to remain strong, and moderate upward trends are also expected in consumer spending and capital investment. The J-REIT market is also expected to remain strong. Despite the adverse effects of fund outflows from monthly distribution-type domestic investment trusts from the second quarter of 2017, products in the market are recognized for their stable and relatively high returns.

Also in the real estate market, properties have continued to be actively traded amid good conditions for capital

procurement. Even for logistics facilities, despite signs of temporary increases in vacancy rates seen in some areas due to an increase in new supply, there is a balance between supply and demand centered on the Tokyo metropolitan area, and occupancy rates remain high. In the greater Osaka area, although vacancy rates rose temporarily due to the effects of a surge in supply, signs of improvement in the balance of supply and demand are beginning to emerge, buoyed by brisk demand. Properties managed by IIF are also likely to see stable occupancy, given their high versatility and excellent locations.

On the other hand, in addition to the need for automation utilizing AI and other technologies to deal with the shortage of labor, business companies also need to keep pace with changes in technology brought on by advances in IT. Consequently, capital investment is expected to continue trending upward. Amid such an environment, it is expected that there will be an increase in the off-balance-sheet needs of business companies to sell their properties, and IIF also expects to see a rise in investment opportunities through its proposal-based acquisition activities in the area of corporate real estate (CRE), which is a strength of IIF.

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

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

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 July 31, 2018, IIF's portfolio consisted of 66 properties for a total acquisition price of 274,764 million yen.

The average occupancy rate as of the end of the period stands at 99.8%. The properties are managed under long-term lease contracts with an average remaining lease period of 9.0 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, during this fiscal period, IIF succeeded in securing tenants and improving profitability at IIF Fukuoka Hakozaki Logistics Center II through its development project for the Extension Building, which captured the relocation and aggregation needs of local logistics firms. 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

The forecasts of operating results for the fiscal period ending January 31, 2019 (August 1, 2018 to January 31, 2019) are operating revenue of 9,789 million yen, ordinary income of 4,553 million yen, net income of 4,552 million yen and distributions per unit of 2,680 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 23rd Fiscal Period (August 1, 2018 to January 31, 2019)”.

The main changes from the 22nd Fiscal Period (February 1, 2018 to July 31, 2018) include the following.

Operating revenue (increase of 103 million yen from the previous fiscal period)

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

Operating expense (increase of 163 million yen from the previous fiscal period)

- Increase in property management fees for the 13 properties 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)

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

None

Outline of the Investment Corporation

1. Investment unit

Fiscal period	18th	19th	20th	21st	22nd
As of	June 30, 2016	December 31, 2016	July 31, 2017	January 31, 2018	July 31, 2018
Number of units authorized (Units)	8,000,000	8,000,000	8,000,000	8,000,000	32,000,000
Number of units issued and outstanding (Units)	352,564	352,564	397,164	397,164	1,698,816
Number of unitholders (People)	4,779	4,725	5,776	6,398	7,996

2. Unitholders

Major unitholders as of July 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	245,867	14.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	245,795	14.46
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	78,890	4.64
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	71,049	4.18
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	25,600	1.50
STATE STREET BANK AND TRUST COMPANY 505012	ONE LINCOLN STREET, BOSTON MA USA 02111	24,574	1.44
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	24,265	1.42
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	24,094	1.41
The Joyo Bank, Ltd.	5-5, Minami-machi 2-chome, Mito-shi, Ibaraki	22,232	1.30
The Hachijuni Bank, Ltd.	178-8, Aza Okada, Oaza Nakagosho, Nagano-shi, Nagano	22,220	1.30
Total		784,586	46.18

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

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fees for the six months ended July 31, 2018
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) 32,500

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 and the preparation fee of a comfort letter with respect to the issuance of new investment corporation units in March 2018.

(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 (Note1)	Region	As of January 31, 2018		As of July 31, 2018	
				Total of net book value (Millions of yen)	Composition ratio (Note2) (%)	Total of net book value (Millions of yen)	Composition ratio (Note2) (%)
Real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	12,987	5.0	12,957	4.5
			Osaka and Nagoya metropolitan areas	4,558	1.7	4,605	1.6
			Other area	1,946	0.7	3,130	1.1
		Other	Tokyo metropolitan area	-	-	-	-
			Osaka and Nagoya metropolitan areas	-	-	-	-
			Other area	-	-	-	-
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	44,645	17.1	44,428	15.3
			Osaka and Nagoya metropolitan areas	1,998	0.8	1,998	0.7
			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	83,734	32.0	91,935	31.8
			Osaka and Nagoya metropolitan areas	36,895	14.1	42,515	14.7
			Other area	17,148	6.6	26,501	9.1
		Other	Tokyo metropolitan area	-	-	-	-
			Osaka and Nagoya metropolitan areas	-	-	-	-
			Other area	3,485	1.3	7,766	2.7
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	13,034	5.0	12,992	4.5
			Osaka and Nagoya metropolitan areas	23,264	8.9	23,105	8.0
			Other area	-	-	-	-
		Other	Tokyo metropolitan area	-	-	-	-
			Osaka and Nagoya metropolitan areas	-	-	-	-
			Other area	-	-	-	-
Sub-total				243,699	93.2	271,937	94.0
Bank deposits and other assets				17,800	6.8	17,283	6.0
Total assets				261,500	100.0	289,221	100.0

Note 1 "Location category" is classified as below.

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

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

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

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

2. Major property

The principal properties (top ten properties in net book value) as of July 31, 2018 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rent revenue to total rent revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	38,457	81,995.81	81,995.81	100.0	14.7	Infrastructure facility
IIF Kobe District Heating and Cooling Center	16,289	11,476.05	11,476.05	100.0	3.4	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	12,931	27,493.29	27,493.29	100.0	4.1	Logistics facility
IIF Osaka Suminoe Logistics Center I	12,146	52,201.30	52,201.30	100.0	Note 5	Logistics facility
IIF Fukuoka Hakozaki Logistics Center II	10,298	51,385.32	51,385.32	100.0	Note 5	Logistics facility
IIF Mitaka Card Center	9,281	21,615.01	21,615.01	100.0	3.8	Manufacturing and R&D facility, etc.
IIF Osaka Konohana Logistics Center	8,697	46,262.20	46,262.20	100.0	Note 5	Logistics facility
IIF Shinagawa IT Solution Center	7,883	7,089.62	5,394.62	76.1	Note 5	Infrastructure facility
IIF Kamata R&D Center	7,459	21,896.56	21,896.56	100.0	Note 5	Manufacturing and R&D facility, etc.
IIF Kyotanabe Logistics Center	5,757	33,243.99	33,243.99	100.0	Note 5	Logistics facility
Total	129,203	354,659.15	352,964.15	99.5	42.5	

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

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

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

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

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

3. Details of property

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of July 31, 2018 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	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	16,748	12,931
IIF Noda Logistics Center	340-13, Nishi-sangao, Noda-shi, Chiba	Trust beneficial interest	38,828.10	8,900	5,425
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	7,290	5,163
IIF Atsugi Logistics Center	6-19, Hase, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	2,120	1,558
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,730	1,805
IIF Nishinomiya Logistics Center	2, Nishinomiya 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	17,200.00	2,990	1,978
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	2,690	1,223
IIF Narashino Logistics Center II (Note 5)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	83,905.16	6,460	4,654
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,960	3,220
IIF Yokohama Tsuzuki Logistics Center	747, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa	Trust beneficial interest	9,464.03	3,210	2,311
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	8,995.00	2,090	1,457
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi	Real property	8,721.01	1,580	1,143
IIF Atsugi Logistics Center III	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	Trust beneficial interest	16,584.64	3,060	2,379
IIF Kawaguchi Logistics Center	5-3 Midori-cho, Kawaguchi-shi, Saitama	Real property	11,705.02	4,380	2,056
IIF Kobe Logistics Center	2-10, Maya-futo, Nada-ku, Kobe-shi, Hyogo	Trust beneficial interest	39,567.74	7,560	5,142
IIF Higashi-Osaka Logistics Center	7-46, Wakae-higashi-machi 6-chome, Higashi Osaka-shi, Osaka	Real property	20,495.06	3,210	2,507
IIF Kashiwa Logistics Center	1027-1, Washinoya, Kashiwa-shi, Chiba	Real property	17,379.78	2,890	1,852
IIF Misato Logistics Center	5, Izumi 3-chome, Misato-shi, Saitama	Trust beneficial interest	19,019.71	5,310	3,462
IIF Iruma Logistics Center	660-2, Aza Higashimusashino, Oaza Minami-mine, Iruma-shi, Saitama	Trust beneficial interest	17,881.65	4,220	3,086
IIF Tosu Logistics Center	127-1, Aza Uchishirage, Kuranoue-machi, Tosu-shi, Saga	Trust beneficial interest	13,862.05	1,970	1,513
IIF Inzai Logistics Center	6-1, Matsuzakidai 2-chome, Inzai-shi, Chiba	Trust beneficial interest	5,490.00	1,370	1,029
IIF Morioka Logistics Center	Plot 4-311, Oaza Hiromiyasawa, Yahabacho, Shiwa-gun, Iwate, etc.	Trust beneficial interest	8,001.57	1,240	570
IIF Hiroshima Logistics Center	22-4, Itsukaichi-ko 3-chome, Saeki-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	22,768.24	4,570	3,390
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	8-1, Nagisa-cho, Izumiotsu-shi, Osaka	Trust beneficial interest	48,932.00	4,430	4,179
IIF Izumisano Food Processing and Logistics Center	2-11, Rinkuorai-kita, Izumisano-shi, Osaka	Real property	13,947.83	1,090	954
IIF Kyotanabe Logistics Center	55-13, Osumi-hama, Kyotanabe-shi, Kyoto	Trust beneficial interest	33,243.99	7,380	5,757

