

**Industrial & Infrastructure Fund Investment Corporation**

**8<sup>th</sup> Asset Management Report**

**(Semi-Annual Report 8<sup>th</sup>)**

**January 1, 2011 – June 30, 2011**

 **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.

I would like to express my heartfelt sympathy to those affected by the Great East Japan Earthquake that occurred on March 11, 2011 and the subsequent nuclear accident. I sincerely hope for everyone's safety and the earliest possible recovery.

I highly appreciate all the unitholders' continued courtesies.

Industrial & Infrastructure Fund Investment Corporation (IIF) increased its capital by making a public offering and acquired five properties in the 8th Period (June 2011 Period), entering a new stage of growth. IIF is committed to conducting management that takes full advantage of the characteristics of industrial properties and securing a 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 8th Period

### Major policies for the 8th Period

1. External growth that allows IIF to maintain and improve its portfolio profitability and quality
2. Financial strategy that emphasizes improvement of financial stability and control of debt cost
3. Improvement and stabilization of distribution and increase in unitholder value

### Financial results for the 8th Period

	<b>7th Period</b> (reference)	<b>8th Period</b>
<b>Number of properties</b>	11	16
<b>Total acquisition price</b>	96.9 billion yen	108.2 billion yen
<b>Operating revenue</b>	2,962 million yen	3,295 million yen
<b>Net income</b>	798 million yen	1,022 million yen
<b>Distribution per unit</b>	10,102 yen	<b>10,919</b> yen

# **IIF improved and stabilized distribution by capital increase**

I would like to express my heartfelt sympathy to those affected by the Great East Japan Earthquake and the subsequent nuclear accident. I sincerely hope for everyone's safety and the earliest possible recovery.

Industrial & Infrastructure Fund Investment Corporation (IIF) increased its capital by additionally issuing new investment units and acquired five properties in the 8th Period (June 2011 Period), which led to an improvement of the portfolio profitability and financial stability. This in turn contributed to an improvement and stabilization of the distribution. I, Takuya Kuga, CEO of Mitsubishi Corp. - UBS Realty Inc., IIF's asset manager, would like to explain the activities in the 8th Period and future outlook.

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

In the 8th Period, IIF increased its capital by additionally issuing new investment units in March 2011 and acquired five properties (for a total of 11.3 billion yen), resulting in an increase of the total acquisition price to 108.2 billion yen. Accordingly, IIF improved its portfolio profitability and stability by diversification and at the same time, reduced the LTV and improved the long-term debt ratio and fixed-rate debt ratio, leading to greater financial stability. As a result, the distribution in the 8th Period increased to 10,919 yen (10,102 yen in the 7th Period).

This was made possible by consistently implementing a strategy that aims for steady improvement of the distribution level. IIF did so from the perspectives of the external growth strategy that contributes to maintenance and improvement of the portfolio profitability and stability, and the financial strategy that emphasizes improvement of financial stability and control of debt cost.

IIF will advance toward a new stage of growth by utilizing various acquisition methods including proposal-based property acquisition that responds to each company's CRE strategy in addition to the abovementioned strategies.

## **1. Acquired five properties by additional issuance of new investment units**

IIF newly acquired five properties by additionally issuing new investment units.

These five properties were acquired by proposing solutions to sellers and tenants that respond to CRE strategies, which IIF's asset manager excels at, or by utilizing its unique acquisition network. They are prime properties in terms of profitability, continuity and versatility.

For the IIF Narashino Logistics Center II (land with leasehold), in particular, IIF acquired its land with leasehold by proposing solutions in cooperation with Mitsubishi Corporation, IIF's sponsor, in response to the needs of Sapporo Brewery Limited to streamline the logistics operation and liquidate assets. IIF expects the profitability of this property will increase with the potential for higher land rent after redevelopment that is planned in the near future.

Details of the properties newly acquired are described on page 11 below.

## **2. Strengthened financial stability by agile borrowing and refinancing**

Next, I would like to explain the financial strategy that led to financial stabilization by agile borrowing and refinancing. In the 8th Period, IIF secured a long-term (seven-year) borrowing from its three main banks, Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation and Sumitomo Trust and Banking Co., Ltd. In addition, IIF secured a long-term borrowing (seven years with a fixed interest rate) from the Development Bank of Japan Inc. as a new funding source. IIF used the funds raised to repay its short-term borrowings. Securing a seven-year borrowing from commercial banks is pioneering financing among J-REITs.

Due to such efforts for financial stabilization by agile borrowing and refinancing, the long-term debt ratio increased from 79.8% at the end of the previous period to 98.2% at the end of the 8th Period, and the ratio of fixed-rate debt to interest-bearing debt increased from 3.4% at the end of the 7th Period to 25.0% at the end of the 8th Period.

In addition, as a strategic move toward further growth, IIF signed a commitment-type term loan contract with an aggregate borrowing limit of 10 billion yen with the Development Bank of Japan Inc. This loan allows IIF to borrow in installments within a specified period, and IIF is able to secure a seven-year borrowing with a fixed interest rate agilely within three years.

### **3. Achieved improvement and stabilization of distribution**

When newly acquiring properties, IIF assesses their profitability, continuity and versatility, with the focus on whether they can contribute to stable improvement of distribution. By acquiring five new properties, the asset value of IIF amounts to 108,200 million yen (on an acquisition-price-basis), and the average NOI yield increased from 5.0% in the 7th Period to 5.3%. The average remaining lease term increased from 11.9 years to 12.3 years as well. As such, IIF implemented an external growth strategy that improved the portfolio profitability and stability in the 8th Period.

Furthermore, by implementing the financial strategy in conjunction with the external growth strategy that emphasizes improvement of financial stability and control of debt cost, distribution increased by 8% compared to the 7th Period, and distribution per unit in the 8th Period was 10,919 yen. In addition, distribution per unit in the 9th Period is expected to be 12,285 yen as contributions of newly acquired properties will continue throughout the period.

### **Future outlook: Promoting proposal-based acquisition activities that respond to CRE strategies**

IIF, as the only J-REIT specializing in industrial properties, will aggressively promote proposal-based acquisition activities that respond to CRE strategies by utilizing an environment with limited competition and its know-how and network established as a pioneer in industrial properties. IIF is committed to further increasing the distribution level by improving and stabilizing profit supported by the acquisition of prime properties. I would like to ask for all the unitholders' continued support in this regard.

What is a 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.

## **IIF wins the BEST DEALS OF 2010.**

The capital increase via the public offering IIF implemented in the 8th Period was chosen as winner of the BEST DEALS OF 2010 (Real Estate Investment Trust Securities Category) awarded by Capital Eye News.

This award is given to prime deals and issuers in the debt and securities issuance market in 2010 determined according to research by Capital Eye News (provider of information services regarding financing trend of companies and institutions both home and abroad, with the focus on the issuance markets of corporate bonds, FILP agency bonds, municipal bonds and securitization) based on responses of questionnaires to underwriters and institutional investors.

