

Industrial & Infrastructure Fund Investment Corporation

7th Asset Management Report

(Semi-Annual Report 7th)

July 1, 2010 – December 31, 2010

 **Industrial & Infrastructure Fund Investment Corporation**

Industrial & Infrastructure Fund Investment Corporation invests in properties that play a vital role in industrial activities, supports Japan's industries and contributes to society with high aspirations.

Industrial & Infrastructure Fund Investment Corporation (IIF) concluded the 7th Period (December 2010 Period) and entered a new stage of growth. IIF is committed to conducting management that takes full advantage of the characteristics of industrial properties and securing stable profit in the long term. I would like to explain the features of IIF that make these things possible.

Yasuyuki Kuratsu

Executive Director, Industrial & Infrastructure Fund Investment Corporation

1. Supporting Japan's industries and contributing to society

San (meaning "industry" in Japanese) is a keyword for IIF.

IIF invests in and manages industrial properties.

IIF invests in social infrastructure as a source of power for the Japanese economy and supports Japan's industrial activities from the perspective of real estate.

2. Investment policy rooted in the pioneer spirit

1. IIF specializes in industrial properties and establishes a new J-REIT sector.
2. IIF invests in distribution facilities, plants and research and development (R&D) facilities (industrial properties), and infrastructure facilities (infrastructure properties).
3. IIF aims to secure a stable profit and achieve steady growth of the properties owned.
4. IIF aims to continuously expand unitholder value.

3. Past strategies and future growth strategy

- IIF has maintained a stable distribution since its listing due to its solid portfolio.
- Distribution increased due to external growth brought about by a capital increase achieved through a public offering.
- IIF strengthened its financial stability by extending the terms of borrowings and increasing the fixed-rate debt ratio.
- IIF constructed a stable portfolio by acquiring prime properties and enhancing its financial standing.

4. Highlights of the 7th Period

Major policies for the 7th Period

Changes in the lease contract of IIF Haneda Airport Maintenance Center

Acquisition of IIF Yokohama Tsuzuki Technology Center

Replacement of tenant at IIF Koshigaya Logistics Center

Extension of the term of borrowings and diversification of funding sources

Financial results for the 7th Period

	7th Period	6th Period
Operating revenue	2,962 million yen	3,440 million yen
Net income	798 million yen	1,283 million yen
Distribution per unit	10,102 yen	16,235 yen

Strategic move toward regrowth

Industrial & Infrastructure Fund Investment Corporation (IIF) engaged in various activities in the 7th Period (December 2010 Period) such as acquiring properties to improve the portfolio profitability and refinancing so as to achieve long-term financial stability. I, Takuya Kuga, CEO of Mitsubishi Corp. - UBS Realty Inc., IIF's asset manager, would like to explain its vision and objective.

Takuya Kuga
CEO, Mitsubishi Corp. - UBS Realty Inc.

In the 7th Period, there was a change in lease contracts and tenants in the two existing properties, and IIF newly acquired one R&D facility. IIF extended the lease term of the contract for the IIF Haneda Airport Maintenance Center, and changed the contract from a regular building lease contract to a fixed-term building lease contract. For the IIF Koshigaya Logistics Center, IIF succeeded in having a new tenant move in after the former tenant vacated with no period in which the center was unoccupied. Moreover, following the IIF Totsuka Technology Center (land with leasehold) that IIF acquired in the 6th Period (June 2010 Period), IIF acquired the IIF Yokohama Tsuzuki Technology Center, the second R&D facility for IIF. This series of activities were implemented as a part of IIF's efforts to strengthen its portfolio and improve profitability in order to steer it toward new growth.

1. Changed lease contracts and replaced tenant. Gained a foothold for growth by acquiring new properties

As a result of a negotiation with Japan Airlines International Co., Ltd., the tenant of the IIF Haneda Airport Maintenance Center, IIF agreed to reduce some of the rent for a specified period starting from January 1, 2011 but increase rent in stages and apply the same level of rent stipulated in the original contract from a period starting after January 1, 2021. Meanwhile, IIF extended the lease term of the contract and changed it to a fixed-term building lease contract that has a special stipulation that prohibits the tenant from terminating its contract or demanding rent reduction. This led to greater profit stability from medium- and long-term viewpoints.

The tenant of the IIF Koshigaya Logistics Center vacated three months before the contract was due to expire after paying the rent up to the expiration date. As a result of IIF's activities to attract new tenants during these three months, IIF succeeded in concluding a lease contract with higher rent with a new tenant that moved in on January 1, 2011. Therefore, IIF started the 8th Period (June 2011 Period) with a 100% occupancy rate without any interruption in rent revenue caused by the change of tenant.

Acquisition of new properties was made possible as a result of IIF's aggressive proposal of CRE strategies (see the glossary) supported by the acquisition of an R&D facility in the 6th Period and the features of IIF as a REIT that specializes in industrial properties. TÜV Rheinland Japan, a Japanese arm of the TÜV Rheinland Group, the largest certification service provider with its headquarters located in Germany, is a tenant of the IIF Yokohama Tsuzuki Technology Center that IIF newly acquired. In deciding whether or not to acquire this property, IIF assessed its profitability, continuity and versatility.

2. Maintained balance between improvement of financial strength and control of debt cost

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

In the 7th Period, IIF utilized two opportunities for refinancing and refinanced short-term borrowings with long-term borrowings, thus succeeding in extending the term of borrowings. As a result of IIF's efforts for financial stabilization, the long-term debt ratio increased from 59.7% at the end of the 5th Period to 76.5% at the end of the 6th Period, and to 79.8% at the end of the 7th Period. At the same time, IIF diversified its funding sources by securing borrowings from new lenders. The financial environment turned around, and the borrowing rate for new funding was declining. Therefore, IIF was able to balance improvement of the financial strength and control of debt cost.

Future outlook: Implements proposal-based acquisition activities that respond to needs for CRE strategies

Considering the fact that the current economic and financial environment is showing signs of recovery, IIF believes now is the best time to invest in industrial properties. IIF has acquired properties such as the IIF Narashino Logistics Center (land with leasehold) and IIF Totsuka Technology Center (land with leasehold) in the 6th Period and IIF Yokohama Tsuzuki Technology Center in the 7th Period. And based on its past record and know-how in such acquisitions, IIF will conduct proposal-based acquisition activities that respond to needs for CRE strategies. IIF selects prime distribution facilities and focuses on making direct proposals regarding plants and R&D facilities to companies that have advanced CRE strategies, while collecting information on infrastructure facilities and looking out for acquisition opportunities. IIF will continue aiming to sustainably grow distributions, maintain a stable rent revenue, promote external growth and continuously reinforce its financial strength, thus achieving new growth.

Glossary: CRE strategy

A CRE strategy is a corporate strategy regarding management and investment of corporate real estate (CRE). This strategy aims to increase corporate value by controlling a percentage of the real estate held, one form of a company's management resources (plants, stores and company buildings), and increasing the efficiency of real estate investment. In addition, IIF believes companies will need to increase the investment efficiency of the real estate they hold since the market value of companies' real estate will be disclosed and reflected in financial statements if International Financial Reporting Standards (IFRS), which the Japanese government is considering applying to the consolidated financial statements of listed companies, is mandatorily applied after 2015.

Plans to acquire five properties to prepare for a new stage of growth

IIF issued additional investment units (worth approximately 5.6 billion yen) in a public offering in March 2011, the first issuance for IIF.