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Fair value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1134-1, Aoyagi, Koga-shi, Fukuoka	Real property	30,815.97	981	914
IIF Fukuoka Higashi Logistics Center	9-1 Kamata 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	11,262.86	2,050	1,927
IIF Osaka Konohana Logistics Center	4-51, Shimaya 4-chome, Konohana-ku, Osaka-shi, Osaka	Trust beneficial interest	46,262.20	9,560	8,697
IIF Kazo Logistics Center	6-1, Shintone 2-chome, Kazo-shi, Saitama	Trust beneficial interest	17,744.41	2,760	2,613
IIF Hamura Logistics Center	8-16, Shinmeidai 4-chome, Hamura-shi, Tokyo	Trust beneficial interest	3,892.66	908	921
IIF Fukuoka Hakozaki Logistics Center I	38-11, Hakozakifuto 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	24,999.77	5,210	5,195
IIF Fukuoka Hakozaki Logistics Center II (Note 6)	5-1, Hakozakifuto 4-chome, Higashi-ku, Fukuoka-shi, Fukuoka, etc.	Trust beneficial interest	51,385.32	10,900	10,298
IIF Itabashi Logistics Center	28-3, Higashi-sakashita 2-chome, Itabashi-ku, Tokyo, etc.	Trust beneficial interest	5,057.68	1,930	1,737
IIF Sendai Taiwa Logistics Center	3-15, Maino 2-chome, Taiwa-cho, Kurokawa-gun, Miyagi	Trust beneficial interest	15,555.15	1,670	1,597
IIF Ota Logistics Center	236-1, Anyoji-cho, Ota-shi, Gunma	Real property	6,900.01	1,160	1,028
IIF Osaka Suminoe Logistics Center I	10-34, Shibatani 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	52,201.30	13,900	12,146
IIF Osaka Suminoe Logistics Center II	10-20, Shibatani 1-chome, Suminoe-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	12,299.76	2,730	2,565
IIF Morioka Logistics Center II	4-15, Ryutsu Center Minami 2-chome, Yahaba-cho, Shiwa-gun, Iwate	Trust beneficial interest	12,383.30	1,570	1,383
IIF Sapporo Logistics Center	2-1, Yonesato-sanjo 3-chome, Shiroishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	13,064.75	2,610	2,519
IIF Hitachinaka Port Logistics Center (land with leasehold interest)	768-42, Terunuma aza nagisa, Tokai-mura oaza, Naka-gun, Ibaraki, etc.	Real property	20,000.00	1,210	1,188
IIF Koriyama Logistics Center	213, Aza Mukaiharu, Otsuki-machi, Koriyama-shi, Fukushima	Trust beneficial interest	17,533.15	3,170	2,606
IIF Kobe Nishi Logistics Center (land with leasehold interest)	10-4, Mitsugaoka 4-chome, Nishi-ku, Kobe-shi, Hyogo	Trust beneficial interest	33,000.00	2,130	2,047
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	1,340	1,195
IIF Mitaka Card Center	5-14, Shimo-Renjaku 7-chome, Mitaka-shi, Tokyo	Trust beneficial interest	21,615.01	10,100	9,281
IIF Kamata R&D Center	16-46, Minami-Kamata 2-chome, Ota-ku, Tokyo	Trust beneficial interest	21,896.56	8,400	7,459
IIF Kawasaki Science Center	25-19, Tono-machi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real property	4,857.73	2,950	2,063
IIF Sagamihara R&D Center	1-35, Minamihashimoto 3-chome, Chuo-ku, Sagamihara-shi, Kanagawa	Trust beneficial interest	19,328.40	3,960	3,293
IIF Yokohama Shinyamashita R&D Center	16-5, Shinyamashita 1-chome, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	4,887.83	4,230	3,892
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	30, Tanyo, Kakegawa-shi, Shizuoka	Trust beneficial interest	66,171.92	1,760	1,572
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	195, Tekkodo 3-chome, Urayasu-shi, Chiba	Real property	7,925.94	1,660	1,345
IIF Yokosuka Technology Center	1-15, Shinmei-cho, Yokosuka-shi, Kanagawa	Trust beneficial interest	13,779.77	4,470	4,191
IIF Shonan Technology Center	1-1, Ichinomiya 6-chome, Samukawa-cho, Koza-gun, Kanagawa	Trust beneficial interest	7,244.71	1,340	1,306
IIF Hiroshima Manufacturing Center (land with leasehold interest)	1461-1, Eba-minami 2-chome, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	23,106.75	1,830	1,693

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Fair value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Totsuka Manufacturing Center (land with leasehold interest)	2277-4, Kamiyabe-cho Aza Kunichiyato, Totsuka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	19,458.49	2,580	2,413
IIF Atsugi Manufacturing Center (land with leasehold interest)	1-1, Atsugi Morinosato Higashi District Land Readjustment Business area, Kanagawa, Japan., etc. (Lot number) 857, Shimo-furusawa Aza Momijiyama, Atsugi-shi, Kanagawa, etc.	Trust beneficial interest	64,327.54	5,270	5,005
IIF Kobe District Heating and Cooling Center	8-2, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,476.05	14,700	16,289
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	41,200	38,457
IIF Zama IT Solution Center	1-78, Higashihara 5-chome, Zama-shi, Kanagawa	Trust beneficial interest	10,931.89	5,530	5,109
IIF Shinagawa Data Center	9-15, Futaba 2-chome, Shinagawa-ku, Tokyo	Real property	19,547.11	6,840	5,241
IIF Osaka Toyonaka Data Center	1-8, Shin-senri-nishi-machi 1-chome, Toyonaka-shi, Osaka	Trust beneficial interest	20,027.14	6,020	5,593
IIF Osaka Nanko IT Solution Center	1-23, Nanko-kita 1-chome, Suminoe-ku, Osaka-shi, Osaka	Trust beneficial interest	18,435.93	2,410	1,222
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	6,740	7,883
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	75-1, Shingo, Higashimatsuyama-shi, Saitama	Real property	12,880.38	753	729
Total			1,469,821.16	319,620	271,937

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 IIF Shinonome Logistics Center in which the Investment Corporation owns 53% share of the trust beneficial interest is calculated multiplying the total leasable area by the share of quasi-co-ownership.

Note 5 As the Investment Corporation invests in IIF Narashino Logistics Center II both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately, "Leasable area" of the property shows total of the leasable area of the leased land (58,070.00m²) and that of the building on the leased land (25,835.16m²).

Note 6 An extension building additionally was acquired on March 14, 2018.

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

Name of property	For the six months ended							
	January 31, 2018				July 31, 2018			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Shinonome Logistics Center	1	100.0	400	4.5	1	100.0	400	4.1
IIF Noda Logistics Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
IIF Shinsuna Logistics Center	1	100.0	179	2.0	1	100.0	179	1.8
IIF Atsugi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Koshigaya Logistics Center	1	100.0	75	0.8	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	66	0.7	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)
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)

Name of property	For the six months ended							
	January 31, 2018				July 31, 2018			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Fukuoka Higashi Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Osaka Konohana Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Kazo Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Hamura Logistics Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
IIF Fukuoka Hakozaki Logistics Center I	3	100.0	(Note 3)	(Note 3)	3	100.0	(Note 3)	(Note 3)
IIF Fukuoka Hakozaki Logistics Center II (Note 5)	4	100.0	(Note 3)	(Note 3)	5	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	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 Sapporo Logistics Center	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Hitachinaka Port Logistics Center (land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Koriyama Logistics Center	—	—	—	—	2	100.0	(Note 3)	(Note 3)
IIF Kobe Nishi Logistics Center (land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	1.7	1	100.0	154	1.6
IIF Yokohama Tsuzuki Technology Center	1	100.0	59	0.7	1	100.0	59	0.6
IIF Mitaka Card Center	1	100.0	364	4.1	1	100.0	364	3.8
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 Sagamiyama R&D Center	2	100.0	(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 Hiroshima Manufacturing Center (land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)

Name of property	For the six months ended							
	January 31, 2018				July 31, 2018			
	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 Totsuka Manufacturing Center (land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Atsugi Manufacturing Center (land with leasehold interest)	—	—	—	—	1	100.0	(Note 3)	(Note 3)
IIF Kobe District Heating and Cooling Center	4	100.0	332	3.7	4	100.0	332	3.4
IIF Haneda Airport Maintenance Center	1	100.0	1,421	15.8	1	100.0	1,428	14.7
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	76.1	(Note 3)	(Note 3)
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
Total (Note 6)	77	100.0	8,976	100.0	86	99.8	9,686	100.0

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

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

Note 3 Rental revenues are not disclosed because the consent from the tenants has not been obtained.

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

Note 5 An extension building additionally was acquired on March 14, 2018.

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

4. Details of renewable energy generation facilities

None

5. Details of operation rights of public facilities

None

6. Details of investment securities

None

7. Details of specified transaction

The details of specified transaction as of July 31, 2018 were as follows:

(Millions of yen)

Classification	Transaction	Notional contract amount		Fair value (Note 1)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	45,500	41,500	(1,313)
Total		45,500	41,500	(1,313)

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

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

8. Other assets

Real property and trust beneficial interests in real property are included the above tables in "3. Details of property."

There was no other significant specified asset as of July 31, 2018.

Capital expenditures for property

1. Schedule of capital expenditures

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

(Millions of yen)

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost		
				Total	Advanced payment	
					Payment for the six months ended July 31, 2018	Total of advanced payment
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of CVCF (2nd)	December, 2018	75	-	1
IIF Haneda Airport Maintenance Center	Ota-ku, Tokyo	Renewal of disaster prevention equipment at M2 buildings	December, 2018	69	-	-
IIF Shinagawa IT Solution Center	Shinagawa-ku, Tokyo	Renewal of toilet, hot water supply room and common space	December, 2018	66	-	-

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

Maintenance expenditures on property for the six months ended July 31, 2018 were totaling to ¥819 million consisting of ¥721 million of capital expenditures stated as below and ¥97 million of repair and maintenance expenses charged to income.

(Millions of yen)

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures
IIF Mitaka Card Center	Mitaka-shi, Tokyo	Renewal of CVCF (1st)	June, 2018 to July, 2018	102
IIF Noda Logistics Center	Noda-shi, Chiba	Installment of LED lighting equipment	February, 2018 to March, 2018	46
IIF Shinagawa Data Center	Shinagawa-ku, Tokyo	Renewal of automatic fire information alarm facilities	June, 2018 to July, 2018	42
IIF Sagami-hara R&D Center	Sagami-hara-shi, Kanagawa	Repair of floor carpet	March, 2018 to May, 2018	37
Other	-	-	-	492
Total				721

3. Reserved funds for long-term maintenance plan

None

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Item	21st fiscal period	22nd fiscal period
	For the six months ended January 31, 2018	For the six months ended July 31, 2018
(a) Asset management fees	791,704	861,157
(b) Asset custody fees	5,879	6,294
(c) Administrative service fees	29,305	31,373
(d) Directors' compensations	5,820	5,820
(e) Other operating expenses	95,521	92,468
Total	928,230	997,112

2. Loans payable

Loans payable as of July 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
			January 31 2018 (Millions of yen)	July 31 2018 (Millions of yen)					
Long-term loans payable	Development Bank of Japan Inc.	February 28, 2011	5,000	-	1.7	February 27, 2018	Lump sum	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	March 11, 2011	6,150	-	1.8 (Note 5)	March 9, 2018	Lump sum (Note 6)	Notes 7 and 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,350	-					
	MUFG Bank, Ltd. (Notes 2 and 3 and 4)	March 30, 2012	1,085	1,085	1.3 (Note 5)	March 29, 2019	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		415	415					
	MUFG Bank, Ltd. (Note 3)	March 30, 2012	1,000	1,000	1.9 (Note 5)	March 30, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2012	1,500	1,500	1.6 (Note 5)	March 31, 2020	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	1,000	1,000	2.2	March 29, 2024	Lump sum	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2012	2,000	2,000	1.9	March 29, 2022	Lump sum	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.9 (Note 5)	March 31, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 2)	March 30, 2012	1,500	1,500	1.3 (Note 5)	March 29, 2019	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 29, 2012	1,000	1,000	1.4	June 30, 2020	Lump sum	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 2 and 3)	June 29, 2012	583	583	1.2 (Note 5)	June 28, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 2)	June 29, 2012	417	417	1.2 (Note 5)	June 28, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Note 3)	September 28, 2012	2,274	2,274	1.2 (Note 5)	September 30, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 28, 2012	1,626	1,626	1.2 (Note 5)	September 30, 2019	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 6, 2013	1,000	1,000	1.8	February 5, 2025	Lump sum	Note 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	February 6, 2013	2,534	2,534	1.4 (Note 5)	February 6, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		966	966					
	MUFG Bank, Ltd. (Note 3)	February 6, 2013	1,000	1,000	1.3	February 6, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.4 (Note 5)	February 6, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			January 31 2018 (Millions of yen)	July 31 2018 (Millions of yen)					
Long-term loans payable	Mizuho Bank, Ltd.	February 6, 2013	1,000	1,000	1.5 (Note 5)	February 6, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	February 6, 2013	500	500	1.6	February 6, 2023	Lump sum	Note 7	Unsecured and unguaranteed
	Shinsei Bank, Limited	February 6, 2013	500	500	1.4 (Note 5)	February 6, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	February 6, 2013	362	362	1.2 (Note 5)	February 4, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		138	138					
	Sumitomo Mitsui Banking Corporation	February 6, 2013	500	500	1.2 (Note 5)	February 4, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Nippon Life Insurance Company	June 28, 2013	2,000	2,000	1.8	June 28, 2024	Lump sum	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2013	2,500	2,500	1.7 (Note 5)	June 30, 2023	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	June 28, 2013	1,500	1,500	1.6 (Note 5)	June 30, 2022	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	June 28, 2013	500	500	1.2 (Note 5)	June 30, 2020	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Resona Bank, Limited		500	500					
	The Yamaguchi Bank, Ltd.		500	500					
	MUFG Bank, Ltd. (Notes 3 and 4)	October 18, 2013	7,500	7,500	1.4 (Note 5)	October 18, 2023	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	December 30, 2013	2,000	2,000	1.4 (Note 5)	December 29, 2023	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Note 3)	February 6, 2014	700	700	1.3	August 6, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	February 6, 2014	900	900	1.2 (Note 5)	February 6, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	February 6, 2014	500	500	1.1	August 4, 2023	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	February 6, 2014	500	500	1.0 (Note 5)	August 5, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	February 6, 2014	868	868	0.9 (Note 5)	February 4, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	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 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	March 13, 2014	724	724	1.7 (Note 5)	March 13, 2026	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		276	276					
	MUFG Bank, Ltd. (Notes 3 and 4)	March 13, 2014	1,158	1,158	1.3 (Note 5)	March 13, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		441	441					
	MUFG Bank, Ltd. (Note 3)	March 16, 2015	1,350	1,350	1.0	March 14, 2025	Lump sum	Note 7	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 16, 2015	850	850	1.0 (Note 5)	March 14, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 16, 2015	850	850	1.0 (Note 5)	March 14, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	March 16, 2015	2,570	2,570	0.9 (Note 5)	September 13, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		979	979					
	The Chugoku Bank, LTD.	March 16, 2015	700	700	0.7 (Note 5)	September 15, 2022	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2015	1,000	1,000	1.3	March 31, 2027	Lump sum	Note 7	Unsecured and unguaranteed
Meiji Yasuda Life Insurance Company	March 31, 2015	850	850	1.2	March 31, 2026	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
Sumitomo Mitsui Trust Bank, Limited	March 31, 2015	1,500	1,500	1.0	March 31, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
MUFG Bank, Ltd. (Notes 3 and 4)	March 31, 2015	832	832	0.9 (Note 5)	September 30, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
Sumitomo Mitsui Trust Bank, Limited		317	317						
Mizuho Bank, Ltd.	April 15, 2016	800	800	0.5 (Note 5)	March 31, 2026	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
The Bank of Fukuoka, Ltd.	April 15, 2016	800	800	0.5	March 31, 2026	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
MUFG Bank, Ltd. (Note 3)	August 31, 2016	2,000	2,000	0.4	August 31, 2026	Lump sum	Note 8	Unsecured and unguaranteed	
MUFG Bank, Ltd. (Note 3)	February 17, 2017	1,600	1,600	0.5	August 15, 2025	Lump sum	Note 7	Unsecured and unguaranteed	