The capital increase via the public offering IIF implemented was chosen because “This was an ideal case where distribution increased due to a capital increase. Although the deal size was small, the portfolio yield and quality improved due to the acquisition of profitable properties. The financing focusing on stabilization of distribution was notable.”

## **Points in capital increase**

### **External growth strategy that allows IIF to maintain and improve portfolio profitability and quality**

Improvement of portfolio profitability and stability

- Proposal-based property acquisition based on CRE strategies of sellers and tenants
- Collaboration with sponsors, etc.
- Improvement of stability by diversification of portfolio
- Improvement of stability by extending the average remaining lease term

### **Debt: Financial strategy that emphasizes improvement of financial stability and control of debt cost**

Improvement of financial stability

- Financing from the three main banks (Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation and Sumitomo Trust and Banking Co., Ltd.)
- Long-term (seven-year) borrowing with fixed interest rate from a new lender (the Development Bank of Japan Inc.)
- Execution of a commitment-type term loan (aggregate borrowing limit: 10 billion yen) as a strategic move toward new growth

### **Equity: Improvement and stabilization of distribution**

Improvement and stabilization of distribution

Realization of growth of IIF's unitholder value based on the capital policy that gives consideration to distribution per unit

## **Various acquisition methods that support external growth strategy**

IIF assesses profitability, continuity and versatility when selecting properties to acquire. IIF has also established various unique acquisition methods and produced good results. This advantage (past results, know-how and network) as a pioneer in investment in industrial properties will help IIF to maintain its competitive edge in the long term in the future competition for acquisition of new properties.

#### **● Acquisition based on proposals of solutions that respond to CRE strategies**

IIF has established a good relationship with sellers and tenants by aggressively proposing solutions for CRE strategies to property owners and tenants.

#### **● Acquisition by utilizing IIF's unique acquisition network**

Unlike other J-REITs, IIF specializes in investment in industrial properties, so it has created a unique network that allows it to

access these properties.

- Acquisition in collaboration with sponsors, etc.

In the process of property acquisition, Mitsubishi Corporation sometimes is in charge of development and warehousing operations on a temporary basis.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
As of /for the six months ended			June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011
Operating revenues	Note 1	(Millions of yen)	3,198	3,064	3,440	2,962	3,295
(Rental revenues)	Note 1	(Millions of yen)	(3,144)	(3,064)	(2,980)	(2,962)	(3,295)
Operating expenses	Note 1	(Millions of yen)	1,697	1,629	1,576	1,597	1,673
(Rental expenses)	Note 1	(Millions of yen)	(1,292)	(1,246)	(1,181)	(1,166)	(1,253)
Operating income		(Millions of yen)	1,500	1,434	1,863	1,364	1,622
Ordinary income		(Millions of yen)	876	818	1,284	799	1,038
Net income	(a)	(Millions of yen)	875	817	1,283	798	1,022
Net assets	(b)	(Millions of yen)	37,404	37,346	37,812	37,327	43,263
(Period-on-period change)		(%)	(-0.2)	(-0.2)	(+1.2)	(-1.3)	(+15.9)
Total assets	(c)	(Millions of yen)	104,245	103,869	104,632	104,060	113,262
(Period-on-period change)		(%)	(-7.1)	(-0.4)	(+0.7)	(-0.5)	(+8.8)
Unitholders' capital		(Millions of yen)	36,529	36,529	36,529	36,529	42,241
(Period-on-period change)		(%)	(0.0)	(0.0)	(0.0)	(0.0)	(+15.6)
Number of units issued and outstanding	(d)	(Units)	79,035	79,035	79,035	79,035	93,632
Net asset value per unit	(b)/(d)	(Yen)	473,270	472,534	478,427	472,294	462,059
Total distributions	(e)	(Millions of yen)	875	817	1,283	798	1,022
Distribution per unit	(e)/(d)	(Yen)	11,078	10,342	16,235	10,102	10,919
(Profit distribution per unit)		(Yen)	(11,078)	(10,342)	(16,235)	(10,102)	(10,919)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	0.8 (1.6)	0.8 (1.6)	1.2 (2.5)	0.8 (1.5)	1.0 (1.9)
Return on unitholders' equity	Note 3	(%)	2.3 (4.7)	2.2 (4.3)	3.4 (6.9)	2.1 (4.2)	2.5 (5.1)
Ratio of net assets to total assets	(b)/(c)	(%)	35.9	36.0	36.1	35.9	38.2
(Period-on-period change)			(+2.5)	(+0.1)	(+0.1)	(-0.2)	(+2.3)
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)	2,577	2,500	2,423	2,362	2,617
Net profit margin	Note 3	(%)	27.4	26.7	37.3	27.0	31.0
Debt service coverage ratio	Note 3	(Multiple)	5.0	4.9	5.8	4.4	4.7
Funds from operation (FFO) per unit	Note 3	(Yen)	19,569	18,973	18,311	17,276	17,062
FFO multiples	Note 3	(Multiple)	6.7	6.5	8.6	11.5	11.6
Distributable income per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	11,078	10,342	16,201	10,049	10,655
FFO per unit after adjustment for taxes on property, plant and equipment	Note 4	(Yen)	19,569	18,973	18,277	17,223	16,798

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 181, 184, 181, 184 and 181 days for 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> fiscal period, respectively. FFO multiples are unaudited.

Ratio of ordinary income to total assets	Ordinary income /Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income/Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income/Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of investment corporation 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

IIF was established on March 26, 2007 and was listed on the REIT securities market of the Tokyo Stock Exchange on October 18, 2007 (securities 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 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. As the only listed J-REIT specializing in industrial properties, IIF aims for further improvement and stabilization of the dividend level by increasing and stabilizing profit as a result of acquiring properties by making the best use of an environment where there is limited competition.

In the current period, IIF acquired the following five properties by issuing new investment units and borrowings: IIF Narashino Logistics Center II (land with leasehold, bought for 3,350 million yen), IIF Atsugi Logistics Center II (for 3,100 million yen), IIF Yokohama Tsuzuki Logistics Center (for 2,350 million yen), IIF Saitama Logistics Center (for 1,490 million yen) and IIF Nagoya Logistics Center (for 1,050 million yen). Of these five properties, acquisition of four properties excluding the IIF Nagoya Logistics Center was postponed due to the Great East Japan Earthquake (hereinafter called the “Earthquake”) that occurred on March 11 under the following two conditions: 1) acquisition will be postponed until the effects of the Earthquake are confirmed by an on-site investigation performed by external professionals and 2) for properties that are affected by the Earthquake, IIF requests sellers to repair the damage and then acquire them after discussions on the conditions for delivery are complete. IIF acquired the four properties in series after these two conditions were satisfied. The Earthquake caused some damage to the existing properties. IIF completed repair work for three properties out of 11 properties by the end of the current period, and the total cost of repair work was approximately 13 million yen (0.01% of the total properties owned). In terms of management, IIF switched the original contract from a regular lease contract to a fixed-term lease contract at the time of settlement and delivery for the IIF Nagoya Logistics Center IIF newly acquired in the current period and thus succeeded in stabilizing profit. As for the IIF Noda Logistics Center, IIF resigned a five-year lease contract with the tenant whose lease expired during the current period. IIF also installed a solar power system in cooperation with tenants at the IIF Koshigaya Logistics Center as a part of its efforts to reduce its environmental impact.

