

Translation

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
SUMMARY OF FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JULY 31, 2018

September 20, 2018

Name of issuer:	Industrial & Infrastructure Fund Investment Corporation ("the Investment Corporation")
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3249
Website:	http://www.iif-reit.com/
Representative of the Investment Corporation:	Yasuyuki Kuratsu, Executive Director
Name of asset manager:	Mitsubishi Corp.-UBS Realty Inc.
Representative of the asset manager:	Katsuhisa Sakai, President & CEO
Contact:	Hidehiko Ueda, Executive Officer Head of Industrial Division Tel: (03)5293-7091
Scheduled date for filing of securities report:	October 25, 2018
Scheduled date for distributions payment:	October 15, 2018
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

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

1. Financial results for the six months ended July 31, 2018 (February 1, 2018 to July 31, 2018)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2018	9,686	7.9	5,553	9.5	4,614	13.0	4,612	13.0
January 31, 2018	8,976	-10.7	5,071	-12.4	4,082	-11.9	4,081	-11.9

	Net income per unit		Return on unitholders' equity		Ratio of ordinary income to total assets		Ratio of ordinary income	
For the six months ended	Yen		%		%		%	
July 31, 2018	2,749		3.7		1.7		47.6	
January 31, 2018	2,568		3.5		1.6		45.5	

Note : The Investment Corporation executed a four-for-one unit split (the "Unit Split") on February 1, 2018 as the effective date. Net income 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.

(2) Distributions

	Distribution per unit (including distributions in excess of profit)	Distribution per unit (excluding distributions in excess of profit)	Distribution per unit in excess of profit	Total distributions (including distributions in excess of profit)	Total distributions (excluding distributions in excess of profit)	Total distributions in excess of profit	Payout ratio	Ratio of distributions to net assets
For the six months ended	Yen	Yen	Yen	Millions of yen	Millions of yen	Millions of yen	%	%
July 31, 2018	2,716	2,715	1	4,613	4,612	1	100.0	3.6
January 31, 2018	10,282	10,276	6	4,083	4,081	2	100.0	3.5

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

Note 2: Payout ratio for the six months ended July 31, 2018 is calculated by following formula, as new investment units were issued during the period.

Payout ratio = Total distributions (excluding distributions in excess of profit) ÷ Net income × 100

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
As of	Millions of yen	Millions of yen	%	Yen
July 31, 2018	289,221	129,765	44.9	76,385
January 31, 2018	261,500	116,483	44.5	73,321

Note : 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.

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
For the six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
July 31, 2018	5,108	(28,671)	21,780	13,864
January 31, 2018	6,082	(607)	(4,639)	15,646

2. Outlook for the six months ending January 31, 2019 (August 1, 2018 to January 31, 2019)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2019	9,789	1.1	5,493	-1.1	4,553	-1.3	4,552	-1.3

	Net income per unit	Distribution per unit (including distributions in excess of profit)	Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
For the six months ending	Yen	Yen	Yen	Yen
January 31, 2019	2,679	2,680	2,679	1

3. Others

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

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of investment units issued

Number of investment units issued at the end of period (including own investment units):

As of July 31, 2018 1,698,816 units

As of January 31, 201 397,164 units

Number of own investment units at the end of period:

As of July 31, 2018 0 units

As of January 31, 2018 0 units

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 24.

Forward-looking Statements and Other Notes

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

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (2) Operations, B. Outlook for the next period” on page 6 to 8.

1. Summary of related corporations of the Investment Corporation

There have been no significant changes to the “structure of the investment corporation” since the most recent securities report (submitted on April 26, 2018), and hence, description of these matters is omitted.

2. Management policy and results of operation

(1) Management policies

There are no material changes to Investment Policy, Investment Targets, or Distribution Policies in the most recent securities report (submitted on 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.

B. Outlook for the next fiscal period

i. 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.

ii. Issues to be solved and management policy going forward

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

a) External growth

IIF will continue to demonstrate its strength in proposal-based acquisition activities in the areas of both CRE (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.

iii. 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.

【Attachment】

Earnings Forecast Assumptions for the 23rd Fiscal Period (August 1, 2018 to January 31, 2019)