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			January 31 2018 (Millions of yen)	July 31 2018 (Millions of yen)					
Long-term loans payable	MUFG Bank, Ltd. (Notes 3 and 4)	March 6, 2017	3,255	3,255	0.6	March 6, 2026	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,244	1,244					
	MUFG Bank, Ltd. (Notes 3 and 4)	March 6, 2017	2,170	2,170	0.7	September 4, 2026	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	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 6)	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	March 17, 2017	2,099	2,099	0.6	September 17, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		800	800					
	MUFG Bank, Ltd. (Note 3)	March 17, 2017	1,000	1,000	0.5	March 17, 2026	Lump sum	Note 7	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 17, 2017	1,000	1,000	0.9	March 16, 2029	Lump sum	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 17, 2017	1,500	1,500	0.5	March 17, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 17, 2017	1,000	1,000	0.6	March 17, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	March 17, 2017	1,000	1,000	0.7	March 17, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	The Norinchukin Bank	March 17, 2017	1,000	1,000	0.5	March 17, 2025	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	March 31, 2017	4,054	4,054	0.6	September 30, 2025	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,545	1,545					
	MUFG Bank, Ltd. (Note 4)	March 31, 2017	1,000	1,000	0.7	March 31, 2027	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 31, 2017	600	600	0.5	March 31, 2025	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Shinsei Bank, Limited	March 31, 2017	1,000	1,000	0.7	March 31, 2027	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2017	1,300	1,300	0.8	March 30, 2029	Lump sum	Note 8	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 31, 2017	1,200	1,200	0.6	March 31, 2027	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	MUFG Bank, Ltd. (Notes 3 and 4)	September 29, 2017	2,791	2,791	0.3	September 30, 2022	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,009	1,009					
	MUFG Bank, Ltd. (Notes 3 and 4)	September 29, 2017	2,938	2,938	0.7	September 30, 2027	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,062	1,062					
	MUFG Bank, Ltd. (Notes 3 and 4)	September 29, 2017	2,791	2,791	0.9	September 28, 2029	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,009	1,009					
	MUFG Bank, Ltd. (Notes 3 and 4)	February 1, 2018	-	2,099	0.5	August 1, 2024	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	800					
	JAPAN POST INSURANCE Co., Ltd.	February 1, 2018	-	2,300	0.9	February 1, 2030	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	100					
	Mizuho Bank, Ltd.	February 1, 2018	-	700	0.7	February 1, 2028	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
Development Bank of Japan Inc.	February 27, 2018	-	2,500	0.7	August 31, 2028	Lump sum	Note 8	Unsecured and unguaranteed	
Development Bank of Japan Inc.	February 27, 2018	-	2,500	0.9	February 28, 2030	Lump sum	Note 8	Unsecured and unguaranteed	
Development Bank of Japan Inc.	March 7, 2018	-	400	0.7	September 7, 2028	Lump sum	Note 7	Unsecured and unguaranteed	
Sumitomo Mitsui Banking Corporation	March 7, 2018	-	400	0.6	September 7, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
Mizuho Bank, Ltd.	March 7, 2018	-	400	0.6	March 7, 2028	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
Mizuho Trust & Banking Co., Ltd.	March 7, 2018	-	1,100	0.6	March 7, 2028	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed	
MUFG Bank, Ltd. (Notes 3 and 4)	March 9, 2018	-	1,808	0.3	September 9, 2021	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed	
Sumitomo Mitsui Trust Bank, Limited		-	692						

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of proceeds	Remarks
			January 31, 2018 (Millions of yen)	July 31, 2018 (Millions of yen)					
Long-term loans payable	MUFG Bank, Ltd. (Notes 3 and 4)	March 9, 2018	-	3,618	0.7	March 9, 2028	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	1,382					
	MUFG Bank, Ltd. (Notes 3 and 4)	March 9, 2018	-	724	0.8	March 9, 2029	Lump sum (Note 6)	Note 8	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	276					
	MUFG Bank, Ltd. (Notes 3 and 4)	March 30, 2018	-	796	0.3	September 30, 2021	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	303					
	MUFG Bank, Ltd. (Notes 3 and 4)	March 30, 2018	-	434	0.6	September 30, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		-	165					
	Development Bank of Japan Inc.	March 30, 2018	-	1,200	0.7	September 29, 2028	Lump sum	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2018	-	1,000	0.3	September 30, 2021	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 30, 2018	-	600	0.6	September 30, 2027	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	March 30, 2018	-	500	0.6	March 31, 2028	Lump sum (Note 6)	Note 7	Unsecured and unguaranteed
		Sub-total		121,500	134,800				
	Total		121,500	134,800					

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 July 31, 2018.

Note 3 The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. on April 1, 2018.

Note 4 As corporate banking businesses of Mitsubishi UFJ Trust and Banking Corporation were transferred to MUFG Bank, Ltd. by company split on April 16, 2018, the lender of the borrowings succeeded to MUFG Bank, Ltd. from Mitsubishi UFJ Trust and Banking Corporation.

Note 5 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 6 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 7 The funds were appropriated to acquisition of real estate property, etc.

Note 8 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
		January 31, 2018 (Millions of yen)	July 31, 2018 (Millions of yen)					
The 2 nd 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 rd 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 th 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		Disposition			
	Date of acquisition	Acquisition cost (Note)	Date of disposition	Disposition amount (Note)	Net book value	Gain (loss) on disposition
IIF Fukuoka Hakozaki Logistics Center I (Share of quasi-co-ownership 40%)	February 1, 2018	2,055	-	-	-	-
IIF Fukuoka Hakozaki Logistics Center II (Share of quasi-co-ownership 40%)	February 1, 2018	3,593	-	-	-	-
IIF Hiroshima Manufacturing Center (land with leasehold interest)	March 8, 2018	1,608	-	-	-	-
IIF Totsuka Manufacturing Center (land with leasehold interest)	March 8, 2018	2,300	-	-	-	-
IIF Itabashi Logistics Center (Share of quasi-co-ownership 40%)	March 8, 2018	686	-	-	-	-
IIF Osaka Suminoe Logistics Center I (Share of quasi-co-ownership 25%)	March 8, 2018	3,025	-	-	-	-
IIF Osaka Suminoe Logistics Center II (Share of quasi-co-ownership 25%)	March 8, 2018	635	-	-	-	-
IIF Sapporo Logistics Center	March 8, 2018	2,480	-	-	-	-
IIF Hitachinaka Port Logistics Center (land with leasehold interest)	March 9, 2018	1,145	-	-	-	-
IIF Koriyama Logistics Center	March 9, 2018	2,585	-	-	-	-
IIF Fukuoka Hakozaki Logistics Center II (Extension Building)	March 14, 2018	1,135	-	-	-	-
IIF Kobe Nishi Logistics Center (land with leasehold interest)	March 29, 2018	1,960	-	-	-	-
IIF Atsugi Manufacturing Center (land with leasehold interest)	April 27, 2018	4,940	-	-	-	-
Total		28,147				

Note The acquisition cost or disposition amount indicates contracted amount of the property in the purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

2. Transactions of other assets

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

3. Research for specified assets value, etc.

(1) Property (Appraisal value)

(Millions of yen)

Acquisition /Disposition	Name of property	Date of acquisition /disposition	Acquisition Cost /Disposition amount (Note 1)	Appraisal value	Name of appraiser	Date of appraisal
Acquisition	IIF Fukuoka Hakozaki Logistics Center I (Share of quasi-co-ownership 40%)	February 1, 2018	2,055	2,110	CBRE K.K.	January 1, 2018
Acquisition	IIF Fukuoka Hakozaki Logistics Center II (Share of quasi-co-ownership 40%)	February 1, 2018	3,593	3,690	CBRE K.K.	January 1, 2018
Acquisition	IIF Hiroshima Manufacturing Center (land with leasehold interest)	March 8, 2018	1,608	1,820	Japan Real Estate Institute	January 1, 2018
Acquisition	IIF Totsuka Manufacturing Center (land with leasehold interest)	March 8, 2018	2,300	2,580	Daiwa Real Estate Appraisal Co.,Ltd.	January 1, 2018
Acquisition	IIF Itabashi Logistics Center (Share of quasi-co-ownership 40%)	March 8, 2018	686	756	CBRE K.K.	January 1, 2018
Acquisition	IIF Osaka Suminoe Logistics Center I (Share of quasi-co-ownership 25%)	March 8, 2018	3,025	3,500	Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2018
Acquisition	IIF Osaka Suminoe Logistics Center II (Share of quasi-co-ownership 25%)	March 8, 2018	635	683	Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2018
Acquisition	IIF Sapporo Logistics Center	March 8, 2018	2,480	2,600	Daiwa Real Estate Appraisal Co.,Ltd.	January 1, 2018
Acquisition	IIF Hitachinaka Port Logistics Center (land with leasehold interest)	March 9, 2018	1,145	1,210	Daiwa Real Estate Appraisal Co.,Ltd.	January 1, 2018
Acquisition	IIF Koriyama Logistics Center	March 9, 2018	2,585	3,160	Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2018
Acquisition	IIF Fukuoka Hakozaki Logistics Center II (Extension Building)	March 14, 2018	1,135	1,290	CBRE K.K.	January 1, 2018
Acquisition	IIF Kobe Nishi Logistics Center (land with leasehold interest)	March 29, 2018	1,960	2,100	Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2018
Acquisition	IIF Atsugi Manufacturing Center (land with leasehold interest)	April 27, 2018	4,940	5,180	Daiwa Real Estate Appraisal Co.,Ltd.	January 1, 2018

Note 1 The acquisition cost or disposition amount indicates contracted amount of the property in the purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

(2) Other transaction

None

4. Transactions with interested parties

(1) Outline of transactions

Classification	Acquisition cost / Disposition amount (Notes 2 and 3)	
	Acquisition cost	Disposition amount
Total amount	28,147,980 thousand	- thousand
<i>Breakdown for transactions with interested parties</i>		
<i>Godo Kaisha Yonesato Leasing</i>	2,480,000 thousand (8.8%)	- thousand (- %)
Total	2,480,000 thousand (8.8%)	- thousand (- %)

(2) Amounts of fees paid and other expenses

(Thousand of yen)

Classification	Total amount (A)	Transactions with interested parties or major shareholders		
		Name of counter party	Amount of payment (B)	(B) / (A)
Facility management fees	166,677	NIKKEN CORPORATION	4,459	2.7%

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

Note 2 The acquisition cost or disposition amount indicate contracted amount of the property in the purchase agreement.