On the basis of these results, the properties owned by IIF as of June 30, 2011 consisted of 12 distribution facilities, two infrastructure facilities and two plants and R&D facilities whose total acquisition price amounted to 108,240 million yen. The total leasable area as of June 30, 2011 was 358,773.32m<sup>2</sup>, and the average occupancy rate remained at 99.9%.

For the Shinsuna Data Center IIF planned to acquire, IIF signed an agreement on cancellation of the trust beneficiary right sales agreement with Industrial Six LLC (seller) on March 31, 2011 and reached an agreement in which the acquisition right of this property IIF owns will not be executed.

### (2) Overview of 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.

IIF raised funds by taking out interest-bearing debt in order to refinance the borrowings that reached their repayment date, repay some borrowings ahead of schedule and acquire new properties. IIF secured a seven-year loan from its main banks (Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation and Sumitomo Trust and Banking Company, Limited) and the Development Bank of Japan and succeeded in further strengthening its financial stability. In addition, in order to surely capture attractive investment opportunities, IIF signed a commitment-type term loan contract with the Development Bank of Japan to secure long-term funds that can be borrowed flexibly. As a result, IIF's interest-bearing debt as of June 30, 2011 increased by 2,600 million yen compared to the end of the previous period, and short-term borrowings amounted to 1,100 million yen, long-term borrowings to 53,000 million yen and subordinated investment corporation bond to 8,000 million yen. The long-term debt ratio increased from 79.8% to 98.2%, and the fixed-term debt ratio increased from 3.4% to 25.0%, leading to a decline in LTV from 49.5% to 47.8%.

IIF also raised approximately 5,700 million yen by issuing new investment units in March 2011 in order to raise funds for the acquisition of new properties. IIF implemented a strategy to aim for stable growth of dividends and increased and stabilized the dividend level by acquiring properties that contribute to improvement and stabilization of the dividend level. As a result, the number of outstanding units as of the end of the current period increased by 14,597 units to 93,632 compared to the end of the previous period.

### (3) Overview of financial results and distribution

As a result of the abovementioned management activities, IIF recorded operating revenue of 3,295 million yen, operating income of 1,622 million yen, ordinary income of 1,038 million yen and net income of 1,022 million yen for the current period after recording extraordinary loss of 15 million yen associated with the Great East Japan Earthquake. For distributions, 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 10,919 yen.

## 3. Changes in unitholders' capital

The outline of changes in unitholders' capital 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

March 8, 2011	Public offering	14,200	93,235	5,556	42,085	Note 4
March 24, 2011	Allocation of investment units to a third party	397	93,632	155	42,241	Note 5

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 New investment units were issued at a price of ¥405,945 per unit (subscription price of ¥391,297 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 5 New investment units were issued at a price of ¥391,297 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property.

Note 6 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:

(Yen)

Fiscal period	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
As of /for the six months ended	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011
Highest price	286,000	273,900	383,000	414,000	438,500
Lowest price	180,100	228,000	223,300	300,000	321,000
Closing price at end of period	265,000	245,400	319,000	393,500	399,000

## 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 June 30, 2011 amounted to ¥10,919.

Fiscal period		4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
As of /for the six months ended		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011
Net income	(Thousands of yen)	875,587	817,332	1,283,146	798,412	1,022,368
Retained earnings carried forward	(Thousands of yen)	47	0	13	15	15
Total cash distributions	(Thousands of yen)	875,549	817,379	1,283,133	798,411	1,022,367
(Cash distribution per unit)	(Yen)	(11,078)	(10,342)	(16,235)	(10,102)	(10,919)
Profit distributions	(Thousands of yen)	875,549	817,379	1,283,133	798,411	1,022,367
(Profit distribution per unit)	(Yen)	(11,078)	(10,342)	(16,235)	(10,102)	(10,919)
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

### *Early Redemption of Investment Corporation Bond*

The Board of Directors of the Investment Corporation, at its meeting held on August 10, 2011, resolved to redeem all investment corporation bond in advance of the due date from Mitsubishi Corporation at a price of ¥8,000,000 thousand (par value) by raising funds through new loans payable, and the Investment Corporation has completed this early redemption of investment corporation bond on August 31, 2011.

As a result of the early redemption of investment corporation bond, the Investment Corporation estimates that interest expenses for the six months ending December 31, 2011 will decrease by approximately ¥8 million after offsetting incremental interest expenses on the new loans payable.

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
As of	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011
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	93,632
Number of unitholders (People)	3,985	4,173	4,830	4,398	4,926

## 2. Unitholders

Major unitholders as of June 30, 2011 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	11,789	12.59
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,600	10.25
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	6,190	6.61
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	5,814	6.20
UBS AG LONDON JAPAN SEED CAPITAL FUNDING	100 LIVERPOOL STREET, LONDON, EC2M 2RH UNITED KINGDOM	5,200	5.55
Development Bank of Japan Inc.	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,000	5.34
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,388	4.68
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	3,007	3.21
North Pacific Bank, Ltd.	11, Odori-nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido	2,235	2.38
The Tokushima Bank, Ltd.	16, Tomitahama 1-chome, Tokushima-shi, Tokushima	1,492	1.59
Total		54,715	58.43

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 June 30, 2011 (Thousands of yen)
Executive Director (Note 1)	Yasuyuki Kuratsu	CEO of Research and Pricing Technologies Inc.	2,580
Supervisory Director (Note 1)	Katsuaki Takiguchi	Chief of Katsuaki Takiguchi CPA Office	1,620
	Kumi Honda	Attorney of The Tokyo-Marunouchi Law Offices	1,620
Independent auditor	Ernst & Young ShinNihon LLC	—	(Note 2) 13,600

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

Note 2 Fees for a comfort letter issued by the independent auditor with respect to the public offering of new investment units in March 2011 are included.

#### (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 December 31, 2010		As of June 30, 2011	
				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	2,389	2.3	5,688	5.0
			Osaka and Nagoya metropolitan areas	—	—	1,084	1.0
			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	41,564	39.9	41,326	36.5
			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	33,538	32.2	40,827	36.1
			Osaka and Nagoya metropolitan areas	1,260	1.2	1,249	1.1
			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	17,952	17.3	17,828	15.7
			Other area	—	—	—	—
		Other	Tokyo metropolitan area	—	—	—	—
			Osaka and Nagoya metropolitan areas	—	—	—	—
			Other area	—	—	—	—
Sub-total				96,704	92.9	108,003	95.4
Bank deposits and other assets				7,356	7.1	5,258	4.6
Total assets				104,060	100.0	113,262	100.0

Note 1 “Location category” is classified as bellow.