Item	Assumption
Accounting period	23 rd Fiscal Period From August 1, 2018 to January 31, 2019 (184 days)
Assets owned	It is assumed that IIF owns the real estate and trust beneficial interest in real property for the 66 properties that it holds as of July 31, 2018. While it is assumed that there will be no further transfer of property until January 31, 2019, changes may in fact occur due to other property acquisitions, disposals or similar activities.
Interest-bearing debt	The total amount of interest-bearing debt as of July 31, 2018 was JPY 144,800 million, consisting of long-term debt (including those loans that will become due within one year) of JPY 134,800 million and investment corporation bonds of JPY 10,000 million. No interest-bearing debts will come due during the 23 rd period.
Operating revenues	We have estimated the rent revenue based on lease agreements we expect to be effective during the 23 rd fiscal period, as well as, among others, market environment, characteristic of individual property, competitiveness of properties and status of individual tenant (including a plan for evacuation). We assume the properties are owned as described in “Assets owned” above and that there will be no arrears or non-payments of rent by the leaseholders for the 23 rd fiscal period.
Operating expenses	Fixed property tax, city planning tax and depreciable property tax in the 23 rd period is forecast to be approximately 788 million yen. Repair costs are forecast to be approximately 98 million yen. Depreciation (including ancillary expenses) is calculated based on the straight-line method and is estimated to be approximately JPY 1,365 million for the 23 rd fiscal period. Calculation of external outsourcing expenses (property management fees, building management fees, etc.) is based on actual results thus far.
Non-operating expenses	Based on the assumptions of “Interest-bearing debt” above, we estimate the interest expenses, other debt-related expenses, interest expenses on investment corporation bonds and amortization of investment corporation bond issuance costs will be JPY 882 million for the 23 rd fiscal period. We estimate the amortization of the cost concerning the issuance of new investment units will be approximately JPY 56 million for the 23 rd fiscal period.
Extraordinary gain or loss	No extraordinary gain or loss is expected for the 23 rd fiscal period.
Total number of units issued	It is assumed that the total number of issued investment units as of September 20, 2018 is 1,698,816.
Distributions per unit (excluding distributions in excess of retained earnings per unit)	It is assumed that net income excluding amounts less than 1 yen per unit will be distributed in its entirety. The calculations of distributions per unit for the 23 rd fiscal period were based on the assumption that fluctuations in the fair value of interest rate swaps will not have any impact on distributions per unit.
Distribution in excess of retained earnings per unit (allowance for temporary difference adjustments)	For IIF Kazo Logistics Center, which we acquired on September 1, 2016 and IIF Hamura Logistics Center, which we acquired on December 22, 2016, we are recording asset retirement obligations related to asbestos removal, and we expect to record an allowance for temporary difference adjustment for tax accounting discrepancies related to interest costs on such asset retirement obligations and depreciation expenses relating to buildings, etc. During the 23 rd fiscal period, we assume that we will make a distribution in excess of retained earnings of 1 yen per unit (allowance for temporary difference adjustments).
Distributions in excess of retained earnings per unit (distributions under tax law resulting in a decrease of investment capital)	There is no plan at present to make distributions under tax law resulting in a decrease of investment capital.

3. Financial information

(1) Balance sheets

(Thousands of yen)		
	As of	
	January 31, 2018	July 31, 2018
ASSETS		
Current assets:		
Cash and bank deposits	12,976,836	10,585,048
Cash and bank deposits in trust	2,669,286	3,278,971
Rental receivables	182,669	295,575
Prepaid expenses	470,787	1,095,471
Consumption taxes refundable	-	278,892
Other	329	236
Total current assets	16,299,908	15,534,196
Noncurrent assets:		
Property, plant and equipment:		
Buildings, at cost	33,277,719	33,452,100
Less: Accumulated depreciation	(5,993,602)	(6,368,372)
Buildings, net	27,284,116	27,083,728
Structures, at cost	93,211	93,211
Less: Accumulated depreciation	(22,669)	(25,639)
Structures, net	70,542	67,572
Machinery and equipment, at cost	11,892	11,892
Less: Accumulated depreciation	(11,892)	(11,892)
Machinery and equipment, net	0	0
Tools, furniture and fixtures, at cost	13,575	13,575
Less: Accumulated depreciation	(5,031)	(5,877)
Tools, furniture and fixtures, net	8,544	7,698
Land	18,937,009	20,125,318
Construction in progress	1,433	1,433
Buildings in trust, at cost	64,881,829	70,861,106
Less: Accumulated depreciation	(9,873,951)	(10,809,798)
Buildings in trust, net	55,007,877	60,051,307
Structures in trust, at cost	495,482	563,738
Less: Accumulated depreciation	(380,091)	(389,148)
Structures in trust, net	115,390	174,589
Machinery and equipment in trust, at cost	68,707	106,809
Less: Accumulated depreciation	(8,365)	(14,133)
Machinery and equipment in trust, net	60,342	92,676
Tools, furniture and fixtures in trust, at cost	24,742	36,020
Less: Accumulated depreciation	(7,526)	(9,648)
Tools, furniture and fixtures in trust, net	17,216	26,372
Land in trust	122,358,162	144,470,488
Construction in progress in trust	4,040	1,969
Total net property, plant and equipment	223,864,675	252,103,156
Intangible assets:		
Leasehold right (Note 1)	19,833,966	19,833,966
Other	1,912	1,724
Total intangible assets	19,835,879	19,835,690
Investments and other assets:		
Lease and guarantee deposits	10,200	10,200
Long-term prepaid expenses	1,307,216	1,456,164
Other	6,783	6,586
Total investments and other assets	1,324,199	1,472,950
Total noncurrent assets	245,024,754	273,411,797
Deferred assets:		
Investment unit issuance costs	125,357	228,782
Investment corporation bonds issuance costs	50,400	46,592
Total deferred assets	175,757	275,374
TOTAL ASSETS	261,500,420	289,221,369

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

(Thousands of yen)

	As of	
	January 31, 2018	July 31, 2018
LIABILITIES		
Current liabilities:		
Operating accounts payable	299,968	650,067
Current portion of long-term loans payable	13,500,000	4,000,000
Accounts payable – other	479,356	572,264
Accrued expenses	138,309	128,581
Income taxes payable	908	1,691
Consumption taxes payable	451,795	-
Advances received	1,484,895	2,032,200
Other	3,845	68,756
Total current liabilities	16,359,078	7,453,562
Noncurrent liabilities:		
Investment corporation bonds – unsecured	10,000,000	10,000,000
Long-term loans payable	108,000,000	130,800,000
Tenant leasehold and security deposits	2,418,564	2,448,564
Tenant leasehold and security deposits in trust	7,816,815	8,358,515
Asset retirement obligations	172,938	173,430
Derivatives liabilities	249,365	221,519
Other	317	154
Total noncurrent liabilities	128,658,001	152,002,185
TOTAL LIABILITIES	145,017,080	159,455,747
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	112,651,215	125,376,568
Capital deduction:		
Allowance for temporary difference adjustment (Note 3)	(279,803)	(251,547)
Total capital deduction	(279,803)	(251,547)
Unitholders' capital, net	112,371,412	125,125,021
Surplus:		
Retained earnings	4,357,510	4,858,533
Total surplus	4,357,510	4,858,533
Total unitholders' equity	116,728,922	129,983,554
Valuation and translation adjustments:		
Deferred gains or (losses) on hedges	(245,581)	(217,933)
Total valuation and translation adjustments	(245,581)	(217,933)
TOTAL NET ASSETS (Note 2)	116,483,340	129,765,621
TOTAL LIABILITIES AND NET ASSETS	261,500,420	289,221,369