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

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

None

Financial information

1. Financial position and operating results

Please refer to the accompanying financial statements.

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

Date	Number of units increased (Units)	Number of units decreased (Units)	Number of units held (Units)
January 1, 2015	(Note) 600	-	1,200
February 1, 2018	(Note) 3,600	-	4,800
Accumulated number	4,800	-	4,800

Note The Investment Corporation implemented a split of its investment units.

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

Date	Number of investment units held at end of period (Units)	Aggregated value of investment units held at end of period (Note 1) (Thousands of yen)	Ratio of number of investment units held to number of investment units issued and outstanding
The 13rd fiscal period (July 1, 2013 to December 31, 2013)	600	526,200	0.4%
The 14th fiscal period (January 1, 2014 to June 30, 2014)	600	544,200	0.4%
The 15th fiscal period (July 1, 2014 to December 31, 2014)	600	666,000	0.4%
The 16th fiscal period (January 1, 2015 to June 30, 2015)	1,200	663,600	0.3%
The 17th fiscal period (July 1, 2015 to December 31, 2015)	1,200	691,200	0.3%
The 18th fiscal period (January 1, 2016 to June 30, 2016)	1,200	687,600	0.3%
The 19th fiscal period (July 1, 2016 to December 31, 2016)	1,200	668,400	0.3%
The 20th fiscal period (January 1, 2017 to July 31, 2017)	1,200	598,800	0.3%
The 21st fiscal period (August 1, 2017 to January 31, 2018)	1,200	599,040	0.3%
The 22nd fiscal period (February 1, 2018 to July 31, 2018)	4,800	578,880	0.3%

Note 1 "Aggregated value of investment units held at end of period" is calculated by market price of the investment securities on Tokyo Stock Exchange REIT Market at end of period.

2. Notice

Execution or modification of significant agreement approved by the Board of Directors of IIF for the six months ended July 31, 2018 was as follows:

Approval day	Item	Summary
February 20, 2018	Underwriting agreements of new investment units	In connection with the global offering of new investment units, the Board of Directors of IIF approved entering into the underwriting agreements with SMBC Nikko Securities Inc, Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and Morgan Stanley & Co. International plc, Nomura International plc, SMBC Nikko Capital Markets Limited and Citigroup Global Markets Limited as international joint lead managers.

3. Other

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

Financial Statements

Of

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

As of July 31, 2018

With Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
Industrial & Infrastructure Fund Investment Corporation

We have audited the accompanying financial statements of Industrial & Infrastructure Fund Investment Corporation, which comprise the balance sheet as at July 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Industrial & Infrastructure Fund Investment Corporation as at July 31, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

October 24, 2018
Tokyo, Japan

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

BALANCE SHEET

As of January 31, 2018 and July 31, 2018

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 3 and 16).....	¥ 12,976	¥ 10,585	\$ 95,352
Cash and bank deposits in trust (Notes 3 and 16).....	2,669	3,278	29,537
Rental receivables.....	182	295	2,662
Prepaid expenses.....	470	1,095	9,868
Consumption taxes refundable.....	-	278	2,512
Other.....	0	0	2
Total current assets.....	16,299	15,534	139,935
Noncurrent assets:			
Property, plant and equipment (Notes 4 and 6):			
Buildings, at cost.....	33,277	33,452	301,343
Less: Accumulated depreciation.....	(5,993)	(6,368)	(57,367)
Buildings, net.....	27,284	27,083	243,975
Structures, at cost.....	93	93	839
Less: Accumulated depreciation.....	(22)	(25)	(230)
Structures, net.....	70	67	608
Machinery and equipment, at cost.....	11	11	107
Less: Accumulated depreciation.....	(11)	(11)	(107)
Machinery and equipment, net.....	0	0	0
Tools, furniture and fixtures, at cost.....	13	13	122
Less: Accumulated depreciation.....	(5)	(5)	(52)
Tools, furniture and fixtures, net.....	8	7	69
Land.....	18,937	20,125	181,292
Construction in progress.....	1	1	12
Buildings in trust, at cost.....	64,881	70,861	638,330
Less: Accumulated depreciation.....	(9,873)	(10,809)	(97,376)
Buildings in trust, net.....	55,007	60,051	540,954
Structures in trust, at cost.....	495	563	5,078
Less: Accumulated depreciation.....	(380)	(389)	(3,505)
Structures in trust, net.....	115	174	1,572
Machinery and equipment in trust, at cost.....	68	106	962
Less: Accumulated depreciation.....	(8)	(14)	(127)
Machinery and equipment in trust, net.....	60	92	834
Tools, furniture and fixtures in trust, at cost.....	24	36	324
Less: Accumulated depreciation.....	(7)	(9)	(86)
Tools, furniture and fixtures in trust, net.....	17	26	237
Land in trust.....	122,358	144,470	1,301,418
Construction in progress in trust.....	4	1	17
Total net property, plant and equipment.....	223,864	252,103	2,270,995
Intangible assets (Notes 5 and 6):			
Leasehold rights.....	19,833	19,833	178,668
Other.....	1	1	15
Total intangible assets.....	19,835	19,835	178,683

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
BALANCE SHEET
As of January 31, 2018 and July 31, 2018

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Investments and other assets:			
Lease and guarantee deposits.....	10	10	91
Long-term prepaid expenses.....	1,307	1,456	13,117
Other.....	6	6	59
Total investments and other assets.....	1,324	1,472	13,268
Total noncurrent assets.....	245,024	273,411	2,462,947
Deferred assets:			
Investment unit issuance costs.....	125	228	2,060
Investment corporation bonds issuance costs.....	50	46	419
Total deferred assets.....	175	275	2,480
TOTAL ASSETS	¥ 261,500	¥ 289,221	\$ 2,605,363

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

BALANCE SHEET

As of January 31, 2018 and July 31, 2018

	<u>January 31, 2018</u>	<u>As of July 31, 2018</u>	<u>July 31, 2018</u>
	(in millions of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Operating accounts payable.....	¥ 299	¥ 650	\$ 5,855
Current portion of long-term loans payable (Notes 7 and 16).....	13,500	4,000	36,032
Accounts payable – other.....	479	572	5,155
Accrued expenses.....	138	128	1,158
Income taxes payable.....	0	1	15
Consumption taxes payable.....	451	-	-
Advances received.....	1,484	2,032	18,306
Other.....	3	68	619
Total current liabilities.....	16,359	7,453	67,143
Noncurrent liabilities:			
Investment corporation bonds – unsecured (Notes 8 and 16).....	10,000	10,000	90,081
Long-term loans payable (Notes 7 and 16).....	108,000	130,800	1,178,272
Tenant leasehold and security deposits (Note 16).....	2,418	2,448	22,057
Tenant leasehold and security deposits in trust (Note 16).....	7,816	8,358	75,295
Asset retirement obligations (Note 18).....	172	173	1,562
Derivatives liabilities (Notes 16 and 17).....	249	221	1,995
Other.....	0	0	1
Total noncurrent liabilities.....	128,658	152,002	1,369,265
TOTAL LIABILITIES.....	145,017	159,455	1,436,408
NET ASSETS (Note 9)			
Unitholders' equity:			
Unitholders' capital, 32,000,000 units authorized; 397,164 units as of January 31, 2018 and 1,698,816 units as of July 31, 2018 issued and outstanding.....	112,651	125,376	1,129,416
Total deduction from unitholders' capital.....	(279)	(251)	(2,265)
Allowance for temporary difference adjustment (Note 10).....	(279)	(251)	(2,265)
Retained earnings.....	4,357	4,858	43,766
Total unitholders' equity.....	116,728	129,983	1,170,917
Valuation and translation adjustments:			
Deferred gains or (losses) on hedges.....	(245)	(217)	(1,963)
Total valuation and translation adjustments.....	(245)	(217)	(1,963)
TOTAL NET ASSETS.....	116,483	129,765	1,168,954
TOTAL LIABILITIES AND NET ASSETS.....	¥ 261,500	¥ 289,221	\$ 2,605,363

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the six months ended January 31, 2018 and July 31, 2018

	For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rent revenue—real estate (Note 13).....	¥ 8,976	¥ 9,686	\$ 87,254
Total operating revenue	<u>8,976</u>	<u>9,686</u>	<u>87,254</u>
Operating expenses			
Expenses related to property rental business (Note 13).....	2,976	3,135	28,246
Asset management fees.....	791	861	7,757
Directors' compensations.....	5	5	52
Asset custody fees.....	5	6	56
Administrative service fees.....	29	31	282
Other.....	95	92	832
Total operating expenses	<u>3,905</u>	<u>4,132</u>	<u>37,228</u>
Operating income	<u>5,071</u>	<u>5,553</u>	<u>50,026</u>
Non-operating income			
Interest income.....	0	0	0
Interest on refund.....	1	-	-
Reversal of distribution payable.....	0	0	3
Total non-operating income	<u>2</u>	<u>0</u>	<u>4</u>
Non-operating expenses			
Interest expenses.....	690	642	5,786
Interest expenses on investment corporation bonds.....	50	49	447
Amortization of investment corporation bonds issuance costs.....	3	3	34
Borrowing related expenses.....	186	182	1,641
Amortization of investment unit issuance costs.....	58	57	515
Other.....	2	4	36
Total non-operating expenses	<u>991</u>	<u>939</u>	<u>8,460</u>
Ordinary income	<u>4,082</u>	<u>4,614</u>	<u>41,569</u>
Income before income taxes	4,082	4,614	41,569
Income taxes (Note 14):			
Current.....	0	1	15
Total income taxes	<u>0</u>	<u>1</u>	<u>15</u>
Net income	<u>4,081</u>	<u>4,612</u>	<u>41,554</u>
Retained earnings brought forward	276	245	2,212
Unappropriated retained earnings (Note11)	<u>¥ 4,357</u>	<u>¥ 4,858</u>	<u>\$ 43,766</u>

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended January 31, 2018 and July 31, 2018