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

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

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

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



## 2. Major property

The principal properties (top ten properties in net book value) as of June 30, 2011 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
IIF Haneda Airport Maintenance Center	41,326	81,995.81	81,995.81	100.0	43.2	Infrastructure facility
IIF Kobe District Heating and Cooling Center	17,828	11,189.36	10,909.23	97.5	11.5	Infrastructure facility
IIF Shinonome Logistics Center (Note 4)	13,492	27,493.29	27,493.29	100.0	12.1	Logistics facility
IIF Noda Logistics Center	6,130	38,828.10	38,828.10	100.0	7.3	Logistics facility
IIF Shinsuna Logistics Center	5,339	5,741.75	5,741.75	100.0	5.1	Logistics facility
IIF Totsuka Technology Center (land with leasehold interest)	4,553	31,442.47	31,442.47	100.0	4.4	Manufacturing and R&D facility, etc.
IIF Narashino Logistics Center II (land with leasehold interest)	3,435	58,070.00	58,070.00	100.0	1.2	Logistics facility
IIF Atsugi Logistics Center II (Note 5)	3,270	20,661.13	20,661.13	100.0	—	Logistics facility
IIF Yokohama Tsuzuki Logistics Center (Note 5)	2,446	9,464.03	9,464.03	100.0	—	Logistics facility
IIF Koshigaya Logistics Center	1,987	10,113.50	10,113.50	100.0	2.3	Logistics facility
Total	99,810	294,999.44	294,719.31	99.9	90.9	

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 June 30, 2011 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
IIF Shinonome Logistics Center (Note 4)	13-32, Shinonome 2-chome, Koto-ku, Tokyo	Trust beneficial interest	27,493.29	14,000	13,492
IIF Noda Logistics Center	340-13, Aza Tamedai, Nishi-sangao, Noda-shi, Chiba	Trust beneficial interest	38,828.10	6,490	6,130
IIF Shinsuna Logistics Center	5-15, Shinsuna 3-chome, Koto-ku, Tokyo	Trust beneficial interest	5,741.75	5,710	5,339
IIF Atsugi Logistics Center	19, Aza Ikoda, Hase 6-chome, Atsugi-shi, Kanagawa	Trust beneficial interest	10,959.68	2,140	1,890
IIF Koshigaya Logistics Center	1-1, Ryutsudanchi 4-chome, Koshigaya-shi, Saitama	Trust beneficial interest	10,113.50	2,200	1,987
IIF Nishinomiya Logistics Center	2, Nishinomiyahama 1-chome, Nishinomiya-shi, Hyogo	Trust beneficial interest	10,608.00	1,430	1,249
IIF Narashino Logistics Center (land with leasehold interest)	34-9, Akanehama 3-chome, Narashino-shi, Chiba	Real property	19,834.71	1,970	1,223
IIF Narashino Logistics Center II (land with leasehold interest)	34-1, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficial interest	58,070.00	3,770	3,435
IIF Atsugi Logistics Center II	602-9, Aza Kitaya, Funako, Atsugi-shi, Kanagawa	Real property	20,661.13	3,190	3,270
IIF Yokohama Tsuzuki Logistics Center	747-1, Aza Minamikochi, Kawamukou-cho, Tsuzuki-ku Yokohama-shi, Kanagawa	Trust beneficial interest	9,464.03	2,580	2,446
IIF Saitama Logistics Center	398-3, Yoshino-cho 1-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	8,995.00	1,700	1,552
IIF Nagoya Logistics Center	27, Yanagida-cho 2-chome, Nakagawa-ku, Nagoya-shi, Aichi	Real property	8,721.01	1,110	1,084
IIF Totsuka Technology Center (land with leasehold interest)	334-1, Uchikune, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	31,442.47	4,760	4,553
IIF Yokohama Tsuzuki Technology Center	25-2, Kitayamada 4-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa	Real property	4,655.48	1,240	1,193
IIF Kobe District Heating and Cooling Center	8-2, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe-shi, Hyogo	Trust beneficial interest	11,189.36	15,800	17,828
IIF Haneda Airport Maintenance Center	5-1 and 2, Haneda Airport 3-chome, Ota-ku, Tokyo	Real property	81,995.81	38,000	41,326
Total			358,773.32	106,090	108,003

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 December 31, 2010 and June 30, 2011 were as follows:

Name of property	For the six months ended							
	December 31, 2010				June 30, 2011			
	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	397	13.4	1	100.0	397	12.1
IIF Noda Logistics Center	2	100.0	243	8.2	2	100.0	239	7.3
IIF Shinsuna Logistics Center	1	100.0	168	5.7	1	100.0	168	5.1
IIF Atsugi Logistics Center	1	100.0	74	2.5	1	100.0	74	2.3
IIF Koshigaya Logistics Center	1	100.0	114	3.9	1	100.0	75	2.3
IIF Nishinomiya Logistics Center	1	100.0	59	2.0	1	100.0	59	1.8
IIF Narashino Logistics Center (land with leasehold interest) (Note 3)	1	100.0	—	—	1	100.0	—	—
IIF Narashino Logistics Center II (land with leasehold interest)	—	—	—	—	1	100.0	40	1.2
IIF Atsugi Logistics Center II (Note 3)	—	—	—	—	1	100.0	—	—
IIF Yokohama Tsuzuki Logistics Center (Note 3)	—	—	—	—	1	100.0	—	—
IIF Saitama Logistics Center	—	—	—	—	1	100.0	36	1.1
IIF Nagoya Logistics Center	—	—	—	—	1	100.0	28	0.9
IIF Totsuka Technology Center (land with leasehold interest)	1	100.0	138	4.7	1	100.0	146	4.4
IIF Yokohama Tsuzuki Technology Center	1	100.0	3	0.1	1	100.0	56	1.7
IIF Kobe District Heating and Cooling Center	1	97.5	378	12.8	1	97.5	378	11.5
IIF Haneda Airport Maintenance Center	1	100.0	1,342	45.3	1	100.0	1,424	43.2
Total (Note 4)	12	99.9	2,962	100.0	17	99.9	3,295	100.0

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

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

Note 3 “Ratio of rental revenue to total rental revenues” is undisclosed because the consent from the tenant has not been acquired.

Note 4 The total column of “Occupancy ratio” shows percentage of total leased area against total leasable area at the end of accounting period. Figures are rounded to the nearest first decimal place.