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

(2) Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	January 31, 2018	July 31, 2018
Operating revenue		
Rent revenue—real estate (Note 4)	8,976,411	9,686,144
Total operating revenue	8,976,411	9,686,144
Operating expenses		
Expenses related to property rental business (Note 4)	2,976,970	3,135,629
Asset management fees	791,704	861,157
Directors' compensations	5,820	5,820
Asset custody fees	5,879	6,294
Administrative service fees	29,305	31,373
Other	95,521	92,468
Total operating expenses	3,905,200	4,132,742
Operating income	5,071,211	5,553,402
Non-operating income		
Interest income	72	73
Interest on refund	1,782	-
Reversal of distribution payable	675	391
Total non-operating income	2,530	464
Non-operating expenses		
Interest expenses	690,272	642,410
Interest expenses on investment corporation bonds	50,173	49,626
Amortization of investment corporation bonds issuance costs	3,807	3,807
Borrowing related expenses	186,485	182,176
Amortization of investment unit issuance costs	58,448	57,181
Other	2,508	4,043
Total non-operating expenses	991,695	939,245
Ordinary income	4,082,046	4,614,622
Income before income taxes	4,082,046	4,614,622
Income taxes		
Current	919	1,702
Total income taxes	919	1,702
Net income	4,081,126	4,612,919
Retained earnings brought forward	276,383	245,613
Unappropriated retained earnings	4,357,510	4,858,533

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

(3) Statements of changes in net assets

(Thousands of yen)

	Unitholders' equity						Valuation and translation adjustments			
	Unitholders' capital			Surplus			Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets	
	Unitholders' capital (Note 2)	Capital deduction		Unitholders' capital, net	Retained earnings	Total surplus				Total unitholders' equity
		Allowance for temporary difference adjustment	Total capital deduction							
Balance as of July 31, 2017	112,651,215	(307,535)	(307,535)	112,343,680	4,940,608	4,940,608	117,284,288	(276,221)	(276,221)	117,008,066
<u>Changes during the period</u>										
Dividends from surplus	-	-	-	-	(4,633,712)	(4,633,712)	(4,633,712)	-	-	(4,633,712)
Reversal of allowance for temporary difference adjustment	-	30,512	30,512	30,512	(30,512)	(30,512)	-	-	-	-
Dividend in excess of profit from allowance for temporary difference adjustment	-	(2,780)	(2,780)	(2,780)	-	-	(2,780)	-	-	(2,780)
Net income	-	-	-	-	4,081,126	4,081,126	4,081,126	-	-	4,081,126
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-	30,639	30,639	30,639
<u>Total changes during the period</u>	-	27,731	27,731	27,731	(583,097)	(583,097)	(555,365)	30,639	30,639	(524,725)
Balance as of January 31, 2018	112,651,215	(279,803)	(279,803)	112,371,412	4,357,510	4,357,510	116,728,922	(245,581)	(245,581)	116,483,340
<u>Changes during the period</u>										
Issuance of new investment units	12,725,352	-	-	12,725,352	-	-	12,725,352	-	-	12,725,352
Dividends from surplus	-	-	-	-	(4,081,257)	(4,081,257)	(4,081,257)	-	-	(4,081,257)
Reversal of allowance for temporary difference adjustment	-	30,639	30,639	30,639	(30,639)	(30,639)	-	-	-	-
Dividend in excess of profit from allowance for temporary difference adjustment	-	(2,382)	(2,382)	(2,382)	-	-	(2,382)	-	-	(2,382)
Net income	-	-	-	-	4,612,919	4,612,919	4,612,919	-	-	4,612,919
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-	27,648	27,648	27,648
<u>Total changes during the period</u>	12,725,352	28,256	28,256	12,753,609	501,022	501,022	13,254,632	27,648	27,648	13,282,280
Balance as of July 31, 2018	125,376,568	(251,547)	(251,547)	125,125,021	4,858,533	4,858,533	129,983,554	(217,933)	(217,933)	129,765,621

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

(4) Statements of cash distributions

	(Yen)	
	For the six months ended	
	January 31, 2018	July 31, 2018
I Unappropriated retained earnings	4,357,510,597	4,858,533,120
II Distributions in excess of profit	2,382,984	1,698,816
Allowance for temporary difference adjustment	2,382,984	1,698,816
III Capitalization	30,639,769	27,648,569
Reversal of allowance for temporary difference adjustment	30,639,769	27,648,569
IV Cash distribution declared	4,083,640,248	4,613,984,256
<i>(Cash distribution declared per unit)</i>	<i>(10,282)</i>	<i>(2,716)</i>
Profit distributions	4,081,257,264	4,612,285,440
<i>(Profit distributions per unit)</i>	<i>(10,276)</i>	<i>(2,715)</i>
Allowance for temporary difference adjustment	2,382,984	1,698,816
<i>(Distribution per unit in excess of profit from allowance for temporary difference adjustment)</i>	<i>(6)</i>	<i>(1)</i>
V Retained earnings carried forward	245,613,564	218,599,111

Note:

For the six months ended January 31, 2018:

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

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (do not include distributions in excess of profit) declared for the six months ended January 31, 2018 were ¥4,081,257,264 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan), except for fractional distribution per unit less than one yen.