IIF plans to acquire five properties with the funds raised by this issuance (as of March 8, 2011).

Asset Category	Property Number	Name	Address	Planned Acquisition Date	Seller	Planned Acquisition Price (million yen)
Logistics Facility	L-10	IIF Narashino Logistics Center I (land with leasehold)	Narashino-shi, Chiba	March 25, 2011	Industrial Akanehama LLC	3,350
	L-11	IIF Atsugi Logistics Center II	Atsugi-shi, Kanagawa	March 14, 2011	Odakyu Electric Railway Co., Ltd.	3,100
	L-12	IIF Yokohama Tsuzuki Logistics Center	Tsuzuki-ku, Yokohama-shi, Kanagawa	March 14, 2011	J-REP M Ltd.	2,350
	L-13	IIF Saitama Logistics Center	Kita-ku, Saitama-shi, Saitama	March 14, 2011	Bayside LLC	1,490
	L-14	IIF Nagoya Logistics Center	Nakagawa-ku, Nagoya-shi, Aichi	March 14, 2011	Taiheiyo Cement Corporation	1,050
Total Acquisition Price						11,340

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			3 rd	4 th	5 th	6 th	7 th
As of /for the six months ended			December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010
Operating revenues	Note 1	(Millions of yen)	3,261	3,198	3,064	3,440	2,962
(Rental revenues)	Note 1	(Millions of yen)	(3,261)	(3,144)	(3,064)	(2,980)	(2,962)
Operating expenses	Note 1	(Millions of yen)	1,699	1,697	1,629	1,576	1,597
(Rental expenses)	Note 1	(Millions of yen)	(1,286)	(1,292)	(1,246)	(1,181)	(1,166)
Operating income		(Millions of yen)	1,561	1,500	1,434	1,863	1,364
Ordinary income		(Millions of yen)	959	876	818	1,284	799
Net income	(a)	(Millions of yen)	958	875	817	1,283	798
Net assets	(b)	(Millions of yen)	37,488	37,404	37,346	37,812	37,327
(Period-on-period change)		(%)	(0.0)	(-0.2)	(-0.2)	(+1.2)	(-1.3)
Total assets	(c)	(Millions of yen)	112,242	104,245	103,869	104,632	104,060
(Period-on-period change)		(%)	(-2.3)	(-7.1)	(-0.4)	(+0.7)	(-0.5)
Unitholders' capital		(Millions of yen)	36,529	36,529	36,529	36,529	36,529
(Period-on-period change)		(%)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Number of units issued and outstanding	(d)	(Units)	79,035	79,035	79,035	79,035	79,035
Net asset value per unit	(b)/(d)	(Yen)	474,324	473,270	472,534	478,427	472,294
Total distributions	(e)	(Millions of yen)	958	875	817	1,283	798
Distribution per unit	(e)/(d)	(Yen)	12,132	11,078	10,342	16,235	10,102
(Profit distribution per unit)		(Yen)	(12,132)	(11,078)	(10,342)	(16,235)	(10,102)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	0.8 (1.7)	0.8 (1.6)	0.8 (1.6)	1.2 (2.5)	0.8 (1.5)
Return on unitholders' equity	Note 3	(%)	2.6 (5.1)	2.3 (4.7)	2.2 (4.3)	3.4 (6.9)	2.1 (4.2)
Ratio of net assets to total assets	(b)/(c)	(%)	33.4	35.9	36.0	36.1	35.9
(Period-on-period change)		(%)	(+0.8)	(+2.5)	(+0.1)	(+0.1)	(-0.2)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 3	(Millions of yen)	2,742	2,577	2,500	2,423	2,362
Net profit margin	Note 3	(%)	29.4	27.4	26.7	37.3	27.0
Debt service coverage ratio	Note 3	(Multiple)	5.2	5.0	4.9	5.8	4.4
Funds from operation (FFO) per unit	Note 3	(Yen)	21,850	19,569	18,973	18,311	17,276
FFO multiples	Note 3	(Multiple)	6.5	6.7	6.5	8.6	11.5
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	12,132	11,078	10,342	16,201	10,049
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	21,850	19,569	18,973	18,277	17,223

Note 1 Consumption taxes are not included.

Note 2 Figures less than unit indicated in the above table are rounded down for amounts and rounded for ratio unless otherwise indicated.

Note 3 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 181, 184, 181 and 184 days for 3rd, 4th, 5th, 6th and 7th fiscal period, respectively. FFO multiples are unaudited.

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

Note 4 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property, plant and equipment were not capitalized but charged to income in the periods in which were incurred. These figures are unaudited.

2. Outline of asset management operation

(1) Major developments and management performance of IIF

【2007 – First half of 2008 (1st and 2nd Period): Foundation – Growth Period】

IIF was established in accordance with the Act on Investment Trusts and Investment Corporations on March 26, 2007 with Mitsubishi Corp. - UBS Realty Inc. as its organizers with the capital of 200 million yen (400 units). IIF invests in distribution facilities, plants and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably from a medium- and long-term viewpoint. IIF's fundamental policy is to continuously expand unitholder value by securing stable profit and achieving steady growth of the properties owned. IIF was listed on the REIT securities market of the Tokyo Stock Exchange on October 18, 2007 (securities code: 3249). On October 19, 2007, the day after the listing, IIF acquired eight distribution facilities and one infrastructure facility to start managing and subsequently acquired IIF Haneda Airport Maintenance Center (for 41,110 million yen) as an infrastructure facility on February 29, 2008 (2nd Period).

【Second half of 2008 – 2009 (3rd – 5th Period): Response to Changes in the Environment Due to Financial Crisis】

In order to respond to the global financial crisis which started in the second half of 2008 (3rd Period), IIF issued a subordinated investment corporation bonds in February 2009 (4th Period), the first issuance among J-REITs. In March 2009, IIF repaid some of the borrowings ahead of schedule by selling some of the properties owned. This led to a reduction in LTV and improvement of the long-term debt ratio. In the 5th Period, IIF extended the term of interest-bearing debt and secured a long-term fixed borrowing from a new lender in order to further increase its financial stability.

【2010 (6th and 7th Period): Increase in Dividend by Asset Replacement: Shifting Its Attention to Regrowth】

In the 6th Period, IIF replaced its assets to improve the portfolio profitability and increase dividends. Specifically, IIF acquired IIF Narashino Logistics Center (land with leasehold) on February 16, 2010 (for 1,190 million yen) and sold IIF Funabashi Logistics Center on March 19, 2010 for 9,020 million yen, obtaining 459 million yen as a gain on sale and contributing to higher dividends. On March 31, 2010, IIF acquired IIF Totsuka Technology Center (land with leasehold), the first plant and R&D facility IIF acquired (for 4,500 million yen).

In the current 7th Period, there was a rent revision and tenant change in the two existing properties, and IIF newly acquired one R&D facility.

First, for IIF Haneda Airport Maintenance Center, IIF extended the remaining lease term of the contract with Japan Airlines International Co., Ltd. from approximately seven years and seven months to approximately 15 years and five months on August 10, 2010 and changed the contract to a fixed-term lease contract that has a special stipulation to prohibit a tenant from terminating its contract or demanding a rent reduction, which led to more stable profits. Meanwhile, IIF agreed to reduce some of the rent for a specified period starting from January 1, 2011 but increase rent in stages and apply the same level of rent stipulated in the original contract for the period starting after January 1, 2021.