#### 4. Details of specified transaction

The details of specified transaction as of June 30, 2011 were as follows:

Classification	Transaction	Notional contract amount (Millions of yen)		Fair value (Note 1) (Millions of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	8,500	8,500	(160)
Total		8,500	8,500	(160)

Note 1 The fair value is estimated by a counter party of the interest rate swap contracts using market interest rates and other assumptions.

Note 2 The interest rate swaps are not measured at fair value in the balance sheets because all interest rate swaps qualify for hedging accounting and meet specific criteria in accordance with the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008.

#### 5. 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 June 30, 2011.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2011 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 June 30, 2011	Total of advanced payment
IIF Shinonome Logistics Center	Koto-ku, Tokyo	Repair of shore protect	July 2011	43	—	—
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Painting of outer wall	September 2011	29	—	—
IIF Nishinomiya Logistics Center	Nishinomiya-shi, Hyogo	Repair of outer wall	October 2011	9	—	—
IIF Shinsuna Logistics Center	Koto-ku, Tokyo	Coating of outer iron part	October 2011	5	—	—

### 2. Capital expenditures for the six months ended June 30, 2011

Maintenance expenditures on property for the six months ended June 30, 2011 were totaling to ¥34 million consisting of ¥29 million of capital expenditures stated as below and ¥4 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 Shinsuna Logistics Center	Koto-ku, Tokyo	Repair of north side drain	April 2011 to June 2011	8
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Installment of sewage disposal pump pool	January 2011 to February 2011	7
IIF Koshigaya Logistics Center	Koshigaya-shi, Saitama	Installment of solar power generation equipment	June 2011	5
Other	—	—	—	8
Total				29

### 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)				
	4 <sup>th</sup> June 30, 2009	5 <sup>th</sup> December 31, 2009	6 <sup>th</sup> June 30, 2010	7 <sup>th</sup> December 31, 2010	8 <sup>th</sup> June 30, 2011
As of /for the six months ended					
Reserved funds at beginning of period	206	144	224	249	305
Increase	88	88	80	227	265
Decrease	150	8	55	172	47
Reserved funds at end of period	144	224	249	305	523

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Item	7 <sup>th</sup>	8 <sup>th</sup>
	For the six months ended December 31, 2010	For the six months ended June 30, 2011
(a) Asset management fee	315,612	335,201
(b) Asset custody fee	5,227	5,499
(c) Administrative service fees	21,394	21,740
(d) Directors' compensation	5,820	5,820
(e) Other operating expenses	82,689	51,554
Total	430,744	419,815

### 2. Loans payable

Loans payable as of June 30, 2011 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			December 31, 2010 (Millions of yen)	June 30, 2011 (Millions of yen)					
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	4,517	—	0.8	February 28, 2011	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,165	—					
	The Sumitomo Trust and Banking Co., Ltd.		3,318	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 30, 2011	—	413	0.8	September 30, 2011	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	382					
	The Sumitomo Trust and Banking Co., Ltd.		—	305					
	Sub-total		12,000	1,100					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 20, 2009	4,050	4,050	1.6	October 19, 2012	Lump sum (Note 2)	Note 3	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 2)	Note 3	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2010	3,765	3,765	1.1	February 28, 2013	Lump sum (Note 2)	Note 3	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	2,500	0.9	September 30, 2013	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.		2,000	2,000					
	Resona Bank, Limited.		2,000	2,000					
	The Yamaguchi Bank, Ltd.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 19, 2010	3,900	3,900	0.9	October 18, 2013	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,600	3,600					
	Sumitomo Mitsui Banking Corporation	December 30, 2010	2,000	2,000	1.0	December 30, 2014	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	Development Bank of Japan Inc.	February 28, 2011	—	5,000	1.7	February 27, 2018	Lump sum (Note 2)	Note 3	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 11, 2011	—	3,200	1.0 (Note 5)	March 9, 2018	Lump sum (Note 2)	Notes 3 and 4	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	2,950					
	The Sumitomo Trust and Banking Co., Ltd.		—	2,350					
	Sub-total		39,500	53,000					
Total			51,500	54,100					

Note 1 The average 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 loans payable on interest payment date.
- Note 3 The funds were mainly appropriated to repayment of outstanding loans payable.
- Note 4 The funds were mainly appropriated to purchasing real property, etc.
- Note 5 These long-term loans payable were hedged by interest rate swap contracts entered into on March 9, 2011. The effective interest rates on or after July 1, 2011 are 1.765%.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (Note 1)	Maturity date	Repayment method (Note 2)	Use	Remarks
		December 31, 2010 (Millions of yen)	June 30, 2011 (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 Nagoya Logistics Center	March 14, 2011	1,050	—	—	—	—
IIF Yokohama Tsuzuki Logistics Center	March 18, 2011	2,350	—	—	—	—
IIF Atsugi Logistics Center II	March 22, 2011	3,100	—	—	—	—
IIF Saitama Logistics Center	March 24, 2011	1,490	—	—	—	—
IIF Narashino Logistics Center II (land with leasehold interest)	April 28, 2011	3,350	—	—	—	—
Total	—	11,340	—	—	—	—

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 Nagoya Logistics Center	March 14, 2011	1,050	1,110
Acquisition	IIF Yokohama Tsuzuki Logistics Center	March 18, 2011	2,350	2,580
Acquisition	IIF Atsugi Logistics Center II	March 22, 2011	3,100	3,180
Acquisition	IIF Saitama Logistics Center	March 24, 2011	1,490	1,700
Acquisition	IIF Narashino Logistics Center II (land with leasehold interest)	April 28, 2011	3,350	3,760

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.

#### (2) Other transaction

For the six months ended June 30, 2011, the interest rate swap contract was subject to the research in accordance with Article 201 of the Act on Investment Trusts and Investment Corporation of Japan. Terms and conditions of the interest rate swap contract, such as name of counter party, contracted amount and term, etc., were researched and reported by Ernst & Young ShinNihon LLC.



## 4. Transactions with interested parties or major shareholders

### (1) Outline of specified assets transactions

Classification	Acquisition cost / Disposal amount	
	Acquisition cost (Note 2)	Disposal amount (Note 2)
Total amount	¥11,340,000 thousand	—
	Acquisition cost from interested parties and major shareholders	Disposal amount to interested parties and major shareholders
	¥3,350,000 thousand (29.5%)	—
<b>Breakdown for transactions with interested parties and major shareholders</b>		
<i>Godo Kaisha Industrial Akanehama</i>	¥3,350,000 thousand (29.5%)	—
<i>Total</i>	¥3,350,000 thousand (29.5%)	—

Note 1 “Interested parties” means the interested parties related with the asset management company of the Investment Corporation as prescribed under Article 123 of the Enforcement Ordinances of the Act on Investment Trusts and Investment Corporations of Japan and Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan. “Major shareholders” means the major shareholders of the asset management company as defined in Article 29-4, Paragraph 2 of the Financial Instrument and Exchange Act.

Note 2 The acquisition cost indicates contracted amount of property in purchase agreement.