	Unitholders' equity						Valuation and translation adjustments				
	Unitholders' capital			Unitholders' capital, net			Total unitholders' equity	Deferred gains or (losses) on hedges		Total valuation and translation adjustments	Total net assets
	Deduction from unitholders' capital		Total capital deduction	Surplus		Retained earnings					
	Unitholders' capital	Allowance for temporary difference adjustment		Unitholders' capital, net	Retained earnings		Total surplus				
	(in millions of yen)										
Balance as of July 31, 2017	¥ 112,651	¥ (307)	¥ (307)	¥ 112,343	¥ 4,940	¥ 4,940	¥ 117,284	¥ (276)	¥ (276)	¥ 117,008	
<u>Changes during the period</u>											
Dividends from surplus.....	-	-	-	-	(4,633)	(4,633)	(4,633)	-	-	(4,633)	
Reversal of allowance for temporary difference adjustment..	-	30	30	30	(30)	(30)	-	-	-	-	
Dividend in excess of profit from allowance for temporary difference adjustment.....	-	(2)	(2)	(2)	-	-	(2)	-	-	(2)	
Net income.....	-	-	-	-	4,081	4,081	4,081	-	-	4,081	
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	30	30	30	
Total changes during the period	-	27	27	27	(583)	(583)	(555)	30	30	(524)	
Balance as of January 31, 2018	¥ 112,651	¥ (279)	¥ (279)	¥ 112,371	¥ 4,357	¥ 4,357	¥ 116,728	¥ (245)	¥ (245)	¥ 116,483	
<u>Changes during the period</u>											
Issuance of new investment units.....	12,725	-	-	12,725	-	-	12,725	-	-	12,725	
Dividends from surplus.....	-	-	-	-	(4,081)	(4,081)	(4,081)	-	-	(4,081)	
Reversal of allowance for temporary difference adjustment..	-	30	30	30	(30)	(30)	-	-	-	-	
Dividend in excess of profit from allowance for temporary difference adjustment.....	-	(2)	(2)	(2)	-	-	(2)	-	-	(2)	
Net income.....	-	-	-	-	4,612	4,612	4,612	-	-	4,612	
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	27	27	27	
Total changes during the period	12,725	28	28	12,753	501	501	13,254	27	27	13,282	
Balance as of July 31, 2018	¥ 125,376	¥ (251)	¥ (251)	¥ 125,125	¥ 4,858	¥ 4,858	¥ 129,983	¥ (217)	¥ (217)	¥ 129,765	

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the six months ended January 31, 2018 and July 31, 2018

	For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Net cash provided by (used in) operating activities:			
Income before income taxes.....	¥ 4,082	¥ 4,614	\$ 41,569
Depreciation and amortization.....	1,263	1,331	11,998
Amortization of investment corporation bonds issuance costs.....	3	3	34
Amortization of investment unit issuance costs.....	58	57	515
Interest income.....	(0)	(0)	(0)
Interest expenses.....	740	692	6,234
Changes in assets and liabilities:			
Decrease (increase) in operating accounts receivable.....	(18)	(112)	(1,017)
Decrease (increase) in consumption taxes refundable.....	420	(278)	(2,512)
Decrease (increase) in prepaid expenses.....	519	(624)	(5,627)
Decrease (increase) in long-term prepaid expenses.....	(163)	(148)	(1,341)
Increase (decrease) in operating accounts payable.....	22	65	588
Increase (decrease) in accounts payable - other.....	(152)	51	462
Increase (decrease) in accrued expenses.....	0	(0)	(0)
Increase (decrease) in consumption taxes payable.....	451	(451)	(4,069)
Increase (decrease) in advances received.....	(411)	547	4,930
Increase (decrease) in other noncurrent liabilities.....	0	(0)	(1)
Other, net.....	5	65	588
Subtotal.....	6,822	5,811	52,349
Interest income received.....	0	0	0
Interest expenses paid.....	(739)	(701)	(6,320)
Income taxes paid.....	(1)	(0)	(8)
Net cash provided by operating activities.....	6,082	5,108	46,021
Net cash provided by (used in) investing activities:			
Purchases of property, plant and equipment.....	(188)	(1,311)	(11,812)
Purchases of property, plant and equipment in trust.....	(544)	(27,932)	(251,618)
Proceeds from tenant leasehold and security deposits.....	16	30	270
Payments of tenant leasehold and security deposits.....	(0)	-	-
Proceeds from tenant leasehold and security deposits in trust.....	113	742	6,686
Payments of tenant leasehold and security deposits in trust.....	(7)	(200)	(1,806)
Proceeds from lease and guarantee deposits.....	2	-	-
Payments for lease and guarantee deposits.....	(0)	-	-
Net cash used in investing activities.....	(607)	(28,671)	(258,281)
Net cash provided by (used in) financing activities:			
Proceeds from long-term loans payable.....	11,600	26,800	241,419
Repayments of long-term loans payable.....	(11,600)	(13,500)	(121,610)
Proceeds from issuance of investment units.....	-	12,564	113,185
Dividends paid.....	(4,636)	(4,083)	(36,788)
Other.....	(3)	-	-
Net cash provided by (used in) financing activities.....	(4,639)	21,780	196,206
Net change in cash and cash equivalents.....	834	(1,782)	(16,053)
Cash and cash equivalents at beginning of period.....	14,811	15,646	140,943
Cash and cash equivalents at end of period (Note 3).....	¥ 15,646	¥ 13,864	\$ 124,889

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the six months ended January 31, 2018 and July 31, 2018

Note 1 — Organization

Industrial & Infrastructure Fund Investment Corporation (the “Company”), a real estate investment corporation, with initial capital of ¥200 million, was incorporated on March 26, 2007, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). The Company is externally managed by a registered asset management company, Mitsubishi Corp.-UBS Realty Inc. (the “Asset Manager”). The Asset Manager is currently owned 51% by Mitsubishi Corporation and 49% by UBS Asset Management AG. The Company was formed to invest primarily in industrial and infrastructure properties in Japan. On October 17, 2007, the Company raised ¥35,112 million through an initial public offering of 76,000 investment units.

On October 19, 2007, the day after the Company was listed on the J-REIT section of the Tokyo Stock Exchange, the Company acquired nine properties which consist of eight logistics facilities (IIF Shinonome Logistics Center and others) and one infrastructure property (IIF Kobe District Heating and Cooling Center) for an aggregate purchase price of ¥66 billion by utilizing net proceeds from the initial public offering and loans payable from a bank syndicate, and operations of the Company commenced on this date. On November 19, 2007, the Company issued 2,635 investment units domestically in connection with the exercise of an over-allotment option, generating net proceeds of ¥1,217 million.

Subsequent to that, the Company acquired IIF Haneda Airport Maintenance Center for a purchase price of ¥41,110 million on February 29, 2008 in cash and through loans payable from a bank syndicate.

During the six months ended June 30, 2009, the Company issued a subordinated investment corporation bond in the amount of ¥8,000 million and sold IIF Musashi Murayama Logistics Center, which had ¥7,863 million in aggregate net book value as of December 31, 2008, to a third party for ¥8,040 million. Net proceeds were used to partially repay outstanding loans payable.

Subsequently, the Company sold IIF Funabashi Logistics Center to a third party for ¥9,020 million with the result of a gain on sales of property of ¥460 million and acquired two properties for an aggregate purchase price of ¥5,690 million during the six months ended June 30, 2010, and acquired one additional property for a purchase price of ¥1,100 million by utilizing internal cash during the six months ended December 31, 2010.

On March 8, 2011, the Company completed its second public offering of 14,200 investment units at a price of ¥405,945 per unit in connection with a Japanese Primary Offering. On March 24, 2011, the Company issued 397 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥5.7 billion from the second offering were used to acquire five additional properties.

On August 31, 2011, the Company redeemed the subordinated investment corporation bond in advance of the due date from Mitsubishi Corporation at a price of ¥8,000 million (par value) by raising funds through new loans payable.

On March 5, 2012, the Company completed its third public offering of 44,762 investment units, out of which 22,381 new units were offered through a domestic public offering and 22,381 new units were offered through an overseas offering, at a price of ¥432,135 per unit. On March 26, 2012, the Company issued 2,238 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥19.6 billion from the third offering were used to acquire six additional properties.

Subsequently, the Company acquired one additional property for a purchase price of ¥1,770 million by utilizing internal cash during the six months ended December 31, 2012.

On February 4, 2013, the Company completed its fourth public offering of 15,424 investment units, out of which 7,524 new units were offered through a domestic public offering and 7,900 new units were offered through an overseas offering, at a price of ¥692,250 per unit. On March 5, 2013, the Company issued 376 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥10.6 billion from the fourth offering were used to acquire six additional properties.

On February 3, 2014, the Company completed its fifth public offering of 8,884 investment units, out of which 4,334 new units were offered through a domestic public offering and 4,550 new units were offered through an overseas offering, at a price of ¥803,400 per unit. On March 4, 2014, the Company issued 216 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥7.1 billion from the fifth offering were used to acquire eight additional properties.

The Company executed a two-for-one unit split on January 1, 2015 as the effective date.

On March 16, 2015, the Company completed its sixth public offering of 20,988 investment units, out of which 10,238 new units were

offered through a domestic public offering and 10,750 new units were offered through an overseas offering, at a price of ¥546,000 per unit. On March 27, 2015, the Company issued 512 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥11.3 billion from the sixth offering were used to acquire six additional properties.

On February 14, 2017, the Company completed its seventh public offering of 43,538 investment units, out of which 21,238 new units were offered through a domestic public offering and 22,300 new units were offered through an overseas offering, at a price of ¥506,025 per unit. On March 3, 2017, the Company issued 1,062 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥21.6 billion from the seventh offering were used to acquire eleven additional properties.

The Company executed a four-for-one unit split on February 1, 2018 as the effective date.

On March 7, 2018, the Company completed its eighth public offering of 109,275 investment units, out of which 53,600 new units were offered through a domestic public offering and 55,675 new units were offered through an overseas offering, at a price of ¥119,437 per unit. On April 4, 2018, the Company issued 885 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of ¥12.5 billion from the eighth offering were used to acquire thirteen additional properties.

As of July 31, 2018, the Company's portfolio consisted of 66 properties.

Note 2 — Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP. In preparing the accompanying financial statements, certain information in the notes has been added to the financial statements issued domestically for the convenience of the readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥111.01 = US\$1, the effective rate of exchange prevailing at July 31, 2018. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended July 31, 2018 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

Amounts less than ¥1 million and US\$1 thousand are truncated.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

(b) Cash and Cash Equivalents

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

(c) Property, Plant and Equipment (Including Trust Assets)

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

Buildings	13 - 69 years
Structures	3 - 45 years
Machinery and equipment	3 - 10 years
Tools, furniture and fixtures	6 - 15 years

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

(d) Intangible Assets

Intangible assets are amortized on a straight-line basis.

(e) Long-term Prepaid Expenses

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

(f) Impairment of Fixed Assets

An assessment for impairment is carried out on an asset or group of assets, such as fixed assets, intangible assets and investments, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the asset or group of assets is deemed to be impaired, an impairment loss is recognized for the difference between the carrying amount and the fair value of the asset or group of assets by using the discounted cash flow model.

(g) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts

For trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Company 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 Company in proportion to the percentage interest that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheet of the Company.

(h) Hedge Accounting

In accordance with the Company's risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation. The Company 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 Company 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 deducted from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swaps 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.

(i) Investment Units Issuance Costs

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

(j) 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.

(k) Income Taxes

Deferred tax assets and liabilities are computed based on the temporary differences between the financial statements and income tax basis of assets and liabilities by using the applicable statutory tax rate.

(l) Consumption Taxes

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

(m) 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 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.

No taxes on property, plant and equipment were capitalized for the six months ended January 31, 2018. Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥120,818 thousand (US\$1,088,358) for the six months ended July 31, 2018.

(n) Revenue Recognition

Revenue from the leasing of properties is recognized on an accrual basis over the life of each lease. Revenue includes fixed rental revenues, recoveries of utility charges and other miscellaneous income.

Note 3 – Cash and Cash Equivalents

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

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Cash and bank deposits.....	¥ 12,976	¥ 10,585	\$ 95,352
Cash and bank deposits in trust.....	2,669	3,278	29,537
Cash and cash equivalents.....	¥ 15,646	¥ 13,864	\$ 124,889

Note 4 – Property, Plant and Equipment

The following tables show the summary of movement in property, plant and equipment for the six months ended July 31, 2018.