Next, for IIF Koshigaya Logistics Center, the tenant that had been leasing the entire property vacated on September 30, 2010 after paying the rent up to December 31, 2010 (contract expiration date). Accordingly, as a result of IIF's activities to attract new tenants, IIF succeeded in concluding a lease contract with increased rent with a new tenant which moved in on January 1, 2011 and therefore starting the 8th Period with a 100% occupancy rate without any interruption in rent revenue arising from the tenant change.

Lastly, IIF acquired IIF Yokohama Tsuzuki Technology Center (for 1,100 million yen), the second R&D facility for IIF on December 21, 2010. The NOI yield of this property is approximately 7.3%, and the yield after depreciation which contributes to the dividend is approximately 6.6%, meaning this property contributes to increase in dividend. Moreover, in the lease contract for this property, the rent is planned to be increased by 2% every three years until September 30, 2020, leading to a further increase in dividend. IIF concluded a fixed-term lease contract with the tenant for this property with the remaining lease term of approximately 19 years and six months, so long-term stable use is ensured. In addition, this property has high versatility as a research lab and is located in a diverse area, surrounded by apartment buildings, single-family houses, stores such as car dealers and data centers. So the land itself also has high versatility.

On the basis of these results, the properties IIF owned as of December 31, 2010 consisted of seven distribution facilities, two infrastructure facilities and two plants and R&D facilities whose total acquisition price amounted to 96,900 million yen. The total leasable area as of December 31, 2010 was 252,862.15m², and the average occupancy rate remained at 99.9%.

(2) Overview of financing

a. Debt financing

IIF's fundamental policy is to plan and implement a stable and efficient financial strategy for the purpose of securing stable profit and achieving sustainable growth of the properties owned.

For the current period, IIF repaid 7,500 million yen ahead of schedule on September 30, 2010 out of the 15,000 million yen IIF borrowed on October 19, 2007 and newly acquired a three-year borrowing of 7,500 million yen with floating interest rates. IIF refinanced the remaining 7,500 million yen by acquiring a three-year loan of 7,500 million yen with floating interest rates on October 19, 2010. In addition, IIF newly borrowed 2,000 million yen with a four-year borrowing period with floating interest rates from Sumitomo Mitsui Banking Corporation on December 30, 2010 and repaid some of the short-term borrowings ahead of schedule on that day.

IIF diversified its funding sources by extending the borrowing periods with these borrowings (refinancing) and newly acquiring borrowings from Nomura Trust and Banking Co., Ltd., Resona Bank, Ltd., the Yamaguchi Bank, Ltd. and Sumitomo Mitsui Banking Corporation.

As a result, IIF's short-term borrowings as of December 31, 2010 amounted to 12,000 million yen, long-term borrowings to 39,500 million yen and subordinated investment corporation bonds to 8,000 million yen.

b. Equity finance

IIF did not utilize equity finance to raise funds in the current period.

(3) Summary of financial results and distribution

Based on the abovementioned activities, IIF recorded operating revenue of 2,962 million yen, operating income of 1,364 million yen, ordinary income of 799 million yen and net income of 798 million yen for the current period. For distribution, IIF intended to include profit distributions in deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Measures concerning Taxation and determined to distribute the entire unappropriated retained earnings for the current period excluding fractions (amounts less than one yen). Therefore, the distribution per unit was 10,102 yen.

3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended December 31, 2010. The outline of changes in unitholders' capital for the previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
March 26, 2007	Private placement for incorporation	400	400	200	200	Note 1
October 17, 2007	Public offering	76,000	76,400	35,112	35,312	Note 2
November 19, 2007	Allocation of investment units to a third party	2,635	79,035	1,217	36,529	Note 3

Note 1 The Investment Corporation was incorporated through private placement at a price of ¥500,000 per unit.

Note 2 New investment units were issued at a price of ¥480,000 per unit (subscription price of ¥462,000 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 3 New investment units were issued at a price of ¥462,000 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 4 All investment units are common investment units.

Fluctuation in market price of the investment securities:

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

Fiscal period	3 rd	4 th	5 th	6 th	7 th
As of /for the six months ended	December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010
Highest price	382,000	286,000	273,900	383,000	414,000
Lowest price	220,000	180,100	228,000	223,300	300,000
Closing price at end of period	280,900	265,000	245,400	319,000	393,500

(Yen)

4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended December 31, 2010 amounted to ¥10,102.

Fiscal period		3 rd	4 th	5 th	6 th	7 th
As of /for the six months ended		December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010
Net income	(Thousands of yen)	958,833	875,587	817,332	1,283,146	798,412
Retained earnings carried forward	(Thousands of yen)	10	47	0	13	15
Total cash distributions	(Thousands of yen)	958,852	875,549	817,379	1,283,133	798,411
(Cash distribution per unit)	(Yen)	(12,132)	(11,078)	(10,342)	(16,235)	(10,102)
Profit distributions	(Thousands of yen)	958,852	875,549	817,379	1,283,133	798,411
(Profit distribution per unit)	(Yen)	(12,132)	(11,078)	(10,342)	(16,235)	(10,102)
Unitcapital refunds	(Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit)	(Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and issues

(1) Outlook for the overall management

IIF invests in distribution facilities, plants and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term. IIF will aim to continuously expand unitholder value by securing stable profit and achieving steady growth of the properties owned.

a. Maintenance of buildings

IIF will prepare management plans for maintaining and improving the functionality, safety and comfort of buildings and implement daily management based on such plans. IIF will formulate and implement a medium- and long-term repair plan in order to improve the functionality of buildings and deal with aged deterioration.

b. Relationship-building with tenants

IIF will aim to secure profit in the medium and long term by having continuous and close communication with tenants, accurately understanding the trend and needs of tenants, making proposals to tenants and increasing tenants' satisfaction. Therefore, based on a fundamental policy to conclude medium- and long-term lease contracts, IIF will set various terms such as an adequate level of rent and a contract period based on credit status of tenants when revising lease contracts, considering contract terms of the overall portfolio.

c. Diversification of tenants

IIF will assess various lease terms such as creditworthiness of tenants, tenants' competitiveness and positions in the market, prospect for continuous use and rent level and diversify tenants. For lease contracts

with tenants, although IIF focuses on medium- and long-term contracts, IIF will also consider incorporating a variable rent (e.g. GDP-linked rent).

d. Floor expansion, extension and renovation

IIF will work on formulating and implementing plans for floor expansion and extension of properties with excess floor area ratio in order to improve value of properties held and plans for renovation for improvement of long-term profitability.

(2) Issues to be solved

Since the distribution facilities IIF owns have high versatility and are in excellent locations, their usage in the medium and long term is expected as an important base of tenants. For the R&D facilities IIF owns, stable and long-term usage can be expected, supported by long-term lease contracts. Moreover, infrastructure facilities are used stably as an industrial base and expected to be used in the long term as a facility essential to local communities and business activities of tenants. IIF continues to aim for sustainable growth of dividend, maintenance of stable rent revenue, promotion of external growth and continuous reinforcement of the financial strength.

6. Subsequent events

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on February 21, 2011, resolved to issue new investment units as bellow. The issue price shall be determined at the Board of Directors Meeting to be held in early part of March 2011.

(a) Issuance of new investment units through public offering

Number of investment units to be offered: 14,200 investment units

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

Number of investment units to be offered: 1,400 investment units

Allottee: Nomura Securities Co., Ltd.