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

### (2) Amounts of fees paid and other expenses

Classification	Total amounts (A) (Thousands of yen)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B) (Thousands of yen)	
Diagnostics expenses	12,666	Mitsubishi Corporation	2,175	17.2

In addition, the Investment Corporation paid Mitsubishi Coporation ¥115,678 thousand of interest expenses on investment corporation bonds and ¥435 thousand of research fees which were capitalized as an acquisition cost of IIF Saitama Logistics Center for the six months ended June 30, 2011.

## 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 <sup>st</sup> fiscal period (March 26, 2007 to December 31, 2007)	600	276,600	0.8%
The 2 <sup>nd</sup> fiscal period (January 1, 2008 to June 30, 2008)	600	199,200	0.8%
The 3 <sup>rd</sup> fiscal period (July 1, 2008 to December 31, 2008)	600	168,540	0.8%
The 4 <sup>th</sup> fiscal period (January 1, 2009 to June 30, 2009)	600	159,000	0.8%
The 5 <sup>th</sup> fiscal period (July 1, 2009 to December 31, 2009)	600	147,240	0.8%
The 6 <sup>th</sup> fiscal period (January 1, 2010 to June 30, 2010)	600	191,400	0.8%
The 7 <sup>th</sup> fiscal period (July 1, 2010 to December 31, 2010)	600	236,100	0.8%
The 8 <sup>th</sup> fiscal period (January 1, 2011 to June 30, 2011)	600	239,400	0.6%

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	
	December 31, 2010	June 30, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits .....	5,435,254	2,647,904
Cash and bank deposits in trust .....	1,231,979	1,371,266
Rental receivables.....	2,976	3,314
Prepaid expenses .....	259,459	606,757
Deferred tax assets.....	19	19
Consumption taxes refundable .....	105,047	108,416
Other.....	399	45
<b>Total current assets.....</b>	<b>7,035,136</b>	<b>4,737,725</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings, at cost.....	23,626,761	25,201,524
Less: Accumulated depreciation .....	(1,525,764)	(1,778,202)
Buildings, net.....	22,100,997	23,423,321
Structures, at cost.....	—	1,650
Less: Accumulated depreciation .....	—	(2)
Structures, net.....	—	1,647
Land.....	2,018,489	4,839,720
Buildings in trust, at cost .....	21,118,499	22,840,014
Less: Accumulated depreciation .....	(1,843,650)	(2,146,060)
Buildings in trust, net.....	19,274,849	20,693,954
Structures in trust, at cost.....	321,843	331,598
Less: Accumulated depreciation .....	(129,658)	(149,669)
Structures in trust, net.....	192,185	181,929
Tools, furniture and fixtures in trust, at cost.....	1,863	3,306
Less: Accumulated depreciation .....	(112)	(495)
Tools, furniture and fixtures in trust, net.....	1,750	2,810
Land in trust.....	33,282,269	39,026,479
<b>Total net property, plant and equipment .....</b>	<b>76,870,541</b>	<b>88,169,862</b>
<b>Intangible assets:</b>		
Leasehold right (Note 2).....	19,833,966	19,833,966
<b>Total intangible assets.....</b>	<b>19,833,966</b>	<b>19,833,966</b>
<b>Investments and other assets:</b>		
Lease and guarantee deposits .....	10,000	10,000
Long-term prepaid expenses .....	293,967	448,763
<b>Total investments and other assets.....</b>	<b>303,967</b>	<b>458,763</b>
<b>Total noncurrent assets .....</b>	<b>97,008,475</b>	<b>108,462,592</b>
<b>Deferred assets:</b>		
Investment unit issuance costs.....	—	47,328
Investment corporation bond issuance costs.....	17,348	14,609
<b>Total deferred assets.....</b>	<b>17,348</b>	<b>61,937</b>
<b>TOTAL ASSETS.....</b>	<b>104,060,960</b>	<b>113,262,254</b>

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

(Thousands of yen)

	As of	
	December 31, 2010	June 30, 2011
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Operating accounts payable .....	170,563	43,554
Short-term loans payable .....	12,000,000	1,100,000
Accounts payable – other .....	220,171	271,162
Accrued expenses .....	81,375	82,182
Income taxes payable .....	665	803
Advances received .....	485,671	898,440
Other .....	50,296	7,798
<b>Total current liabilities .....</b>	<b>13,008,743</b>	<b>2,403,942</b>
<b>Noncurrent liabilities:</b>		
Investment corporation bond – unsecured .....	8,000,000	8,000,000
Long-term loans payable .....	39,500,000	53,000,000
Tenant leasehold and security deposits .....	1,107,609	1,297,470
Tenant leasehold and security deposits in trust .....	5,010,435	5,199,100
Other .....	106,374	98,225
<b>Total noncurrent liabilities .....</b>	<b>53,724,420</b>	<b>67,594,796</b>
<b>TOTAL LIABILITIES .....</b>	<b>66,733,163</b>	<b>69,998,739</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	36,529,370	42,241,132
Surplus:		
Retained earnings .....	798,426	1,022,383
Total surplus .....	798,426	1,022,383
<b>Total unitholders' equity .....</b>	<b>37,327,796</b>	<b>43,263,515</b>
<b>TOTAL NET ASSETS (Note 3) .....</b>	<b>37,327,796</b>	<b>43,263,515</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>104,060,960</b>	<b>113,262,254</b>

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

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	December 31, 2010	June 30, 2011
<b>Operating revenue</b>		
Rental revenue—real estate (Note 4).....	2,962,317	3,295,735
Total operating revenue .....	2,962,317	3,295,735
<b>Operating expenses</b>		
Expenses related to rent business (Note 4) .....	1,166,896	1,253,190
Asset management fee .....	315,612	335,201
Directors' compensations.....	5,820	5,820
Asset custody fee .....	5,227	5,499
Administrative service fees .....	21,394	21,740
Other.....	82,689	51,554
Total operating expenses .....	1,597,640	1,673,005
<b>Operating income</b> .....	1,364,677	1,622,730
<b>Non-operating income</b>		
Interest income .....	1,656	964
Interest on refund.....	—	2,099
Other.....	—	445
Total non-operating income .....	1,656	3,509
<b>Non-operating expenses</b>		
Interest expenses.....	282,891	313,528
Interest expenses on investment corporation bonds (Note 5).....	120,326	115,678
Amortization of investment corporation bond issuance costs.....	2,739	2,739
Borrowing related expenses.....	140,302	144,446
Amortization of investment unit issuance costs.....	17,138	5,916
Other.....	3,525	5,359
Total non-operating expenses .....	566,923	587,669
<b>Ordinary income</b> .....	799,410	1,038,570
<b>Extraordinary loss</b>		
Loss on disaster (Note 5).....	—	15,205
Total extraordinary loss .....	—	15,205
<b>Income before income taxes</b> .....	799,410	1,023,364
<b>Income taxes</b>		
Current.....	996	996
Deferred.....	0	—
Total income taxes .....	997	996
<b>Net income</b> .....	798,412	1,022,368
<b>Retained earnings brought forward</b> .....	13	15
<b>Unappropriated retained earnings</b> .....	798,426	1,022,383