For the six months ended July 31, 2018:

	At cost						Accumulated depreciation	Depreciation for the period	Net property, plant and equipment
	Beginning balance	Increase	Decrease	Ending balance					
	(in millions of yen)								
Buildings.....	¥ 33,277	¥ 174	¥ -	¥ 33,452	¥ 6,368	¥ 374	¥ 27,083		
Structures.....	93	-	-	93	25	2	67		
Machinery and equipment.....	11	-	-	11	11	-	0		
Tools, furniture and fixtures.....	13	-	-	13	5	0	7		
Land.....	18,937	1,188	-	20,125	-	-	20,125		
Construction in progress.....	1	-	-	1	-	-	1		
Buildings in trust.....	64,881	5,979	-	70,861	10,809	936	60,051		
Structures in trust.....	495	68	-	563	389	9	174		
Machinery and equipment in trust....	68	38	-	106	14	5	92		
Tools, furniture and fixtures in trust	24	11	-	36	9	2	26		
Land in trust.....	122,358	22,112	-	144,470	-	-	144,470		
Construction in progress in trust.....	4	0	2	1	-	-	1		
Total.....	¥ 240,167	¥ 29,572	¥ 2	¥ 269,737	¥ 17,634	¥ 1,331	¥ 252,103		

	At cost						Accumulated depreciation	Depreciation for the period	Net property, plant and equipment
	Beginning balance	Increase	Decrease	Ending balance					
	(in thousands of U.S. dollars)								
Buildings.....	\$ 299,772	\$ 1,570	\$ -	\$ 301,343	\$ 57,367	\$ 3,375	\$ 243,975		
Structures.....	839	-	-	839	230	26	608		
Machinery and equipment.....	107	-	-	107	107	-	0		
Tools, furniture and fixtures.....	122	-	-	122	52	7	69		
Land.....	170,588	10,704	-	181,292	-	-	181,292		
Construction in progress.....	12	-	-	12	-	-	12		
Buildings in trust.....	584,468	53,862	-	638,330	97,376	8,434	540,954		
Structures in trust.....	4,463	614	-	5,078	3,505	81	1,572		
Machinery and equipment in trust....	618	343	-	962	127	51	834		
Tools, furniture and fixtures in trust	222	101	-	324	86	19	237		
Land in trust.....	1,102,226	199,192	-	1,301,418	-	-	1,301,418		
Construction in progress in trust.....	36	5	24	17	-	-	17		
Total.....	\$ 2,163,479	\$ 266,395	\$ 24	\$ 2,429,850	\$ 158,855	\$ 11,997	\$ 2,270,995		

Note 5 – Intangible Assets

Intangible assets consist of mainly leasehold rights 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 6 – Fair Value of Investment and Rental Property

The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended January 31, 2018 and July 31, 2018.

	As of / For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Net book value⁽¹⁾			
Balance at the beginning of the period.....	¥ 244,203	¥ 243,699	\$ 2,195,292
Net increase (decrease) during the period ⁽²⁾	(504)	28,238	254,377
Balance at the end of the period.....	<u>¥ 243,699</u>	<u>¥ 271,937</u>	<u>\$ 2,449,670</u>
Fair value⁽³⁾	¥ 288,123	¥ 319,620	\$ 2,879,200

Note:

(1) The net book value includes leasehold rights.

(2) For the six months ended January 31, 2018:

Changes in the net book value are mainly due to the following acquisitions and depreciation.

		Increase (decrease) in net book value
		(in millionsof yen)
Acquisitions:	IIF Sendai Taiwa Logistics Center (Extension Building).....	¥ 68

For the six months ended July 31, 2018:

Changes in the net book value are mainly due to the following acquisitions and depreciation.

		Increase (decrease) in net book value	
		(in millions of yen)	(in thousands of U.S. dollars)
Acquisitions:	IIF Fukuoka Hakozaki Logistics Center I (Share of quasi-co-ownership 40%).....	¥ 2,087	\$ 18,805
	IIF Fukuoka Hakozaki Logistics Center II (Share of quasi-co-ownership 40%).....	3,645	32,841
	IIF Hiroshima Manufacturing Center (land with leasehold interest).....	1,693	15,251
	IIF Totsuka Manufacturing Center (land with leasehold interest).....	2,413	21,745
	IIF Itabashi Logistics Center (Share of quasi-co-ownership 40%).....	699	6,305
	IIF Osaka Suminoe Logistics Center I (Share of quasi-co-ownership 25%).....	3,065	27,617
	IIF Osaka Suminoe Logistics Center II (Share of quasi-co-ownership 25%).....	646	5,820
	IIF Sapporo Logistics Center.....	2,523	22,730
	IIF Hitachinaka Port Logistics Center (land with leasehold interest).....	1,188	10,704
	IIF Koriyama Logistics Center.....	2,625	23,647
	IIF Fukuoka Hakozaki Logistics Center II (Extension Building).....	1,206	10,869
	IIF Kobe Nishi Logistics Center (land with leasehold interest).....	2,047	18,445
	IIF Atsugi Manufacturing Center (land with leasehold interest).....	5,005	45,092

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

For rental revenues and expenses for the six months ended January 31, 2018 and July 31, 2018, please refer to “Note 13 – Rent Revenue-Real Estate and Expenses Related to Property Rental Business.”

Note 7 – Loans Payable

The following table shows the details of loans payable for the six months ended July 31, 2018.

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Development Bank of Japan Inc.	¥ 5,000	¥ -	¥ 5,000	¥ -	\$ 45,040	\$ -	\$ 45,040	\$ -	1.7%	February 27, 2018	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	6,150	-	6,150	-	55,400	-	55,400	-	1.8% (2)	March 9, 2018	Acquisition of real estate property and outstanding short-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,350	-	2,350	-	21,169	-	21,169	-				
	MUFG Bank, Ltd. (3) (4)	1,085	-	-	1,085	9,773	-	-	9,773	1.3% (2)	March 29, 2019	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	415	-	-	415	3,738	-	-	3,738				
	MUFG Bank, Ltd. (3)	1,000	-	-	1,000	9,008	-	-	9,008	1.9% (2)	March 30, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,500	-	-	1,500	13,512	-	-	13,512	1.6% (2)	March 31, 2020	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,008	-	-	9,008	2.2%	March 29, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	2,000	-	-	2,000	18,016	-	-	18,016	1.9%	March 29, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,504	-	-	4,504	1.9% (2)	March 31, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,512	-	-	13,512	1.3% (2)	March 29, 2019	Acquisition of real estate property	Unsecured and unguaranteed
	Nippon Life Insurance Company	1,000	-	-	1,000	9,008	-	-	9,008	1.4%	June 30, 2020	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3)	583	-	-	583	5,251	-	-	5,251	1.2% (2)	June 28, 2019	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	417	-	-	417	3,756	-	-	3,756	1.2% (2)	June 28, 2019	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3)	2,274	-	-	2,274	20,484	-	-	20,484	1.2% (2)	September 30, 2019	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,626	-	-	1,626	14,647	-	-	14,647	1.2% (2)	September 30, 2019	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,008	-	-	9,008	1.8%	February 5, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	2,534	-	-	2,534	22,826	-	-	22,826	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	966	-	-	966	8,701	-	-	8,701				
	MUFG Bank, Ltd. (3)	1,000	-	-	1,000	9,008	-	-	9,008	1.3%	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation	500	-	-	500	4,504	-	-	4,504	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed	
Mizuho Bank, Ltd.	1,000	-	-	1,000	9,008	-	-	9,008	1.5% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed	
Nippon Life Insurance Company	500	-	-	500	4,504	-	-	4,504	1.6%	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed	
Shinsei Bank, Limited	500	-	-	500	4,504	-	-	4,504	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed	

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd. (3) (4)	362	-	-	362	3,260	-	-	3,260	1.2% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	138	-	-	138	1,243	-	-	1,243				
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,504	-	-	4,504	1.2% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Nippon Life Insurance Company	2,000	-	-	2,000	18,016	-	-	18,016	1.8%	June 28, 2024	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,500	-	-	2,500	22,520	-	-	22,520	1.7% (2)	June 30, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,500	-	-	1,500	13,512	-	-	13,512	1.6% (2)	June 30, 2022	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	The Nomura Trust Banking Co., Ltd.	500	-	-	500	4,504	-	-	4,504				
	Resona Bank, Limited	500	-	-	500	4,504	-	-	4,504	1.2% (2)	June 30, 2020	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	500	-	-	500	4,504	-	-	4,504				
	MUFG Bank, Ltd. (3) (4)	7,500	-	-	7,500	67,561	-	-	67,561	1.4% (2)	October 18, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	2,000	-	-	2,000	18,016	-	-	18,016	1.4% (2)	December 29, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3)	700	-	-	700	6,305	-	-	6,305	1.3%	August 6, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	900	-	-	900	8,107	-	-	8,107	1.2% (2)	February 6, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	500	-	-	500	4,504	-	-	4,504	1.1%	August 4, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	500	-	-	500	4,504	-	-	4,504	1.0% (2)	August 5, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	868	-	-	868	7,826	-	-	7,826	0.9% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	331	-	-	331	2,983	-	-	2,983				
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,008	-	-	9,008	1.7%	March 13, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	724	-	-	724	6,521	-	-	6,521	1.7% (2)	March 13, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	276	-	-	276	2,486	-	-	2,486				
	MUFG Bank, Ltd. (3) (4)	1,158	-	-	1,158	10,435	-	-	10,435	1.3% (2)	March 13, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	441	-	-	441	3,978	-	-	3,978				
	MUFG Bank, Ltd. (3)	1,350	-	-	1,350	12,161	-	-	12,161	1.0%	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Shinsei Bank, Limited	850	-	-	850	7,656	-	-	7,656	1.0% (2)	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	850	-	-	850	7,656	-	-	7,656	1.0% (2)	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	2,570	-	-	2,570	23,152	-	-	23,152	0.9% (2)	September 13, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	979	-	-	979	8,826	-	-	8,826				
The Chugoku Bank, LTD.	700	-	-	700	6,305	-	-	6,305	0.7% (2)	September 15, 2022	Acquisition of real estate property	Unsecured and unguaranteed	

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Development Bank of Japan Inc.	1,000	-	-	1,000	9,008	-	-	9,008	1.3%	March 31, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	850	-	-	850	7,656	-	-	7,656	1.2%	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500	-	-	1,500	13,512	-	-	13,512	1.0%	March 31, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	832	-	-	832	7,500	-	-	7,500	0.9% (2)	September 30, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	317	-	-	317	2,859	-	-	2,859				
	Mizuho Bank, Ltd.	800	-	-	800	7,206	-	-	7,206	0.5% (2)	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	800	-	-	800	7,206	-	-	7,206	0.5%	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3)	2,000	-	-	2,000	18,016	-	-	18,016	0.4%	August 31, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3)	1,600	-	-	1,600	14,413	-	-	14,413	0.5%	August 15, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	3,255	-	-	3,255	29,327	-	-	29,327	0.6%	March 6, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,244	-	-	1,244	11,209	-	-	11,209				
	MUFG Bank, Ltd. (3) (4)	2,170	-	-	2,170	19,551	-	-	19,551	0.7%	September 4, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	829	-	-	829	7,473	-	-	7,473				
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,512	-	-	13,512	0.5%	March 6, 2025	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	2,099	-	-	2,099	18,913	-	-	18,913	0.6%	September 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	800	-	-	800	7,210	-	-	7,210				
	MUFG Bank, Ltd. (3)	1,000	-	-	1,000	9,008	-	-	9,008	0.5%	March 17, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,008	-	-	9,008	0.9%	March 16, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,512	-	-	13,512	0.5%	March 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,008	-	-	9,008	0.6%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	1,000	-	-	1,000	9,008	-	-	9,008	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	1,000	-	-	1,000	9,008	-	-	9,008	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	1,000	-	-	1,000	9,008	-	-	9,008	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Norinchukin Bank	1,000	-	-	1,000	9,008	-	-	9,008	0.5%	March 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	4,054	-	-	4,054	36,522	-	-	36,522	0.6%	September 30, 2025	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,545	-	-	1,545	13,923	-	-	13,923				
MUFG Bank, Ltd. (4)	1,000	-	-	1,000	9,008	-	-	9,008	0.7%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed	
Sumitomo Mitsui Banking Corporation	600	-	-	600	5,404	-	-	5,404	0.5%	March 31, 2025	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed	
Shinsei Bank, Limited	1,000	-	-	1,000	9,008	-	-	9,008	0.7%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed	