In addition, the Investment Corporation makes distributions in excess of profit considering an effect of differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in the article of incorporation 25, Paragraph 2. Distributions in excess of profit for the six months ended January 31, 2018 were amounting to ¥2,382,984 which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of profit less than one yen. All of the distributions in excess of profit for the six months ended January 31, 2018 were amounting to ¥2,382,984 consist only of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unitcapital refund from deduction of unitcapital under tax rules is not included.

For the six months ended July 31, 2018:

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

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (do not include distributions in excess of profit) declared for the six months ended July 31, 2018 were ¥4,612,285,440 which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan), except for fractional distribution per unit less than one yen.

In addition, the Investment Corporation makes distributions in excess of profit considering an effect of differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in the article of incorporation 25, Paragraph 2. Distributions in excess of profit for the six months ended July 31, 2018 were amounting to ¥1,698,816 which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of profit less than one yen. All of the distributions in excess of profit for the six months ended July 31, 2018 were amounting to ¥1,698,816 consist only of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unitcapital refund from deduction of unitcapital under tax rules is not included.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	January 31, 2018	July 31, 2018
Net cash provided by (used in) operating activities:		
Income before income taxes	4,082,046	4,614,622
Depreciation and amortization	1,263,195	1,331,908
Amortization of investment corporation bonds issuance costs	3,807	3,807
Amortization of investment unit issuance costs	58,448	57,181
Interest income	(72)	(73)
Interest expenses	740,446	692,036
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(18,015)	(112,906)
Decrease (increase) in consumption taxes refundable	420,083	(278,892)
Decrease (increase) in prepaid expenses	519,532	(624,684)
Decrease (increase) in long-term prepaid expenses	(163,189)	(148,948)
Increase (decrease) in operating accounts payable	22,606	65,343
Increase (decrease) in accounts payable - other	(152,204)	51,336
Increase (decrease) in accrued expenses	434	(82)
Increase (decrease) in consumption taxes payable	451,795	(451,795)
Increase (decrease) in advances received	(411,554)	547,305
Increase (decrease) in other noncurrent liabilities	55	(162)
Other, net	5,531	65,359
Subtotal	6,822,944	5,811,355
Interest income received	72	73
Interest expenses paid	(739,415)	(701,681)
Income taxes paid	(1,217)	(919)
Net cash provided by operating activities	6,082,385	5,108,827
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(188,275)	(1,311,319)
Purchases of property, plant and equipment in trust	(544,908)	(27,932,212)
Proceeds from tenant leasehold and security deposits	16,946	30,000
Payments of tenant leasehold and security deposits	(90)	-
Proceeds from tenant leasehold and security deposits in trust	113,474	742,281
Payments of tenant leasehold and security deposits in trust	(7,500)	(200,581)
Proceeds from lease and guarantee deposits	2,545	-
Payments for lease and guarantee deposits	(90)	-
Net cash used in investing activities	(607,898)	(28,671,831)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	11,600,000	26,800,000
Repayments of long-term loans payable	(11,600,000)	(13,500,000)
Proceeds from issuance of investment units	-	12,564,746
Dividends paid	(4,636,779)	(4,083,844)
Other	(3,170)	-
Net cash provided by (used in) financing activities	(4,639,949)	21,780,901
Net change in cash and cash equivalents	834,537	(1,782,102)
Cash and cash equivalents at beginning of period	14,811,585	15,646,122
Cash and cash equivalents at end of period (Note 5)	15,646,122	13,864,019

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

(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

(a) Property and equipment

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

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

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

(b) Other intangible assets

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

(c) Long-term prepaid expenses

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

(d) Investment unit issuance costs

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

(e) Investment corporation bonds issuance costs

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

(f) Taxes on property, plant and equipment

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

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

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

(g) Hedge accounting

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

(h) Cash and cash equivalents

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

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

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

(j) Consumption taxes

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

(8) Notes to financial information

Note 1 — Leasehold right

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

Note 2 — Unitholders' equity

(1) Number of units

	As of	
	January 31, 2018	July 31, 2018
Authorized	8,000,000 units	32,000,000 units
Issued and outstanding	397,164 units	1,698,816 units

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

Note 3 — Allowance for temporary difference adjustment

Movements of allowance for temporary difference adjustment for the six months ended January 31, 2018 and July 31, 2018 are as follows:

For the six months ended January 31, 2018:

(Thousands of yen)

Content of temporary difference			Allowance for temporary difference adjustment				
Item	Reason for the difference	Initial amount	Balance at beginning of the period	Allowance	Reversal	Balance at end of the period	Note
Buildings in trust	Excess of depreciation allowance	3,837	1,057	2,780	-	3,837	(i)
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	405,448	306,478	-	(30,512)	275,965	(ii)
Total		409,286	307,535	2,780	(30,512)	279,803	

For the six months ended July 31, 2018:

(Thousands of yen)