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

## IV. Statements of changes in net assets

(Thousands of yen)

### For the six months ended December 31, 2010

	Unitholders' equity				
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
<b>Balance as of June 30, 2010</b>	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)
<b>Balance as of December 31, 2010</b>	36,529,370	798,426	798,426	37,327,796	37,327,796

(Thousands of yen)

### For the six months ended June 30, 2011

	Unitholders' equity				
	Unitholders' capital (Note 3)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
<b>Balance as of December 31, 2010</b>	36,529,370	798,426	798,426	37,327,796	37,327,796
<u>Changes during the period</u>					
Issuance of new investment units	5,711,762	—	—	5,711,762	5,711,762
Dividends from surplus	—	(798,411)	(798,411)	(798,411)	(798,411)
Net income	—	1,022,368	1,022,368	1,022,368	1,022,368
<u>Total changes during the period</u>	5,711,762	223,956	223,956	5,935,719	5,935,719
<b>Balance as of June 30, 2011</b>	42,241,132	1,022,383	1,022,383	43,263,515	43,263,515

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

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

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

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

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

	<b>For the six months ended</b>	
	<b>December 31, 2010</b>	<b>June 30, 2011</b>
Buildings	13-63 years	13-63 years
Structures	7-20 years	7-20 years
Tools, furniture and fixtures	6-10 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 ¥514 thousand and ¥73,520 thousand for the six months ended December 31, 2010 and June 30, 2011, respectively.

#### ***(f) 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 prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable by interest rate swaps as hedging instruments. The interest rate swaps which qualify for hedge accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis.

***(g) 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.

***(h) Consumption taxes***

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

**Note 2 – Leasehold 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**

	<b>As of</b>	
	<b>December 31, 2010</b>	<b>June 30, 2011</b>
Authorized	4,000,000 units	4,000,000 units
Issued and outstanding	79,035 units	93,632 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 December 31, 2010 and June 30, 2011 consist of the following:

	(Thousands of yen)	
	<b>For the six months ended</b>	
	<b>December 31, 2010</b>	<b>June 30, 2011</b>
<b>Rental revenue—real estate:</b>		
Rental and parking revenue	2,902,544	3,277,884
Common area charges	12,791	10,890
Other	46,982	6,960
Total rental revenue—real estate	2,962,317	3,295,735
<b>Expenses related to rent business:</b>		
Property management fees	7,836	10,993
Facility management fees	7,085	15,904
Utilities	15,763	12,364
Property-related taxes	211,807	225,825
Insurance	8,117	8,617
Repair and maintenance	77,419	4,894
Depreciation	567,045	575,245
Trust fees	10,527	7,478
Leasehold rents	261,026	391,539
Other	267	327
Total expenses related to rent business	1,166,896	1,253,190
<b>Operating income from property leasing activities</b>	<b>1,795,421</b>	<b>2,042,545</b>

**Note 5 – Transaction with major unitholder**

The Investment Corporation paid interest expenses on investment corporation bonds to a major unitholder totaling of ¥120,326 thousand and ¥115,678 thousand for the six months ended December 31, 2010 and June 30, 2011, respectively. In addition, the Investment Corporation made payment for loss on disaster to the major unitholder amounting to ¥2,175 thousand for the six months ended June 30, 2011.

## Note 6 – Income taxes

Deferred tax assets consist of the following:

	As of	
	December 31, 2010	June 30, 2011
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	
	December 31, 2010	June 30, 2011
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.28)	(39.29)
Other	0.07	0.06
Effective tax rate	0.12%	0.10%

## 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 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 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. In addition, a certain portion of loans payable with floating interest rates is hedged by derivative instruments (interest rate swaps) as hedging instruments for the six months ended June 30, 2011. The assessment of hedge effectiveness is omitted when the interest rate swaps meet specific criteria indicating a high correlation between the hedged items and hedging instruments. 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 using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated fair value may differ.

(b) *Quantitative information for financial instruments*

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of December 31, 2010 and June 30, 2011.

(Thousands of yen)

	As of					
	December 31, 2010			June 30, 2011		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	5,435,254	5,435,254	-	2,647,904	2,647,904	-
(2) Cash and bank deposits in trust	1,231,979	1,231,979	-	1,371,266	1,371,266	-
Total assets	6,667,234	6,667,234	-	4,019,171	4,019,171	-
(1) Short-term loans payable	12,000,000	12,000,000	-	1,100,000	1,100,000	-
(2) Investment corporation bond—unsecured	8,000,000	8,000,000	-	8,000,000	8,000,000	-
(3) Long-term loans payable	39,500,000	39,540,817	40,817	53,000,000	53,273,120	273,120
(4) Tenant leasehold and security deposits in trust	1,103,533	874,486	(229,046)	1,064,966	903,656	(161,310)
Total liabilities	60,603,533	60,415,304	(188,229)	63,164,966	63,276,776	111,810
Derivative instruments	-	-	-	-	-	-

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) *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.

(3) *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. 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.

(4) *Tenant leasehold and security deposits in trust*

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

Derivative instruments

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

**As of June 30, 2011**

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	8,500,000	8,500,000	Note (a)	-

Note:

- (a) The interest rate swaps which qualify for hedging accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis. The fair value of the hedging interest rate swaps is included in the fair value of hedged long-term loans payable. Please refer to above footnote ("Liabilities, (3) Long-term loans payable").

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

	As of	
	December 31, 2010	June 30, 2011
Tenant leasehold and security deposits	1,107,609	1,297,470
Tenant leasehold and security deposits in trust	3,906,902	4,134,134
Total	5,014,512	5,431,604

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

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	-	-	-	-	-

  

As of June 30, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	2,647,904	-	-	-	-	-
Cash and bank deposits in trust	1,371,266	-	-	-	-	-
Total	4,019,171	-	-	-	-	-

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

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	-	-

  

As of June 30, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	1,100,000	-	-	-	-	-
Investment corporation bond – unsecured	-	-	8,000,000	-	-	-
Long-term loans payable	-	20,500,000	15,000,000	4,000,000	-	13,500,000
Total	1,100,000	20,500,000	23,000,000	4,000,000	-	13,500,000

## Note 8 – Fair value of investment and rental property

The Investment Corporation has mainly industrial and infrastructure facilities as investment and rental properties which are located mainly in three major metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2010 and June 30, 2011.