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Development Bank of Japan Inc.	1,300	-	-	1,300	11,710	-	-	11,710	0.8%	March 30, 2029	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,200	-	-	1,200	10,809	-	-	10,809	0.6%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	2,791	-	-	2,791	25,141	-	-	25,141	0.3%	September 30, 2022	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,009	-	-	1,009	9,089	-	-	9,089				
	MUFG Bank, Ltd. (3) (4)	2,938	-	-	2,938	26,466	-	-	26,466	0.7%	September 30, 2027	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,062	-	-	1,062	9,566	-	-	9,566				
	MUFG Bank, Ltd. (3) (4)	2,791	-	-	2,791	25,141	-	-	25,141	0.9%	September 28, 2029	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,009	-	-	1,009	9,089	-	-	9,089				
	MUFG Bank, Ltd. (3) (4)	-	2,099	-	2,099	-	18,913	-	18,913	0.5%	August 1, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	-	800	-	800	-	7,210	-	7,210				
	JAPAN POST INSURANCE Co., Ltd.	-	2,300	-	2,300	-	20,718	-	20,718	0.9%	February 1, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	-	100	-	100	-	900	-	900				
	Mizuho Bank, Ltd.	-	700	-	700	-	6,305	-	6,305	0.7%	February 1, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	-	2,500	-	2,500	-	22,520	-	22,520	0.7%	August 31, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	-	2,500	-	2,500	-	22,520	-	22,520	0.9%	February 28, 2030	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	-	400	-	400	-	3,603	-	3,603	0.7%	September 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	-	400	-	400	-	3,603	-	3,603	0.6%	September 7, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	-	400	-	400	-	3,603	-	3,603	0.6%	March 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	-	1,100	-	1,100	-	9,909	-	9,909	0.6%	March 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd. (3) (4)	-	1,808	-	1,808	-	16,286	-	16,286	0.3%	September 9, 2021	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	-	692	-	692	-	6,233	-	6,233				
	MUFG Bank, Ltd. (3) (4)	-	3,618	-	3,618	-	32,591	-	32,591	0.7%	March 9, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	-	1,382	-	1,382	-	12,449	-	12,449				
	MUFG Bank, Ltd. (3) (4)	-	724	-	724	-	6,521	-	6,521	0.8%	March 9, 2029	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	-	276	-	276	-	2,486	-	2,486				
	MUFG Bank, Ltd. (3) (4)	-	796	-	796	-	7,174	-	7,174	0.3%	September 30, 2021	Acquisition of real estate property	Unsecured and unguaranteed
Sumitomo Mitsui Trust Bank, Limited	-	303	-	303	-	2,734	-	2,734					
MUFG Bank, Ltd. (3) (4)	-	434	-	434	-	3,913	-	3,913	0.6%	September 30, 2027	Acquisition of real estate property	Unsecured and unguaranteed	
Sumitomo Mitsui Trust Bank, Limited	-	165	-	165	-	1,491	-	1,491					

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Development Bank of Japan Inc.	-	1,200	-	1,200	-	10,809	-	10,809	0.7%	September 29, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	-	1,000	-	1,000	-	9,008	-	9,008	0.3%	September 30, 2021	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	-	600	-	600	-	5,404	-	5,404	0.6%	September 30, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	-	500	-	500	-	4,504	-	4,504	0.6%	March 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
Total long-term loans payable		¥ 121,500	¥ 26,800	¥ 13,500	¥ 134,800	\$ 1,094,495	\$ 241,419	\$ 121,610	\$ 1,214,305				
Total		¥ 121,500	¥ 26,800	¥ 13,500	¥ 134,800	\$ 1,094,495	\$ 241,419	\$ 121,610	\$ 1,214,305				

Notes:

- (1) The average interest rate indicates a weighted average interest rate for the period, rounded to the first decimal place.
- (2) 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.
- (3) The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. on April 1, 2018.
- (4) As corporate banking businesses of Mitsubishi UFJ Trust and Banking Corporation were transferred to MUFG Bank, Ltd. by company split on April 16, 2018, the lender of the borrowings succeeded to MUFG Bank, Ltd. from Mitsubishi UFJ Trust and Banking Corporation.

Annual repayments of long-term loans payable scheduled for the next five years after the balance sheet date were as follows:

	As of July 31, 2018	
	(in millions of yen)	(in thousands of U.S. dollars)
Up to 1 year.....	¥ 4,000	\$ 36,032
1-2 years.....	7,900	71,164
2-3 years.....	-	-
3-4 years.....	11,800	106,296
4-5 years.....	14,500	130,618

Note 8 – Investment Corporation Bonds

The details of the unsecured investment corporation bonds issued and outstanding as of July 31, 2018 were as follows:

	As of July 31, 2018	
	(in millions of yen)	(in thousands of U.S. dollars)
Investment corporation bonds— unsecured		
¥ 5,000 million of 10-year bonds, issued on December 27, 2012, maturing on December 27, 2022 with a coupon of 1.40%..... ¥	5,000	\$ 45,040
¥ 2,000 million of 10-year bonds, issued on June 26, 2014, maturing on June 26, 2024 with a coupon of 0.89%.....	2,000	18,016
¥ 3,000 million of 10-year bonds, issued on December 26, 2016, maturing on December 25, 2026 with a coupon of 0.40%.....	3,000	27,024
Total..... ¥	10,000	\$ 90,081

Net proceeds from the issuance of the investment corporation bonds were used for repayment of outstanding loans payable.

Annual repayments on the investment corporation bonds scheduled for the next five years after the balance sheet date were as follows:

	As of July 31, 2018	
	(in millions of yen)	(in thousands of U.S. dollars)
Up to 1 year..... ¥	-	\$ -
1-2 years.....	-	-
2-3 years.....	-	-
3-4 years.....	-	-
4-5 years.....	5,000	45,040

Note 9 – Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50 million (US\$450 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of units issued and outstanding were 397,164 units and 1,698,816 units as of January 31, 2018 and July 31, 2018, respectively.

Note 10 – Allowance for Temporary Difference Adjustments

Information on allowance for temporary difference adjustments for the six months ended January 31, 2018 and July 31, 2018 is as follows:

1. Reason, related assets and amounts, initial amount and allowance

For the six months ended January 31, 2018:

(in millions of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	¥ 3	¥ 1	¥ 2	¥ -	¥ 3	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	405	306	-	(30)	275	Changes in fair value of derivative transactions
Total		¥ 409	¥ 307	¥ 2	¥ (30)	¥ 279	

For the six months ended July 31, 2018:

(in millions of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	¥ 6	¥ 3	¥ 2	¥ -	¥ 6	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	405	275	-	(30)	245	Changes in fair value of derivative transactions
Total		¥ 411	¥ 279	¥ 2	¥ (30)	¥ 251	

For the six months ended July 31, 2018:

(in thousands of U.S. dollars)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	\$ 56	\$ 34	\$ 21	\$ -	\$ 56	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	3,652	2,485	-	(276)	2,209	Changes in fair value of derivative transactions
Total		\$ 3,708	\$ 2,520	\$ 21	\$ (276)	\$ 2,265	

2. Method of reversal

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

Note 11 – Appropriation of Retained Earnings

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Company'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 (not including distributions in excess of profit) declared for the six months ended July 31, 2018 were ¥4,612,285,440, comprising profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan, except for fractional distribution per investment unit less than one yen.

In addition, the Company makes distributions in excess of profit considering the effect of items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in Article 25, Paragraph 2 of its articles of incorporation. Distributions in excess of profit for the six months ended July 31, 2018 were ¥1,698,816, corresponding to the differences between net income and taxable income for the period, except for fractional distribution per investment unit in excess of profit less than one yen. The full amount of distributions in excess of profit for the six months ended July 31, 2018 were ¥1,698,816 consists only of the allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). There was no return of unitholders' capital through a reduction in capital under Japanese tax rules included in the distributions in excess of profit.

Therefore, cash distributions declared for the six months ended July 31, 2018 were ¥4,613,984,256.

The following table shows the appropriation of the retained earnings for the six months ended January 31, 2018 and July 31, 2018, respectively.

	For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings.....	¥ 4,357	¥ 4,858	\$ 43,766
Distributions in excess of profit.....	2	1	15
Capitalization.....	30	27	249
Cash distribution declared.....	4,083	4,613	41,563
Profit distributions.....	4,081	4,612	41,548
Allowance for temporary difference adjustments.....	2	1	15
Retained earnings carried forward.....	¥ 245	¥ 218	\$ 1,969

A dividend in respect of the six months ended July 31, 2018 of ¥2,716 (US\$24), per investment unit, amounting to a total dividend of ¥4,613 million (US\$41,563 thousand), was proposed and approved at the Board of Directors Meeting on September 20, 2018. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥10,282 and ¥2,716 (US\$24) for the fiscal periods ended January 31, 2018 and July 31, 2018, respectively. For the fiscal periods ended January 31, 2018 and July 31, 2018, the cash distributions per investment unit included distributions in excess of profit as stipulated in Article 25, Paragraph 2 of the Company's articles of incorporation in the amounts of ¥6 and ¥1 (US\$0), respectively. (Note that per investment unit amounts for the fiscal period ended January 31, 2018 described here are the amounts before the four-for-one unit split on February 1, 2018)

Note 12 – Information on Allowance for Temporary Difference Adjustments

Information on temporary differences subject to allowance for temporary difference adjustments for the six months ended January 31, 2018 and July 31, 2018 is as follows:

For the six months ended January 31, 2018:

1. Reasons, related assets and allowance

(in millions of yen)		
Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust	Excess of depreciation allowance	¥ 2

2. Reasons, related assets and reversal

(in millions of yen)		
Related assets, etc.	Reason	Allowance for temporary difference adjustments
Deferred gains or (losses) on hedges	Changes in the fair value of derivative transactions	¥ 30

3. Method of reversal

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

For the six months ended July 31, 2018:

1. Reasons, related assets and allowance

(in millions of yen)			(in thousands of U.S. dollars)
Related assets, etc.	Reason	Allowance for temporary difference adjustments	Allowance for temporary difference adjustments
Buildings in trust	Excess of depreciation allowance	¥ 1	\$ 15

2. Reasons, related assets and reversal

(in millions of yen)			(in thousands of U.S. dollars)
Related assets, etc.	Reason	Allowance for temporary difference adjustments	Allowance for temporary difference adjustments
Deferred gains or (losses) on hedges	Changes in the fair value of derivative transactions	¥ 27	\$ 249

3. Method of reversal

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

Note 13 – Rent Revenue—Real Estate and Expenses Related to Property Rental Business

Rent revenue—real estate and expenses related to property rental business for the six months ended January 31, 2018 and July 31, 2018 consist of the following:

	For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Rent revenue—real estate:			
Rental and parking revenue.....	¥ 8,588	¥ 9,239	\$ 83,234
Common area charges.....	300	306	2,761
Other.....	86	139	1,257
Total rent revenue-real estate.....	<u>¥ 8,976</u>	<u>¥ 9,686</u>	<u>\$ 87,254</u>
Expenses related to property rental business:			
Property management fees.....	¥ 66	¥ 61	\$ 550
Facility management fees.....	154	166	1,501
Utilities.....	293	304	2,741
Property-related taxes.....	695	746	6,721
Insurance.....	23	22	206
Repair and maintenance.....	79	97	880
Depreciation.....	1,263	1,331	11,998
Trust fees.....	16	15	143
Leasehold rents.....	376	386	3,482
Other.....	7	2	21
Total expenses related to property rental business.....	<u>¥ 2,976</u>	<u>¥ 3,135</u>	<u>\$ 28,246</u>
Operating income from property leasing activities.....	<u>¥ 5,999</u>	<u>¥ 6,550</u>	<u>\$ 59,008</u>

Note 14 – Income Taxes

The Company is subject to corporate income taxes in Japan. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to qualify for conditions set forth in the Special Taxation Measures Act of Japan to achieve a deduction of distributions for income tax purposes and it distributes approximately 100% of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measures Act of Japan.