Content of temporary difference			Allowance for temporary difference adjustment				
Item	Reason for the difference	Initial amount	Balance at beginning of the period	Allowance	Reversal	Balance at end of the period	Note
Buildings in trust	Excess of depreciation allowance	6,220	3,837	2,382	-	6,220	(i)
Deferred gains or (losses) on hedges	Valuation losses on interest rate swaps	405,448	275,965	-	(30,639)	245,326	(ii)
Total		411,669	279,803	2,382	(30,639)	251,547	

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

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

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

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

(Thousands of yen)

	For the six months ended	
	January 31, 2018	July 31, 2018
Rent revenue — real estate:		
Rental and parking revenue	8,588,805	9,239,890
Common area charges	300,987	306,605
Other	86,618	139,648
Total rent revenue-real estate	8,976,411	9,686,144
Expenses related to property rental business:		
Property management fees	66,935	61,083
Facility management fees	154,111	166,677
Utilities	293,243	304,337
Property-related taxes	695,716	746,124
Insurance	23,323	22,956
Repair and maintenance	79,843	97,740
Depreciation	1,263,195	1,331,908
Trust fees	16,581	15,892
Leasehold rents	376,643	386,571
Other	7,375	2,336
Total expenses related to property rental business	2,976,970	3,135,629
Operating income from property leasing activities	5,999,441	6,550,515

Note 5 — Cash and cash equivalents

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

(Thousands of yen)

	As of	
	January 31, 2018	July 31, 2018
Cash and bank deposits	12,976,836	10,585,048
Cash and bank deposits in trust	2,669,286	3,278,971
Cash and cash equivalents	15,646,122	13,864,019

Note 6 — Lease rental revenues

The Investment Corporation 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:

(Thousands of yen)

	As of	
	January 31, 2018	July 31, 2018
Due within one year	15,600,504	16,688,704
Due after one year	78,668,801	81,461,156
Total	94,269,306	98,149,861

Note 7 — Financial instruments**(a) Qualitative information for financial instruments***(i) Policy for financial instrument transactions*

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

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

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

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

(iii) Supplemental information on fair value of financial instruments

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

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of January 31, 2018 and July 31, 2018.

(Thousands of yen)

	As of January 31, 2018			As of July 31, 2018		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	12,976,836	12,976,836	-	10,585,048	10,585,048	-
(2) Cash and bank deposits in trust	2,669,286	2,669,286	-	3,278,971	3,278,971	-
Total assets	15,646,122	15,646,122	-	13,864,019	13,864,019	-
(1) Current portion of long-term loans payable	13,500,000	13,519,444	19,444	4,000,000	4,031,416	31,416
(2) Investment corporation bonds —unsecured	10,000,000	10,252,880	252,880	10,000,000	10,249,350	249,350
(3) Long-term loans payable	108,000,000	110,926,019	2,926,019	130,800,000	133,700,808	2,900,808
(4) Tenant leasehold and security deposits in trust	717,066	706,975	(10,090)	591,500	583,066	(8,433)
Total liabilities	132,217,066	135,405,320	3,188,253	145,391,500	148,564,641	3,173,141
Derivatives (derivatives liabilities), net	(245,581)	(245,581)	-	(217,933)	(217,933)	-

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

Assets

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

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

Liabilities

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

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

(2) Investment corporation bonds —unsecured

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

(4) Tenant leasehold and security deposits in trust

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

Derivatives

Please refer to “Note 8 - Derivative instruments.”

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

(Thousands of yen)

	As of	
	January 31, 2018	July 31, 2018
Tenant leasehold and security deposits	2,418,564	2,448,564
Tenant leasehold and security deposits in trust	7,099,748	7,767,015
Total liabilities	9,518,313	10,215,580

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

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

(Thousands of yen)

As of January 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,976,836	-	-	-	-	-
Cash and bank deposits in trust	2,669,286	-	-	-	-	-
Total	15,646,122	-	-	-	-	-
As of July 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	10,585,048	-	-	-	-	-
Cash and bank deposits in trust	3,278,971	-	-	-	-	-
Total	13,864,019	-	-	-	-	-

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

(Thousands of yen)

As of January 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds—unsecured	-	-	-	-	5,000,000	5,000,000
Long-term loans payable	13,500,000	7,900,000	4,000,000	-	12,200,000	83,900,000
Total	13,500,000	7,900,000	4,000,000	-	17,200,000	88,900,000
As of July 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds—unsecured	-	-	-	-	5,000,000	5,000,000
Long-term loans payable	4,000,000	7,900,000	-	11,800,000	14,500,000	96,600,000
Total	4,000,000	7,900,000	-	11,800,000	19,500,000	101,600,000

Note 8 — Derivative instruments

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

As of January 31, 2018

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Valuation method
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	6,300,000	6,300,000	(245,581)	Note (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	47,700,000	39,200,000	Note (i)	-

As of July 31, 2018

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Valuation method
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	6,300,000	6,300,000	(217,933)	Note (ii)
Special treatment for hedge accounting of interest rate swaps (Note (i))	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	39,200,000	35,200,000	Note (i)	-

Note:

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

Note 9 — Income taxes

Deferred tax assets consist of the following:

(Thousands of yen)

	As of	
	January 31, 2018	July 31, 2018
Deferred tax assets, current:		
Enterprise tax payable	10	43
Subtotal	10	43
Valuation allowance	(10)	(43)
Total	-	-
Net deferred tax assets, current	-	-
Deferred tax assets, noncurrent:		
Asset retirement obligations	54,631	54,786
Deferred losses on hedges	77,579	68,845
Subtotal	132,210	123,631
Valuation allowance	(132,210)	(123,631)
Total	-	-
Net deferred tax assets, noncurrent	-	-