The number of new investment units to be offered through third-party allotment indicates the maximum number of units to be offered. Depending on demand and other factors, the number of units may be reduced, or the issuance through third-party allotment itself may not be conducted.

(c) Use of proceeds

The Investment Corporation will use the net proceeds from the public offering and third-party allotment for acquisition of additional specified assets.

Outline of the Investment Corporation

1. Investment unit

Fiscal period		3 rd	4 th	5 th	6 th	7 th
As of		December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010
Number of units authorized	(Units)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Number of units issued and outstanding	(Units)	79,035	79,035	79,035	79,035	79,035
Number of unitholders	(People)	3,422	3,985	4,173	4,830	4,398

2. Unitholders

Major unitholders as of December 31, 2010 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,600	12.14
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	8,302	10.50
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	5,321	6.73
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	5,200	6.57
Development Bank of Japan Inc.	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	6.32
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,577	3.26
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	2,264	2.86
North Pacific Bank, Ltd.	11, Odori-nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido	2,235	2.82
The Tokushima Bank, Ltd.	16, Tomitahama 1-chome, Tokushima-shi, Tokushima	1,492	1.88
THE TAIKO BANK, LTD.	5-6, Otedori 1-chome, Nagaoka-shi, Niigata	1,480	1.87
Total		43,471	55.00

Note 1 Ratio of number of units owned to total number of units issued is calculated by rounding down to second decimal place.

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 2010 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	10,000

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

(2) Changes in officers

None

(3) Policy for dismissal of independent auditor

The Board of Directors shall decide taking various factors into consideration.

4. Name of asset manager and other administrator

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

Condition of investment assets

1. Composition of assets

Classification of assets	Asset category	Location category (Note 1)	Region	As of June 30, 2010		As of December 31, 2010	
				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	1,215	1.2	2,389	2.3
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	41,826	40.0	41,564	39.9
			Osaka and Nagoya metropolitan areas	—	—	—	—
			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	33,612	32.1	33,538	32.2
			Osaka and Nagoya metropolitan areas	1,271	1.2	1,260	1.2
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
	Infrastructure facilities (Infrastructure properties)	Urban and suburban or Industrial-area	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	18,076	17.3	17,952	17.3
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				96,001	91.8	96,704	92.9
Bank deposits and other assets				8,630	8.2	7,356	7.1
Total assets				104,632	100.0	104,060	100.0

Note 1 "Location category" is classified as below.

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

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

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

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

2. Major property

The principal properties as of December 31, 2010 were as follows:

Name of property	Net book value	Leasable area	Leased area	Occupancy ratio	Ratio of rental revenue to total rental revenues	Major use
	(Millions of yen)	(Note 1) (m ²)	(Note 2) (m ²)	(Note 3) (%)	(Note 3) (%)	
IIF Haneda Airport Maintenance Center	41,564	81,995.81	81,995.81	100.0	45.3	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,952	11,189.36	10,909.23	97.5	12.8	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,539	27,493.29	27,493.29	100.0	13.4	Logistics facility
IIF Noda Logistics Center	6,189	38,828.10	38,828.10	100.0	8.2	Logistics facility
IIF Shinsuna Logistics Center	5,344	5,741.75	5,741.75	100.0	5.7	Logistics facility
IIF Totsuka Technology Center (land with leasehold interest)	4,553	31,442.47	31,442.47	100.0	4.7	Manufacturing and R&D facility, etc.
IIF Koshigaya Logistics Center	1,989	10,113.50	10,113.50	100.0	3.9	Logistics facility
IIF Atsugi Logistics Center	1,922	10,959.68	10,959.68	100.0	2.5	Logistics facility
IIF Nishinomiya Logistics Center	1,260	10,608.00	10,608.00	100.0	2.0	Logistics facility
IIF Narashino Logistics Center (land with leasehold interest) (Note 5)	1,223	19,834.71	19,834.71	100.0	—	Logistics facility
IIF Yokohama Tsuzuki Technology Center	1,165	4,655.48	4,655.48	100.0	0.1	Manufacturing and R&D facility, etc.
Total	96,704	252,862.15	252,582.02	99.9	100.0	

Note 1 “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.

Note 2 “Leased area” means the leased area of the building or land of each property indicated in the lease agreement, except for IIF Shinsuna Logistics Center of which leased area shows a total area of the building indicated in the registry book.

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” is undisclosed because the consent from the tenant has not been acquired.

3. Details of property

The details of logistics facilities, manufacturing and R&D facilities, etc. or infrastructure facilities held by the Investment Corporation as of December 31, 2010 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	13-32, Shinonome 2-chome, Koto-ku, Tokyo	Trust beneficial interest	27,493.29	14,000	13,539
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba	Trust beneficial interest	38,828.10	6,570	6,189
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	5,720	5,344
IIF Atsugi Logistics Center	19, Aza Ikoda, Hase 6-chome, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	2,140	1,922
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,160	1,989
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,430	1,260
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	1,960	1,223
IIF Totsuka Technology Center (land with leasehold interest)	334-1, Uchikune, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	31,442.47	4,750	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,240	1,165
IIF Kobe District Heating and Cooling Center	8-2, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,189.36	16,000	17,952
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	38,000	41,564
Total			252,862.15	93,970	96,704

Note 1 "Location" means the residence indication or the location indicated in the land registry book.

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.

Note 3 "Appraisal value at end of period" shows the value appraised or researched by the real estate appraiser in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

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

Operating results of each property for the six months ended June 30, 2010 and December 31, 2010 were as follows:

Name of property	For the six months ended							
	June 30, 2010				December 31, 2010			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
IIF Shinonome Logistics Center	1	100.0	399	13.4	1	100.0	397	13.4
IIF Funabashi Logistics Center (Note 3)	—	—	145	4.9	—	—	—	—
IIF Noda Logistics Center	2	100.0	240	8.1	2	100.0	243	8.2
IIF Shinsuna Logistics Center	1	100.0	163	5.5	1	100.0	168	5.7
IIF Atsugi Logistics Center	1	100.0	74	2.5	1	100.0	74	2.5
IIF Koshigaya Logistics Center	1	100.0	74	2.5	1	100.0	114	3.9
IIF Nishinomiya Logistics Center	1	100.0	59	2.0	1	100.0	59	2.0
IIF Narashino Logistics Center (land with leasehold interest) (Note 4)	1	100.0	—	—	1	100.0	—	—
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	69	2.3	1	100.0	138	4.7
IIF Yokohama Tsuzuki Technology Center	—	—	—	—	1	100.0	3	0.1
IIF Kobe District Heating and Cooling Center	1	97.5	378	12.7	1	97.5	378	12.8
IIF Haneda Airport Maintenance Center	1	100.0	1,342	45.1	1	100.0	1,342	45.3
Total (Note 5)	11	99.9	2,980	100.0	12	99.9	2,962	100.0

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

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

Note 3 The Investment Corporation entered into disposal agreement of IIF Funabashi Logistics Center on March 9, 2010 and sold the property on March 19, 2010.

Note 4 “Ratio of rental revenue to total rental revenues” is undisclosed because the consent from the tenant has not been acquired.

Note 5 The total column of “Occupancy ratio” shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.

4. Other assets

Real property and trust beneficial interests in real property are included the above table in “3. Details of property.”