	As of / For the six months ended	
	December 31, 2010	June 30, 2011
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	96,001,935	96,704,507
Net increaseduring the period <sup>(ii)</sup>	702,572	11,299,321
Balance at the end of the period	96,704,507	108,003,829
<b>Fair value<sup>(iii)</sup></b>	93,970,000	106,090,000

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)
<b>For the six months ended December 31, 2010:</b>	Acquisitions:	IIF Yokohama Tsuzuki Technology Center	1,166,015
	Capital expenditures:	IIF Koshigaya Logistics Center	71,257
<b>For the six months ended June 30, 2011:</b>	Acquisitions:	IIF Nagoya Logistics Center	1,084,313
		IIF Yokohama Tsuzuki Logistics Center	2,454,584
		IIF Atsugi Logistics Center II	3,279,364
		IIF Saitama Logistics Center	1,558,843
		IIF Narashino Logistics Center II (land with leasehold interest)	3,435,557

- (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 December 31, 2010 and June 30, 2011, please refer to “Note 4 - Rent revenue—real estate and expenses related to rent business.”

## Note 9 – 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 10 – Related-party transactions

### 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 <sup>(i)</sup>	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 <sup>(ii)</sup>	2,500,000	Long-term loans payable	8,039,000
				Repayment of long-term loans payable	3,525,000		
				Interest expenses <sup>(iii)</sup>	67,960	Accrued expenses	346

### For the six months ended June 30, 2011:

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 10.25% Indirectly 0.64%	—	—	Investment corporation bond—unsecured	8,000,000
				Interest expenses on investment corporation bond <sup>(i)</sup>	115,678	Accrued expenses	77,165
Interested party	Godo Kaisha Industrial Akanehama	Real estate rental	—	Acquisition of trust beneficiary interests in real estate trust <sup>(iii)</sup>	3,350,000	—	—
Custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	—	Drawing of short-term loans payable <sup>(ii)</sup>	2,550,000	Short-term loans payable	305,000
				Repayment of short-term loans payable	5,563,000		
				Drawing of long-term loans payable <sup>(ii)</sup>	2,350,000	Long-term loans payable	10,389,000
				Interest expenses <sup>(iii)</sup>	62,530	Accrued expenses	6

#### 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.
- (iii) The acquisition amount was decided through negotiation with the seller based on an appraisal value by a real estate appraiser.

## Note 11 – Per unit information

The net asset value per unit as of December 31, 2010 and June 30, 2011 was ¥472,294 and ¥462,059, respectively. Net income per unit for the six months ended December 31, 2010 and June 30, 2011 was ¥10,102 and ¥11,581, 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	
	December 31, 2010	June 30, 2011
Net income	798,412	1,022,368
Effect of dilutive unit	-	-
Net income available to common unitholders	798,412	1,022,368
Weighted-average number of units outstanding for the period	79,035 units	88,274 units

## Note 12 – Subsequent events

### 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.

### For the six months ended June 30, 2011:

#### *Early Redemption of Investment Corporation Bond*

The Board of Directors of the Investment Corporation, at its meeting held on August 10, 2011, resolved to redeem all investment corporation bond in advance of the due date from Mitsubishi Corporation at a price of ¥8,000,000 thousand (par value) by raising funds through new loans payable, and the Investment Corporation has completed this early redemption of

investment corporation bond on August 31, 2011.

As a result of the early redemption of investment corporation bond, the Investment Corporation estimates that interest expenses for the six months ending December 31, 2011 will decrease by approximately ¥8 million after offsetting incremental interest expenses on the new loans payable.



## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	December 31, 2010	June 30, 2011
Unappropriated retained earnings	798,426,613	1,022,383,415
Cash distribution declared	798,411,570	1,022,367,808
<i>(Cash distribution declared per unit)</i>	<i>(10,102)</i>	<i>(10,919)</i>
Retained earnings carried forward	15,043	15,607

### 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 December 31, 2010 and June 30, 2011 were ¥798,411,570 and ¥1,022,367,808, 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 June 30, 2011 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	
	December 31, 2010	June 30, 2011
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes .....	799,410	1,023,364
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization.....	567,045	575,245
Amortization of investment corporation bond issuance costs.....	2,739	2,739
Amortization of investment unit issuance costs .....	17,138	5,916
Interest income.....	(1,656)	(964)
Interest expenses .....	403,218	429,207
Loss on disaster .....	—	15,205
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable.....	136,837	(337)
Increase in consumption taxes refundable.....	(100,304)	(6,609)
Increase in prepaid expenses.....	(62,719)	(347,298)
Increase in long-term prepaid expenses.....	(82,222)	(154,796)
Decrease in operating accounts payable.....	(61,366)	(58,779)
Increase in accounts payable – other .....	13,555	2,280
Increase in accrued expenses .....	60	4,891
Decrease in accrued consumption taxes .....	(284,730)	—
Increase in advances received.....	28,817	412,769
Decrease in other noncurrent liabilities .....	(8,150)	(8,149)
Other, net .....	41,595	(41,573)
Subtotal .....	1,409,266	1,853,110
Interest income received.....	1,656	964
Interest expenses paid .....	(403,320)	(433,292)
Payments for loss on disaster .....	—	(2,215)
Income taxes paid .....	(1,152)	(858)
Net cash provided by operating activities.....	1,006,449	1,417,709
<b>Net cash provided by (used in) investing activities:</b>		
Purchases of property, plant and equipment .....	(1,160,693)	(4,409,978)
Purchases of property, plant and equipment in trust.....	—	(7,523,916)
Proceeds from tenant leasehold and security deposits.....	92,000	189,860
Proceeds from tenant leasehold and security deposits in trust .....	—	265,925
Payments of tenant leasehold and security deposits in trust.....	(22,944)	(77,260)
Net cash used in investing activities.....	(1,091,638)	(11,555,369)
<b>Net cash provided by (used in) financing activities:</b>		
Increase in short-term loans payable.....	—	9,200,000
Decrease in short-term loans payable .....	(2,000,000)	(20,100,000)
Proceeds from long-term loans payable.....	17,000,000	13,500,000
Repayments of long-term loans payable.....	(15,000,000)	—
Proceeds from issuance of investment units .....	—	5,688,577
Dividends paid.....	(1,282,259)	(798,981)
Net cash provided by (used in) financing activities .....	(1,282,259)	7,489,596
<b>Net change in cash and cash equivalents .....</b>	<b>(1,367,448)</b>	<b>(2,648,062)</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>8,034,682</b>	<b>6,667,234</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>6,667,234</b>	<b>4,019,171</b>

Note:

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

(Thousands of yen)

	As of	
	December 31, 2010	June 30, 2011
Cash and bank deposits .....	5,435,254	2,647,904
Cash and bank deposits in trust .....	1,231,979	1,371,266
Cash and cash equivalents .....	6,667,234	4,019,171

## 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 8<sup>th</sup> Period Analyst Meeting Materials (January 1, 2011 to June 30, 2011)”

- Portfolio Management: Page 39
- Portfolio Overview: Page 40 to 42

### **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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