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

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

Note 10 — Related-party transactions

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

Note 11 — Asset retirement obligations***(a) Asset retirement obligations recognized as liabilities in the balance sheets***

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

Movements of asset retirement obligations are as follows:

	(Thousands of yen)	
	For the six months ended	
	January 31, 2018	July 31, 2018
Balance at the beginning of the period	172,439	172,938
Adjustment for passage of time	498	491
Balance at the end of the period	172,938	173,430

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

As the Investment Corporation owns IIF Haneda Airport Maintenance Center with the permission for use of the underlying land granted by the Secretary of Tokyo Regional Civil Aviation Bureau under the National Property Act of Japan, the Investment Corporation is obliged to demolish the building and restore the land if the permission is not extended or is revoked. The Investment Corporation, however, expects that, unless exceptional circumstances arise, the permission will continue to be granted until the Investment Corporation voluntarily demolishes the property in light of the past practice relating to the extension and revocation of permission under the National Property Act and the importance of the property as public infrastructure. As the Investment Corporation intends to keep the property for the foreseeable future, it is difficult to determine when the asset retirement obligation may need to be performed, and as such it is impossible to reasonably foresee the amount of the asset retirement obligation. Therefore, the Investment Corporation does not recognize such obligation as a liability.

Note 12 — Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the fiscal period ended January 31, 2018 and July 31, 2018.

	(Thousands of yen)	
	For the six months ended	
	January 31, 2018	July 31, 2018
Net book value⁽ⁱ⁾		
Balance at the beginning of the period	244,203,926	243,699,467
Net increase (decrease) during the period ⁽ⁱⁱ⁾	(504,459)	28,238,442
Balance at the end of the period	243,699,467	271,937,910
Fair value⁽ⁱⁱⁱ⁾	288,123,000	319,620,000

Note:

(i) The net book value includes leasehold right.

(ii) Changes in the net book value are mainly due to the following transactions (except for depreciation):

	Increase in net book value (Thousands of yen)
For the six months ended January 31, 2018:	
Acquisitions:	
IIF Sendai Taiwa Logistics Center (Extension Building).....	68,739
For the six months ended July 31, 2018:	
Acquisitions:	
IIF Fukuoka Hakozaki Logistics Center I (Share of quasi-co-ownership40%).....	2,087,637
IIF Fukuoka Hakozaki Logistics Center II (Share of quasi-co-ownership40%).....	3,645,700
IIF Hiroshima Manufacturing Center (land with leasehold interest).....	1,693,024
IIF Totsuka Manufacturing Center (land with leasehold interest).....	2,413,970
IIF Itabashi Logistics Center (Share of quasi-co-ownership40%).....	699,971
IIF Osaka Suminoe Logistics Center I (Share of quasi-co-ownership25%).....	3,065,833
IIF Osaka Suminoe Logistics Center II (Share of quasi-co-ownership25%).....	646,125
IIF Sapporo Logistics Center.....	2,523,342
IIF Hitachinaka Port Logistics Center (land with leasehold interest).....	1,188,309
IIF Koriyama Logistics Center.....	2,625,086
IIF Fukuoka Hakozaki Logistics Center II (Extension Building).....	1,206,643
IIF Kobe Nishi Logistics Center (land with leasehold interest).....	2,047,602
IIF Atsugi Manufacturing Center (land with leasehold interest).....	5,005,753

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

For rent revenues and expenses for the six months ended January 31, 2018 and July 31, 2018, please refer to “Note 4 — Rent revenue—real estate and expenses related to property rental business”.

Note 13 — Segment information

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

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

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

(b) Enterprise-wide disclosures

(i) Information about products and services

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

(ii) Information about geographic areas

Revenues from overseas customers:

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

Tangible fixed assets:

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

(c) Information about major customers

Name of customer	Revenues for the six months ended		Relating segment
	January 31, 2018	July 31, 2018	
Japan Airlines Co., Ltd.	1,420,829	1,427,447	Property rental business

(Thousands of yen)

Note 14 — Per unit information

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

	(Yen)	
	For the six months ended	
	January 31, 2018	July 31, 2018
Pro forma net asset value per unit	73,321	76,385
Pro forma net income per unit	2,568	2,749

The pro forma net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the fiscal period as if the Unit Split had been effective on August 1, 2017. The Investment Corporation has no potentially dilutive units.

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

	(Thousands of yen)	
	For the six months ended	
	January 31, 2018	July 31, 2018
Net income	4,081,126	4,612,919
Effect of dilutive unit	-	-
Net income available to common unitholders	4,081,126	4,612,919
Adjusted weighted-average number of units outstanding for the period	1,588,656 units	1,677,986 units

Note 15 — Subsequent events

Nothing to be noted.

Note 16 — Allowance for temporary difference adjustment

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

(Thousands of yen)				
For the six months ended	Item	Reason for changes of temporary difference	Amount for allowance (or reversal)	Note
January 31, 2018	Buildings in trust	Excess of depreciation allowance	2,382	(i)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(30,639)	(ii)
July 31, 2018	Buildings in trust	Excess of depreciation allowance	1,698	(i)
	Deferred gains or (losses) on hedges	Decrease of Valuation losses on interest rate swaps	(27,648)	(ii)

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

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

[Omission of disclosure]

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

(9) Changes in unit issued and outstanding

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

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Note 1) (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
February 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.