There was no other significant specified asset as of December 31, 2010.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 2010 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended December 31, 2010	Total of advanced payment
IIF Shinsuna Logistics Center	Koto-ku, Tokyo	Repair of north side drain	March 2011 to April 2011	8	—	—
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Installment of sewage disposal pump pool	February 2011	7	—	—
IIF Shinonome Logistics Center	Koto-ku, Tokyo	Repair of shore protect	May 2011	5	—	—

2. Capital expenditures for the six months ended December 31, 2010

Maintenance expenditures on property for the six months ended December 31, 2010 were totaling to ¥172 million consisting of ¥94 million of capital expenditures stated as below and ¥77 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Repair construction	November 2010 to December 2010	71
IIF Shinsuna Logistics Center	Koto-ku, Tokyo	Repair of outer wall	September 2010 to December 2010	23
Total				94

3. Reserved funds for long-term maintenance plan

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

Fiscal period	(Millions of yen)				
	3 rd	4 th	5 th	6 th	7 th
As of /for the six months ended	December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010
Reserved funds at beginning of period	127	206	144	224	249
Increase	93	88	88	80	227
Decrease	13	150	8	55	172
Reserved funds at end of period	206	144	224	249	305

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Item	6 th	7 th
	For the six months ended June 30, 2010	For the six months ended December 31, 2010
(a) Asset management fee	310,869	315,612
(b) Asset custody fee	5,217	5,227
(c) Administrative service fees	21,054	21,394
(d) Directors' compensation	5,820	5,820
(e) Other operating expenses	52,379	82,689
Total	395,340	430,744

2. Loans payable

Loans payable as of December 31, 2010 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			June 30, 2010 (Millions of yen)	December 31, 2010 (Millions of yen)					
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	5,270	4,517	0.8	February 28, 2011 (Note 2)	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,859	4,165					
	The Sumitomo Trust and Banking Co., Ltd.		3,871	3,318					
	Sub-total		14,000	12,000					
Long-term loans payable (Note 7)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2007	4,800	—	0.7	October 19, 2010 (Note 5)	Lump sum (Note 3)	Note 6	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,425	—					
	The Sumitomo Trust and Banking Co., Ltd.		3,525	—					
	Aozora Bank, Ltd.		2,250	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 20, 2009	4,050	4,050	1.7	October 19, 2012	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,675	3,675					
	The Sumitomo Trust and Banking Co., Ltd.		2,775	2,775					
	American Life Insurance Company	December 25, 2009	2,000	2,000	1.7	December 25, 2014	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	3,765	3,765	1.2	February 28, 2013	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,471	3,471					
	The Sumitomo Trust and Banking Co., Ltd.		2,764	2,764					
	The Sumitomo Trust and Banking Co., Ltd.	September 30, 2010	—	2,500	1.0	September 30, 2013	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.		—	2,000					
	Resona Bank, Limited.		—	2,000					
	The Yamaguchi Bank, Ltd.		—	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2010	—	3,900	0.9	October 18, 2013	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed
Mitsubishi UFJ Trust and Banking Corporation	—		3,600						
Sumitomo Mitsui Banking Corporation	December 30, 2010	—	2,000	1.0	December 30, 2014	Lump sum (Note 3)	Note 4	Unsecured and unguaranteed	
Sub-total			37,500	39,500					
Total			51,500	51,500					

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

Note 2 Partial repayments were made on December 30, 2010 in advance of the maturity date.

Note 3 The Investment Corporation may repay all or part of principal of the loans payable on interest payment date.

Note 4 The funds were mainly appropriated to repayment of outstanding loans payable.

Note 5 Partial repayments were made on September 30, 2010 in advance of the maturity date.

Note 6 The funds were mainly appropriated to purchasing real property, etc.

Note 7 Long-term loans payable include current portion.

3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
		June 30, 2010 (Millions of yen)	December 31, 2010 (Millions of yen)					
First Unsecured Subordinated Corporate Bond (subordinated and exclusively for qualified institutional investors)	February 27, 2009	8,000	8,000	2.9	February 27, 2014	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
Total		8,000	8,000					

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

Note 2 The Investment Corporation may repay all or part of principal of the investment corporation bond on interest payment date. The Investment Corporation may also repurchase the investment corporation bond at any time on or after the next day of issuance except for the case that transferring term is otherwise limited.

Note 3 The funds were appropriated to repayment of outstanding loans payable or working capital.

4. Short-term investment corporation bonds

None

Condition of investment transactions

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

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note 1)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
IIF Yokohama Tsuzuki Technology Center	December 21, 2010	1,100	—	—	—	—
Total	—	1,100	—	—	—	—

Note 1 “Acquisition cost” indicates contracted amount of property in purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

2. Transactions of other assets

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

3. Research for specified assets value, etc.

(1) Property

(Millions of yen)

Acquisition /Disposal	Property Name	Date of Acquisition /Disposal	Acquisition cost /Disposal amount (Note 1)	Researched value (Note 2)
Acquisition	IIF Yokohama Tsuzuki Technology Center	December 21, 2010	1,100	1,240

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

Note 2 The researched value was reported by Ernst & Young ShinNihon LLC in accordance with the Japan Institute of Certified Public Accountants Industrial Audit Committee Report No.23, “Research for Specified Assets Value held by Investment Trusts and Investment Corporations.” The report includes necessary information to specify property, such as location.

4. Transactions with interested parties or major shareholders

(1) Outline of specified assets transactions

None

(2) Amounts of fees paid and other expenses

There were no fees or other expenses paid to interested parties or major shareholders other than interest expenses on investment corporation bonds paid to Mitsubishi Corporation amounting to ¥120,326 thousand for the six months ended December 31, 2010.

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

None

Financial information

1. Financial position and operating results

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

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Other information

1. Investment units held by the asset manager

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

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

Date	Number of units purchased (Units)	Number of units sold (Units)	Number of units held (Units)
March 26, 2007	400	—	400
October 17, 2007	200	—	600
Accumulated number	600	—	600

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

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note 1) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 1 st fiscal period (March 26, 2007 to December 31, 2007)	600	276,600	0.8%
The 2 nd fiscal period (January 1, 2008 to June 30, 2008)	600	199,200	0.8%
The 3 rd fiscal period (July 1, 2008 to December 31, 2008)	600	168,540	0.8%
The 4 th fiscal period (January 1, 2009 to June 30, 2009)	600	159,000	0.8%
The 5 th fiscal period (July 1, 2009 to December 31, 2009)	600	147,240	0.8%
The 6 th fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 th fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%

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

2. Notice

None

3. Other

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

II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2010	December 31, 2010
ASSETS		
Current assets:		
Cash and bank deposits	7,004,678	5,435,254
Cash and bank deposits in trust	1,030,003	1,231,979
Rental receivables.....	139,813	2,976
Prepaid expenses	196,739	259,459
Deferred tax assets.....	19	19
Consumption taxes refundable	—	105,047
Other.....	91	399
Total current assets.....	8,371,347	7,035,136
Noncurrent assets:		
Property, plant and equipment:		
Buildings, at cost.....	23,255,249	23,626,761
Less: Accumulated depreciation	(1,263,157)	(1,525,764)
Buildings, net.....	21,992,091	22,100,997
Land.....	1,215,241	2,018,489
Buildings in trust, at cost	21,034,303	21,118,499
Less: Accumulated depreciation	(1,558,857)	(1,843,650)
Buildings in trust, net.....	19,475,445	19,274,849
Structures in trust, at cost.....	312,608	321,843
Less: Accumulated depreciation	(110,049)	(129,658)
Structures in trust, net.....	202,558	192,185
Tools, furniture and fixtures in trust, at cost.....	435	1,863
Less: Accumulated depreciation	(74)	(112)
Tools, furniture and fixtures in trust, net.....	361	1,750
Land in trust.....	33,282,269	33,282,269
Total net property, plant and equipment	76,167,969	76,870,541
Intangible assets:		
Leasehold right (Note 2)	19,833,966	19,833,966
Total intangible assets.....	19,833,966	19,833,966
Investments and other assets:		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	211,744	293,967
Total investments and other assets.....	221,744	303,967
Total noncurrent assets	96,223,680	97,008,475
Deferred assets:		
Investment unit issuance costs.....	17,138	—
Investment corporation bond issuance costs.....	20,087	17,348
Total deferred assets	37,225	17,348
TOTAL ASSETS.....	104,632,253	104,060,960