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

	For the six months ended	
	January 31, 2018	July 31, 2018
	(Rate)	
Statutory tax rates.....	31.74%	31.74%
Deductible cash distributions.....	(31.75)	(31.74)
Other.....	0.03	0.04
Effective tax rates.....	<u>0.02%</u>	<u>0.04%</u>

Deferred tax assets consist of the following:

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable.....	¥ 0	¥ 0	\$ 0
Subtotal.....	0	0	0
Valuation allowance.....	(0)	(0)	(0)
Total.....	-	-	-
Noncurrent:			
Asset retirement obligations.....	54	54	493
Deferred losses on hedges.....	77	68	620
Subtotal.....	132	123	1,113
Valuation allowance.....	(132)	(123)	(1,113)
Total.....	¥ -	¥ -	\$ -
Net deferred tax assets.....	¥ -	¥ -	\$ -

Note 15 – Leases

As lessee;

Finance leases

Leased assets under finance lease transactions that transfer ownership of the leased assets to the lessee are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the leased assets.

As lessor;

Operating leases - Lease rental revenues

The Company leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of January 31, 2018 and July 31, 2018 scheduled to be received are summarized as follows:

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year.....	¥ 15,600	¥ 16,688	\$ 150,335
Due after one year.....	78,668	81,461	733,818
Total.....	¥ 94,269	¥ 98,149	\$ 884,153

Note 16 – Financial Instruments

Qualitative and quantitative information for financial instruments for the six months ended January 31, 2018 and July 31, 2018 was as follows:

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Company 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 Company. 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 Company 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 January 31, 2018 and July 31, 2018.

	As of										
	January 31, 2018			July 31, 2018			July 31, 2018				
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference		
(in millions of yen)									(in thousands of U.S. dollars)		
Assets:											
(1) Cash and bank deposits.....	¥ 12,976	¥ 12,976	¥ -	¥ 10,585	¥ 10,585	¥ -	\$ 95,352	\$ 95,352	\$ -		
(2) Cash and bank deposits in trust.....	2,669	2,669	-	3,278	3,278	-	29,537	29,537	-		
Total.....	¥ 15,646	¥ 15,646	¥ -	¥ 13,864	¥ 13,864	¥ -	\$ 124,889	\$ 124,889	\$ -		
Liabilities:											
(1) Current portion of											
long-term loans payable.....	¥ 13,500	¥ 13,519	¥ 19	¥ 4,000	¥ 4,031	¥ 31	\$ 36,032	\$ 36,315	\$ 283		
(2) Investment corporation											
bonds — unsecured.....	10,000	10,252	252	10,000	10,249	249	90,081	92,328	2,246		
(3) Long-term loans payable.....	108,000	110,926	2,926	130,800	133,700	2,900	1,178,272	1,204,403	26,131		
(4) Tenant leasehold and security											
deposits in trust.....	717	706	(10)	591	583	(8)	5,328	5,252	(75)		
Total.....	¥ 132,217	¥ 135,405	¥ 3,188	¥ 145,391	¥ 148,564	¥ 3,173	\$ 1,309,715	\$ 1,338,299	\$ 28,584		
Derivative instruments.....	¥ (245)	¥ (245)	¥ -	¥ (217)	¥ (217)	¥ -	\$ (1,963)	\$ (1,963)	\$ -		

Note (1): The methods and assumptions 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 a 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

The fair value of the interest rate swaps subject to deferred hedge accounting method is evaluated separately using the fair value estimated by the counterparty to the interest rate swap contracts based on market interest rates and other assumptions. The fair value of the interest rate swaps subject to special treatment for hedge accounting of interest rate swaps under Japanese GAAP is included in that of the hedged long-term loans payable as noted above. Please refer to "Note 17 — Derivative Instruments" for further information on the interest rate swaps.

Note (2): Financial instruments for which fair value is difficult to determine are as follows:

	As of		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits.....	¥ 2,418	¥ 2,448	\$ 22,057
Tenant leasehold and security deposits in trust.....	7,099	7,767	69,966
Total liabilities.....	¥ 9,518	¥ 10,215	\$ 92,023

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 (3): Cash flow schedule of financial assets after the balance sheet date

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of January 31, 2018:						
Cash and bank deposits.....	¥ 12,976	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust.....	2,669	-	-	-	-	-
Total.....	¥ 15,646	¥ -	¥ -	¥ -	¥ -	¥ -
As of July 31, 2018:						
Cash and bank deposits.....	¥ 10,585	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust.....	3,278	-	-	-	-	-
Total.....	¥ 13,864	¥ -	¥ -	¥ -	¥ -	¥ -
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of July 31, 2018:						
Cash and bank deposits.....	\$ 95,352	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust.....	29,537	-	-	-	-	-
Total.....	\$ 124,889	\$ -	\$ -	\$ -	\$ -	\$ -

Note (4): Cash flow schedule of interest-bearing financial liabilities after the balance sheet date

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of January 31, 2018:						
Investment corporation bonds—unsecured.....	¥ -	¥ -	¥ -	¥ -	¥ 5,000	¥ 5,000
Long-term loans payable.....	13,500	7,900	4,000	-	12,200	83,900
Total.....	¥ 13,500	¥ 7,900	¥ 4,000	¥ -	¥ 17,200	¥ 88,900
As of July 31, 2018:						
Investment corporation bonds—unsecured.....	¥ -	¥ -	¥ -	¥ -	¥ 5,000	¥ 5,000
Long-term loans payable.....	4,000	7,900	-	11,800	14,500	96,600
Total.....	¥ 4,000	¥ 7,900	¥ -	¥ 11,800	¥ 19,500	¥ 101,600
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of July 31, 2018:						
Investment corporation bonds—unsecured.....	\$ -	\$ -	\$ -	\$ -	\$ 45,040	\$ 45,040
Long-term loans payable.....	36,032	71,164	-	106,296	130,618	870,191
Total.....	\$ 36,032	\$ 71,164	\$ -	\$ 106,296	\$ 175,659	\$ 915,232

Note 17 – Derivative Instruments

Information on derivative transactions undertaken by the Company as of January 31, 2018 and July 31, 2018 was as follows. Derivative instruments are used only for hedging purposes and are subject to hedge accounting.

Method of hedge accounting	Type of derivatives	Hedged item	As of January 31, 2018		
			Notional amounts ⁽²⁾		Fair value ⁽¹⁾⁽³⁾
			Total	Over 1 year (in millions of yen)	
Deferred hedge accounting	Interest rate swap ⁽⁴⁾ (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 6,300	¥ 6,300	¥ (245)
Special treatment for hedge accounting of interest rate swaps ⁽¹⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	47,700	39,200	(1,235)
Total.....			¥ 54,000	¥ 45,500	¥ (1,481)

Method of hedge accounting	Type of derivatives	Hedged item	As of July 31, 2018					
			Notional amounts ⁽²⁾		Fair value ⁽¹⁾⁽³⁾	Notional amounts ⁽²⁾		Fair value ⁽¹⁾⁽³⁾
			Total	Over 1 year (in millions of yen)		Total	Over 1 year (in thousands of U.S. dollars)	
Deferred hedge accounting	Interest rate swap ⁽⁴⁾ (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 6,300	¥ 6,300	¥ (217)	\$ 56,751	\$ 56,751	\$ (1,963)
Special treatment for hedge accounting of interest rate swaps ⁽¹⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	39,200	35,200	(1,095)	353,121	317,088	(9,865)
Total.....			¥ 45,500	¥ 41,500	¥ (1,313)	\$ 409,872	\$ 373,840	\$ (11,829)

Notes:

- As disclosed in “Note 2-Summary of Significant Accounting Policies (h) Hedge Accounting”, the Company applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (1) in “Note 16 – Financial Instruments (b) Quantitative information for financial instruments”.
- The notional amounts do not represent the market risk exposure associated with the derivative instruments.
- The fair value is estimated by the counterparty to the interest rate swaps contracts by using market interest rates and other assumptions.
- The interest rate swaps contracts totaling of ¥6,300 million in notional amounts entered into on June 26, 2013 and April 13, 2016 are designated as hedging instruments for specific long-term loans payable funded on June 28, 2013 and April 15, 2016, respectively. The contract terms of the interest rate swaps are from December 31, 2013 and April 15, 2016, respectively, to each maturity date of the corresponding hedged long-term loans payable.

Note 18 – Asset Retirement Obligations

(a) Asset retirement obligations recognized as a liability on the balance sheet

The Company 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 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 of 0.5% and 0.689%, respectively.

Movements in asset retirement obligations are as follows:

	For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(in millions of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period.....	¥ 172	¥ 172	\$ 1,557
Adjustment for passage of time.....	0	0	4
Balance at the end of the period.....	¥ 172	¥ 173	\$ 1,562

(b) Asset retirement obligations not recognized as a liability on the balance sheet

As the Company 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 Company is obliged to demolish the building and restore the land if the permission is not extended or is revoked. The Company, however, expects that, unless exceptional circumstances arise, the permission will continue to be granted until the Company 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 Company 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 Company does not recognize such obligation as a liability.

Note 19 – Related-Party Transactions

There were no related-party transactions to be disclosed for the six months ended January 31, 2018 and July 31, 2018.

Note 20 – Per Unit Information

The following table shows net asset value per unit as of January 31, 2018 and July 31, 2018, and net income per unit for the fiscal periods then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the fiscal period. The Company has no potentially dilutive units. In addition, the Company executed a four-for-one unit split with January 31, 2018 as the record date and February 1, 2018 as the effective date. The following table shows pro forma per unit information which has been adjusted to reflect the unit split as of February 1, 2018 assuming it had been effective on August 1, 2017.

	As of / For the six months ended		
	January 31, 2018	July 31, 2018	July 31, 2018
	(Yen)		(U.S. dollars)
Net asset value per unit.....	¥ 73,321	¥ 76,385	\$ 688
Net income per unit.....	¥ 2,568	¥ 2,749	\$ 24
Weighted average number of units.....	1,588,656	1,677,986	

Note 21 – Segment Information

Segment information for the fiscal periods ended January 31, 2018 and July 31, 2018 is as follows:

(a) Operating Segment Information

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

(b) Enterprise-wide Disclosures

(i) Information about Products and Services

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

(ii) Information about Geographic Areas

Revenues from Overseas Customers:

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

Tangible Fixed Assets:

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

(c) Information about Major Customers

For the six months ended January 31, 2018:

Name of Customer	Revenues	Related Segment
	(in millions of yen)	
Japan Airlines Co., Ltd.	¥ 1,420	Property rental business

For the six months ended July 31, 2018:

Name of Customer	Revenues		Related Segment
	(in millions of yen)	(in thousands of U.S. dollars)	
Japan Airlines Co., Ltd.	¥ 1,427	\$ 12,858	Property rental business

Note 22 – Subsequent Events

Not Applicable.