4. Changes in officers

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

5. Additional information

(1) Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of January 31, 2018		As of July 31, 2018	
				Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)	Total of net book value (Millions of yen)	Composition ratio (Note 2) (%)
Real property	Logistics facilities or Manufacturing and R&D facilities, etc. (Industrial properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	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
Total liabilities				145,017	55.5	159,455	55.1
Total net assets				116,483	44.5	129,765	44.9

Note 1 "Location category" is classified as below.

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

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

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

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

(2) Outline of portfolio properties

The principal properties (top ten properties in net book value) as of July 31, 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 Kanata 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.

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-nine, 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 Sagami R&D Center	1-35, Minamihashimoto 3-chome, Chuo-ku, Sagami-hara-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, Tekkadori 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.

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	For the six months ended January 31, 2018					For the six months ended July 31, 2018				
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Rental net operating income (NOI) (Note 3) (Millions of yen)	Composition ratio of NOI (%)
IIF Shinonome Logistics Center	1	100.0	400	368	5.1	1	100.0	400	366	4.7
IIF Noda Logistics Center	2	100.0	(Note 4)	207	2.9	2	100.0	(Note 4)	206	2.6
IIF Shinsuna Logistics Center	1	100.0	179	161	2.2	1	100.0	179	160	2.0
IIF Atsugi Logistics Center	1	100.0	(Note 4)	53	0.7	1	100.0	(Note 4)	53	0.7
IIF Koshigaya Logistics Center	1	100.0	75	68	0.9	1	100.0	75	69	0.9
IIF Nishinomiya Logistics Center	2	100.0	(Note 4)	82	1.1	2	100.0	(Note 4)	81	1.0
IIF Narashino Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	38	0.5	1	100.0	(Note 4)	38	0.5
IIF Narashino Logistics Center II (Note 5)	2	100.0	(Note 4)	174	2.4	2	100.0	(Note 4)	174	2.2
IIF Atsugi Logistics Center II	1	100.0	(Note 4)	112	1.5	1	100.0	(Note 4)	113	1.4
IIF Yokohama Tsuzuki Logistics Center	1	100.0	(Note 4)	78	1.1	1	100.0	(Note 4)	74	1.0
IIF Saitama Logistics Center	1	100.0	66	60	0.8	1	100.0	66	62	0.8
IIF Nagoya Logistics Center	1	100.0	(Note 4)	42	0.6	1	100.0	(Note 4)	42	0.5
IIF Atsugi Logistics Center III	1	100.0	(Note 4)	81	1.1	1	100.0	(Note 4)	75	1.0
IIF Kawaguchi Logistics Center	1	100.0	(Note 4)	105	1.5	1	100.0	(Note 4)	106	1.3
IIF Kobe Logistics Center	1	100.0	(Note 4)	179	2.5	1	100.0	(Note 4)	179	2.3
IIF Higashi-Osaka Logistics Center	2	97.3	(Note 4)	87	1.2	2	97.3	(Note 4)	87	1.1
IIF Kashiwa Logistics Center	1	100.0	(Note 4)	49	0.7	1	100.0	(Note 4)	70	0.9
IIF Misato Logistics Center	1	100.0	(Note 4)	116	1.6	1	100.0	(Note 4)	116	1.5
IIF Iruma Logistics Center	1	100.0	(Note 4)	101	1.4	1	100.0	(Note 4)	106	1.3
IIF Tosu Logistics Center	2	100.0	(Note 4)	53	0.7	2	100.0	(Note 4)	51	0.6
IIF Inzai Logistics Center	1	100.0	(Note 4)	37	0.5	1	100.0	(Note 4)	37	0.5
IIF Morioka Logistics Center	1	100.0	(Note 4)	37	0.5	1	100.0	(Note 4)	37	0.5
IIF Hiroshima Logistics Center	1	100.0	(Note 4)	120	1.7	1	100.0	(Note 4)	120	1.5
IIF Izumiotsu e-shop Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	111	1.5	1	100.0	(Note 4)	111	1.4
IIF Izumisano Food Processing and Logistics Center	1	100.0	(Note 4)	29	0.4	1	100.0	(Note 4)	29	0.4