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

(Thousands of yen)

	As of	
	June 30, 2010	December 31, 2010
LIABILITIES		
Current liabilities:		
Operating accounts payable	132,329	170,563
Short-term loans payable	14,000,000	12,000,000
Current portion of long-term loans payable	15,000,000	—
Accounts payable – other	192,548	220,171
Accrued expenses	81,417	81,375
Income taxes payable	821	665
Accrued consumption taxes	284,730	—
Advances received	456,853	485,671
Other	7,519	50,296
Total current liabilities	30,156,220	13,008,743
Noncurrent liabilities:		
Investment corporation bond – unsecured	8,000,000	8,000,000
Long-term loans payable	22,500,000	39,500,000
Tenant leasehold and security deposits	1,015,609	1,107,609
Tenant leasehold and security deposits in trust	5,033,380	5,010,435
Other	114,525	106,374
Total noncurrent liabilities	36,663,516	53,724,420
TOTAL LIABILITIES	66,819,736	66,733,163
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	36,529,370	36,529,370
Surplus:		
Retained earnings	1,283,146	798,426
Total surplus	1,283,146	798,426
Total unitholders' equity	37,812,516	37,327,796
TOTAL NET ASSETS (Note 3)	37,812,516	37,327,796
TOTAL LIABILITIES AND NET ASSETS	104,632,253	104,060,960

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

III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2010	December 31, 2010
Operating revenue		
Rental revenue—real estate (Note 4).....	2,980,654	2,962,317
Gain on sales of real estate properties (Note 5).....	459,734	—
Total operating revenue.....	3,440,389	2,962,317
Operating expenses		
Expenses related to rent business (Note 4).....	1,181,069	1,166,896
Asset management fee.....	310,869	315,612
Directors' compensations.....	5,820	5,820
Asset custody fee.....	5,217	5,227
Administrative service fees.....	21,054	21,394
Other.....	52,379	82,689
Total operating expenses.....	1,576,409	1,597,640
Operating income	1,863,979	1,364,677
Non-operating income		
Interest income.....	927	1,656
Interest on refund.....	972	—
Total non-operating income.....	1,899	1,656
Non-operating expenses		
Interest expenses.....	280,959	282,891
Interest expenses on investment corporation bonds (Note 6).....	120,689	120,326
Amortization of investment corporation bond issuance costs.....	2,739	2,739
Borrowing related expenses.....	141,700	140,302
Amortization of investment unit issuance costs.....	34,276	17,138
Other.....	1,363	3,525
Total non-operating expenses.....	581,727	566,923
Ordinary income	1,284,151	799,410
Income before income taxes	1,284,151	799,410
Income taxes		
Current.....	1,006	996
Deferred.....	(2)	0
Total income taxes.....	1,004	997
Net income	1,283,146	798,412
Retained earnings brought forward	0	13
Unappropriated retained earnings	1,283,146	798,426

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

IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 2010

	Unitholders' equity				Total net assets
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	
		Retained earnings	Total surplus		
Balance as of December 31, 2009	36,529,370	817,380	817,380	37,346,750	37,346,750
<u>Changes during the period</u>					
Dividends from surplus	—	(817,379)	(817,379)	(817,379)	(817,379)
Net income	—	1,283,146	1,283,146	1,283,146	1,283,146
<u>Total changes during the period</u>	—	465,766	465,766	465,766	465,766
Balance as of June 30, 2010	36,529,370	1,283,146	1,283,146	37,812,516	37,812,516

(Thousands of yen)

For the six months ended December 31, 2010

	Unitholders' equity				Total net assets
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	
		Retained earnings	Total surplus		
Balance as of June 30, 2010	36,529,370	1,283,146	1,283,146	37,812,516	37,812,516
<u>Changes during the period</u>					
Dividends from surplus	—	(1,283,133)	(1,283,133)	(1,283,133)	(1,283,133)
Net income	—	798,412	798,412	798,412	798,412
<u>Total changes during the period</u>	—	(484,720)	(484,720)	(484,720)	(484,720)
Balance as of December 31, 2010	36,529,370	798,426	798,426	37,327,796	37,327,796

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

V. Notes to financial information

Note 1 – Summary of significant accounting policies

(a) Property, plant and equipment

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

	For the six months ended	
	June 30, 2010	December 31, 2010
Buildings	13-63 years	13-63 years
Structures	7-8 years	7-20 years
Tools, furniture and fixtures	10 years	6-10 years

(b) Long-term prepaid expenses

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

(c) Investment unit issuance costs

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

(d) Investment corporation bond issuance costs

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

(e) 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 generally accepted accounting principles in Japan. 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 ¥6,337 thousand and ¥514 thousand for the six months ended June 30, 2010 and December 31, 2010, respectively.

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

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

(g) Consumption taxes

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

(h) Change in accounting policies

On March 31, 2008, the Accounting Standard Board of Japan (“ASBJ”) issued ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations.”

The Investment Corporation adopted the new standard for asset retirement obligations from six months ended December 31, 2010. The application of this new standard did not have any impact on the results of operation for the six months then ended.

Note 2 – 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 3 – Unitholders’ equity

(1) Number of units

	As of	
	June 30, 2010	December 31, 2010
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	79,035 units	79,035 units

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

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

Rent revenue—real estate and expenses related to rent business for the six months ended June 30, 2010 and December 31, 2010 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2010	December 31, 2010
Rental revenue—real estate:		
Rental and parking revenue	2,950,157	2,902,544
Common area charges	19,875	12,791
Other	10,621	46,982
Total rental revenue—real estate	<u>2,980,654</u>	<u>2,962,317</u>
Expenses related to rent business:		
Property management fees	8,033	7,836
Facility management fees	7,161	7,085
Utilities	20,995	15,763
Property-related taxes	236,778	211,807
Insurance	8,175	8,117
Repair and maintenance	7,030	77,419
Depreciation	623,815	567,045
Trust fees	7,771	10,527
Leasehold rents	261,026	261,026
Other	279	267
Total expenses related to rent business	<u>1,181,069</u>	<u>1,166,896</u>
Operating income from property leasing activities	<u><u>1,799,585</u></u>	<u><u>1,795,421</u></u>

Note 5 – Gain on sales of real estate properties

A breakdown of gain on sales of real estate properties for the six months ended June 30, 2010 was as follows:

	(Thousands of yen)
	For the six months ended
	June 30, 2010
Sale of land and building	9,020,000
Cost of land and building	(8,500,995)
Other sales expenses	(59,270)
Gain on sales of real estate properties	<u>459,734</u>

Note 6 – Transaction with major unitholder

The Investment Corporation paid interest expenses on investment corporation bonds to a major unitholder totaling of ¥120,689 thousand and ¥120,326 thousand for the six months ended June 30, 2010 and December 31, 2010, respectively.

Note 7 – Income taxes

Deferred tax assets consist of the following:

(Thousands of yen)

	As of	
	June 30, 2010	December 31, 2010
Deferred tax assets:		
Current:		
Enterprise tax payable	19	19
Total	19	19
Net deferred tax assets	19	19

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

	For the six months ended	
	June 30, 2010	December 31, 2010
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.30)	(39.28)
Other	0.05	0.07
Effective tax rate	0.08%	0.12%

Note 8 – Financial instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Investment Corporation raises funds through loans payable, the issuance of investment corporation bond 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 by investing 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. The Investment Corporation did not use any derivative instruments for the six months ended June 30, 2010 and December 31, 2010.

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

The funds raised through loans payable or issuance of investment corporation bond are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing loans payable. 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.

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 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 June 30, 2010 and December 31, 2010.

(Thousands of yen)

	As of					
	June 30, 2010			December 31, 2010		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,004,678	7,004,678	-	5,435,254	5,435,254	-
(2) Cash and bank deposits in trust	1,030,003	1,030,003	-	1,231,979	1,231,979	-
Total assets	8,034,682	8,034,682	-	6,667,234	6,667,234	-
(1) Short-term loans payable	14,000,000	14,000,000	-	12,000,000	12,000,000	-
(2) Current portion of long-term loans payable	15,000,000	15,000,000	-	-	-	-
(3) Investment corporation bond—unsecured	8,000,000	8,000,000	-	8,000,000	8,000,000	-
(4) Long-term loans payable	22,500,000	22,515,332	15,332	39,500,000	39,540,817	40,817
(5) Tenant leasehold and security deposits in trust	1,126,478	865,895	(260,582)	1,103,533	874,486	(229,046)
Total liabilities	60,626,478	60,381,228	(245,249)	60,603,533	60,415,304	(188,229)

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

Assets

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

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

Liabilities

(1) Short-term loans payable

Because of their short maturities and floating interest rates, the carrying amounts of short-term loans payable approximate their fair values.

(2) Current portion of long-term loans payable and (4) Long-term loans payable

Long-term loans payable with floating interest rates changing within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values. The fair value of long-term loans payable with fixed interest rates is determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms.

(3) Investment corporation bond—unsecured

Because of floating interest rates changing within a short term period, the carrying amounts of investment corporation bond approximate their fair values.

(5) Tenant leasehold and security deposits in trust

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

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

(Thousands of yen)

	As of	
	June 30, 2010	December 31, 2010
Tenant leasehold and security deposits	1,015,609	1,107,609
Tenant leasehold and security deposits in trust	3,906,902	3,906,902
Total	4,922,512	5,014,512

Tenant lease hold 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 June 30, 2010	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,004,678	-	-	-	-	-
Cash and bank deposits in trust	1,030,003	-	-	-	-	-
Total	8,034,682	-	-	-	-	-

(Thousands of yen)

As of December 31, 2010	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	5,435,254	-	-	-	-	-
Cash and bank deposits in trust	1,231,979	-	-	-	-	-
Total	6,667,234	-	-	-	-	-

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

(Thousands of yen)						
As of June 30, 2010	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	14,000,000	-	-	-	-	-
Current portion of long-term loans payable	15,000,000	-	-	-	-	-
Investment corporation bond—unsecured	-	-	-	8,000,000	-	-
Long-term loans payable	-	-	20,500,000	-	2,000,000	-
Total	29,000,000	-	20,500,000	8,000,000	2,000,000	-

(Thousands of yen)						
As of December 31, 2010	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	12,000,000	-	-	-	-	-
Investment corporation bond—unsecured	-	-	-	8,000,000	-	-
Long-term loans payable	-	10,500,000	25,000,000	4,000,000	-	-
Total	12,000,000	10,500,000	25,000,000	12,000,000	-	-

(Additional information)

Effective from the six months ended June 30, 2010, the Investment Corporation adopted ASBJ Statement No.10, “Accounting Standard for Financial Instruments” revised on March 10, 2008, and ASBJ Guidance No.19, “Guidance on Disclosures about Fair Value of Financial Instruments” issued on March 10, 2008.

Note 9 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended June 30, 2010 and December 31, 2010.

	(Thousands of yen)	
	As of / For the six months ended	
	June 30, 2010	December 31, 2010
Net book value⁽ⁱ⁾		
Balance at the beginning of the period	99,347,785	96,001,935
Net increase (decrease) during the period ⁽ⁱⁱ⁾	(3,345,849)	702,572
Balance at the end of the period	96,001,935	96,704,507
Fair value⁽ⁱⁱⁱ⁾	92,940,000	93,970,000

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 (decrease) in net book value (Thousands of yen)
For the six months ended June 30, 2010:	Acquisitions:	IIF Narashino Logistics Center (land with leasehold interest).....	1,215,241
		IIF Totsuka Technology Center (land with leasehold interest).....	4,553,285
	Disposals:	IIF Funabashi Logistics Center	(8,500,995)
For the six months ended December 31, 2010:	Acquisitions:	IIF Yokohama Tsuzuki Technology Center	1,166,015
	Capital expenditures:	IIF Koshigaya Logistics Center.....	71,257

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

For rental revenues and expenses for the six months ended June 30, 2010 and December 31, 2010, please refer to “Note 4 - Rent revenue—real estate and expenses related to rent business.”

(Additional information)

Effective from the six months ended June 30, 2010, the Investment Corporation adopted ASBJ Statement No.20, “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” issued on November 28, 2008, and ASBJ Guidance No.23, “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” issued on November 28, 2008.

Note 10 – Asset retirement obligations

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 to be extended or is to be revoked. The Investment Corporation, however, expects that, unless exceptional circumstances arise, the permission will continue to be granted until the Investment Corporation voluntarily demolish the property considering 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 in the foreseeable future, it is difficult to determine the timing of performance of the asset retirement obligation and as such it is impossible to foresee the amount of the asset retirement obligation reasonably. Therefore, the Investment Corporation does not recognize such obligation as a liability.

Note 11 – Related-party transactions

For the six months ended June 30, 2010:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Interested party and major unitholder	Mitsubishi Corporation	Trade and general business	Directly 12.14% Indirectly 0.75%	—	—	Investment corporation bond—unsecured	8,000,000
				Interest expenses on investment corporation bond ⁽ⁱ⁾	120,689	Accrued expenses	81,375
Custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	—	Drawing of short-term loans payable ⁽ⁱⁱ⁾	3,871,000	Short-term loans payable	3,871,000
				Repayment of short-term loans payable	6,635,000		
				—	—	Current portion of long-term loans payable	3,525,000
				Drawing of long-term loans payable ⁽ⁱⁱ⁾	2,764,000	Long-term loans payable	5,539,000
				Interest expenses ⁽ⁱⁱ⁾	69,452	—	—

For the six months ended December 31, 2010:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Thousands of yen)	Balance sheet account	Amounts (Thousands of yen)
Interested party and major unitholder	Mitsubishi Corporation	Trade and general business	Directly 12.14% Indirectly 0.75%	—	—	Investment corporation bond—unsecured	8,000,000
				Interest expenses on investment corporation bond ⁽ⁱ⁾	120,326	Accrued expenses	79,638
Custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	—	Repayment of short-term loans payable	553,000	Short-term loans payable	3,318,000
				Drawing of long-term loans payable ⁽ⁱⁱ⁾	2,500,000	Long-term loans payable	8,039,000
				Repayment of long-term loans payable	3,525,000		
				Interest expenses ⁽ⁱⁱ⁾	67,960	Accrued expenses	346

Notes:

- (i) The terms and conditions of the investment corporation bond were reasonably decided based on the comparative analyses of the various third party cases including analysis of the interest rate spreads with other J-REIT senior bank loans and subordinated bonds issued by banks and analysis of the costs of debt and capital.
- (ii) The interest rates of the loans payable have been decided similarly as other banks of the syndicate. All of the loans payable were unsecured.