Name of property	For the six months ended January 31, 2018					For the six months ended July 31, 2018				
	Number of tenants	Occupancy ratio	Rental revenues	Rental net operating income	Composition ratio of NOI	Number of tenants	Occupancy ratio	Rental revenues	Rental net operating income	Composition ratio of NOI
	(Note 1)	(Note 2) (%)	(Millions of yen)	(Millions of yen)	(%)	(Note 1)	(Note 2) (%)	(Millions of yen)	(Millions of yen)	(%)
IIF Kyotanabe Logistics Center	1	100.0	(Note 4)	175	2.4	1	100.0	(Note 4)	174	2.2
IIF Fukuoka Koga Vehicle Logistics Center (land with leasehold interest)	1	100.0	(Note 4)	27	0.4	1	100.0	(Note 4)	27	0.3
IIF Fukuoka Higashi Logistics Center	1	100.0	(Note 4)	51	0.7	1	100.0	(Note 4)	51	0.7
IIF Osaka Konohana Logistics Center	1	100.0	(Note 4)	225	3.1	1	100.0	(Note 4)	221	2.8
IIF Kazo Logistics Center	1	100.0	(Note 4)	66	0.9	1	100.0	(Note 4)	67	0.9
IIF Hamura Logistics Center	1	100.0	(Note 4)	21	0.3	1	100.0	(Note 4)	21	0.3
IIF Fukuoka Hakozaki Logistics Center I	3	100.0	(Note 4)	78	1.1	3	100.0	(Note 4)	128	1.6
IIF Fukuoka Hakozaki Logistics Center II (Note 6)	4	100.0	(Note 4)	135	1.9	5	100.0	(Note 4)	253	3.2
IIF Itabashi Logistics Center	1	100.0	(Note 4)	24	0.3	1	100.0	(Note 4)	37	0.5
IIF Sendai Taiwa Logistics Center	1	100.0	(Note 4)	50	0.7	1	100.0	(Note 4)	50	0.6
IIF Ota Logistics Center	1	100.0	(Note 4)	35	0.5	1	100.0	(Note 4)	34	0.4
IIF Osaka Suminoe Logistics Center I	1	100.0	(Note 4)	212	2.9	1	100.0	(Note 4)	258	3.3
IIF Osaka Suminoe Logistics Center II	1	100.0	(Note 4)	49	0.7	1	100.0	(Note 4)	60	0.8
IIF Morioka Logistics Center II	1	100.0	(Note 4)	43	0.6	1	100.0	(Note 4)	43	0.6
IIF Sapporo Logistics Center	—	—	—	—	—	1	100.0	(Note 4)	60	0.8
IIF Hitachinaka Port Logistics Center (land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	23	0.3
IIF Koriyama Logistics Center	—	—	—	—	—	2	100.0	(Note 4)	80	1.0
IIF Kobe Nishi Logistics Center (land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	31	0.4
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	154	137	1.9	1	100.0	154	137	1.7
IIF Yokohama Tsuzuki Technology Center	1	100.0	59	41	0.6	1	100.0	59	40	0.5
IIF Mitaka Card Center	1	100.0	364	308	4.2	1	100.0	364	305	3.9
IIF Kamata R&D Center	1	100.0	(Note 4)	229	3.2	1	100.0	(Note 4)	235	3.0
IIF Kawasaki Science Center	1	100.0	(Note 4)	82	1.1	1	100.0	(Note 4)	82	1.0
IIF Sagami-hara R&D Center	2	100.0	(Note 4)	136	1.9	2	100.0	(Note 4)	144	1.8
IIF Yokohama Shinyamashita R&D Center	1	100.0	(Note 4)	102	1.4	1	100.0	(Note 4)	103	1.3
IIF Kakegawa Manufacturing Center (Land with leasehold interest)	1	100.0	(Note 4)	43	0.6	1	100.0	(Note 4)	42	0.5
IIF Urayasu Machinery Maintenance Center (Land with leasehold interest)	1	100.0	(Note 4)	37	0.5	1	100.0	(Note 4)	37	0.5

Name of property	For the six months ended January 31, 2018					For the six months ended July 31, 2018				
	Number of tenants	Occupancy ratio	Rental revenues	Rental net operating income	Composition ratio of NOI	Number of tenants	Occupancy ratio	Rental revenues	Rental net operating income	Composition ratio of NOI
	(Note 1)	(Note 2) (%)	(Millions of yen)	(Millions of yen)	(%)	(Note 1)	(Note 2) (%)	(Millions of yen)	(Millions of yen)	(%)
IIF Yokosuka Technology Center	1	100.0	(Note 4)	158	2.2	1	100.0	(Note 4)	147	1.9
IIF Shonan Technology Center	1	100.0	(Note 4)	48	0.7	1	100.0	(Note 4)	44	0.6
IIF Hiroshima Manufacturing Center (land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	46	0.6
IIF Totsuka Manufacturing Center (land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	52	0.7
IIF Atsugi Manufacturing Center (land with leasehold interest)	—	—	—	—	—	1	100.0	(Note 4)	71	0.9
IIF Kobe District Heating and Cooling Center	4	100.0	332	311	4.3	4	100.0	332	309	3.9
IIF Haneda Airport Maintenance Center	1	100.0	1,421	952	13.1	1	100.0	1,428	952	12.1
IIF Zama IT Solution Center	1	100.0	(Note 4)	201	2.8	1	100.0	(Note 4)	201	2.6
IIF Shinagawa Data Center	1	100.0	(Note 4)	177	2.4	1	100.0	(Note 4)	181	2.3
IIF Osaka Toyonaka Data Center	1	100.0	(Note 4)	195	2.7	1	100.0	(Note 4)	191	2.4
IIF Osaka Nanko IT Solution Center	1	100.0	(Note 4)	70	1.0	1	100.0	(Note 4)	71	0.9
IIF Nagoya Port Tank Terminal (land with leasehold interest)	1	100.0	(Note 4)	62	0.9	1	100.0	(Note 4)	62	0.8
IIF Shinagawa IT Solution Center	5	100.0	(Note 4)	194	2.7	5	76.1	(Note 4)	202	2.6
IIF Higashimatsuyama Gas Tank Maintenance Center (land with leasehold interest)	1	100.0	(Note 4)	18	0.2	1	100.0	(Note 4)	18	0.2
Total	77	100.0	8,976	7,262	100.0	86	99.8	9,686	7,882	100.0

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

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

Note 3 “Rental net operating income (NOI)” is calculated by following formula.

(Rental revenues – Rental expenses) + Depreciation

Note 4 Rental revenues are not disclosed because the consent from the tenants has not been obtained.

Note 5 As the Investment Corporation invests in IIF Narashino Logistics Center II both land with leasehold interest (the lessee of leased land is the trustee with respect to the building of the property) and building with leasehold interest of the property in form of the trust beneficial interests separately. Therefore, “Number of tenants” shows total of the number of tenant of leased land and that of the building.

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

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