Note 12 – Per unit information

The net asset value per unit as of June 30, 2010 and December 31, 2010 was ¥478,427 and ¥472,294, respectively. Net income per unit for the six months ended June 30, 2010 and December 31, 2010 was ¥16,235 and ¥10,102, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Investment Corporation has no potentially dilutive units.

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

	(Thousands of yen)	
	For the six months ended	
	June 30, 2010	December 31, 2010
Net income	1,283,146	798,412
Effect of dilutive unit	-	-
Net income available to common unitholders	1,283,146	798,412
Weighted-average number of units outstanding for the period	79,035 units	79,035 units

Note 13 – Subsequent events

For the six months ended June 30, 2010:

Change of the lease contract of IIF Haneda Airport Maintenance Center

On August 10, 2010, the Investment Corporation entered into an agreement of change of the building lease contract (the “Original Contract”) with Japan Airlines International Co., Ltd. (the “Tenant”), a tenant of IIF Haneda Airport Maintenance Center, as outlined below.

(i) The expiration date of the Original Contract (February 28, 2018) are extended to December 31, 2025.

(ii) As the lease term is changed to fixed-term, the Tenant is prohibited to terminate the contract before the expiration date and to request a rent decrease according to Article 32 of the Land Lease and House Lease Act of Japan.

(iii) Future lease rental revenue on or after January 1, 2011 will be reduced and it will be increased incrementally until it reaches the same level as the Original Contract. Monthly lease rental revenue will be changing as follows:

From the date of the agreement of change to December 31, 2010:

Approximately ¥162 million per month (same as the Original Contract)

From January 1, 2011 to December 31, 2015 (5 years):

Approximately ¥154 million per month (reduced approximately 5% from the Original Contract)

From January 1, 2016 to December 31, 2020 (5 years):

Approximately ¥157 million per month (reduced approximately 3% from the Original Contract)

From January 1, 2021 to December 31, 2025 (5 years):

Approximately ¥162 million per month (same as the Original Contract)

For the six months ended December 31, 2010:

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on February 21, 2011, resolved to issue new investment units as bellow. The issue price shall be determined at the Board of Directors Meeting to be held in early part of March 2011.

(a) Issuance of new investment units through public offering

Number of investment units to be offered: 14,200 investment units

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

Number of investment units to be offered: 1,400 investment units

Allottee: Nomura Securities Co., Ltd.

The number of new investment units to be offered through third-party allotment indicates the maximum number of units to be offered. Depending on demand and other factors, the number of units may be reduced, or the issuance through third-party allotment itself may not be conducted.

(c) Use of proceeds

The Investment Corporation will use the net proceeds from the public offering and third-party allotment for acquisition of additional specified assets.

VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2010	December 31, 2010
Unappropriated retained earnings	1,283,146,944	798,426,613
Cash distribution declared	1,283,133,225	798,411,570
<i>(Cash distribution declared per unit)</i>	<i>(16,235)</i>	<i>(10,102)</i>
Retained earnings carried forward	13,719	15,043

Note:

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, cash distributions declared for the six months ended June 30, 2010 and December 31, 2010 were ¥1,283,133,225 and ¥798,411,570, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 25, Paragraph 2.

Note

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

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 2010 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

VII. Statements of cash flows (additional information)

(Thousands of yen)

	For the six months ended	
	June 30, 2010	December 31, 2010
Net cash provided by (used in) operating activities:		
Income before income taxes	1,284,151	799,410
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	623,815	567,045
Amortization of investment corporation bond issuance costs	2,739	2,739
Amortization of investment unit issuance costs	34,276	17,138
Interest income	(927)	(1,656)
Interest expenses	401,648	403,218
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(130,951)	136,837
Decrease (increase) in consumption taxes refundable	82,414	(100,304)
Decrease (increase) in prepaid expenses	(1,808)	(62,719)
Decrease (increase) in long-term prepaid expenses	(48,931)	(82,222)
Increase (decrease) in operating accounts payable	130,124	(61,366)
Increase (decrease) in accounts payable – other	3,949	13,555
Increase (decrease) in accrued expenses	(72)	60
Increase (decrease) in accrued consumption taxes	284,730	(284,730)
Increase (decrease) in advances received	(76,260)	28,817
Decrease in other noncurrent liabilities	(8,128)	(8,150)
Decrease due to sales of property, plant and equipment in trust	8,500,995	–
Other, net	181	41,595
Subtotal	11,081,946	1,409,266
Interest income received	927	1,656
Interest expenses paid	(406,482)	(403,320)
Income taxes paid	(950)	(1,152)
Net cash provided by operating activities	10,675,439	1,006,449
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(1,215,241)	(1,160,693)
Purchases of property, plant and equipment in trust	(4,563,719)	–
Proceeds from tenant leasehold and security deposits	42,240	92,000
Proceeds from tenant leasehold and security deposits in trust	276,150	–
Payments of tenant leasehold and security deposits in trust	(351,990)	(22,944)
Net cash used in investing activities	(5,812,561)	(1,091,638)
Net cash provided by (used in) financing activities:		
Increase in short-term loans payable	14,000,000	–
Decrease in short-term loans payable	(24,000,000)	(2,000,000)
Proceeds from long-term loans payable	10,000,000	17,000,000
Repayments of long-term loans payable	–	(15,000,000)
Dividends paid	(816,210)	(1,282,259)
Net cash used in financing activities	(816,210)	(1,282,259)
Net change in cash and cash equivalents	4,046,668	(1,367,448)
Cash and cash equivalents at beginning of period	3,988,013	8,034,682
Cash and cash equivalents at end of period ⁽ⁱⁱ⁾	8,034,682	6,667,234

Note:

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

(Thousands of yen)

	As of	
	June 30, 2010	December 31, 2010
Cash and bank deposits	7,004,678	5,435,254
Cash and bank deposits in trust	1,030,003	1,231,979
Cash and cash equivalents	8,034,682	6,667,234

Other Information

Japanese version of the Asset Management Report contains other information not included in this English version. You can access most of those information in English by referring to the IR material for this period posted on our website.

IR material

“The 7th Period Analyst Meeting Materials (July 1, 2010 to December 31, 2010)”

- Portfolio Management: Page 34
- Portfolio Overview: Page 35 to 37

Contact

Asset Manager

For IR schedule and other IR-related information, please contact our asset management company, Mitsubishi Corp. - UBS Realty Inc. at +81-3-5293-7090.

Transfer Agent

Regarding the custody arrangement and other investment units-related information, please contact our general administrator, Mitsubishi UFJ Trust and Banking Corporation at 0120-232-711 (Free dial, but in domestic only).

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Asset Management Company: Mitsubishi Corp.-UBS Realty Inc.

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