

Financial Statements
of
INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

As of July 31, 2021,

Industrial & Infrastructure Fund Investment Corporation (IIF) invests in social infrastructure as a source of power for the Japanese economy and supports Japan's industrial activities from the perspective of real estate.

Industrial & Infrastructure Fund Investment Corporation (IIF) was listed on the REIT securities market of the Tokyo Stock Exchange (securities code: 3249) in October 2007 as the only J-REIT specializing in industrial properties.

IIF aims to **continuously expand unitholder value** by securing **a stable profit** and achieving steady growth of the properties under management. It aims to achieve this by investing in logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term (hereinafter collectively referred to as “industrial properties”).

Mitsubishi Corp. – UBS Realty Inc.

IIF has signed an asset management agreement with Mitsubishi Corp. – UBS Realty Inc. (hereinafter referred to as the “Asset Manager”) and consigned the asset management business based on its articles of incorporation and investment policy.

The Asset Manager is sponsored by Mitsubishi Corporation, one of the largest general trading companies in Japan, and UBS Asset Management A.G., the world's leading financial group. It manages IIF's portfolio with the aim of securing a stable profit and achieving steady growth of the properties under management in the medium and long term.

Distribution Per Unit

- The 28th Fiscal Period (Result: February 1, 2021 – July 31, 2021) 3,266 yen
- The 29th Fiscal Period (Forecast: August 1, 2021 – January 31, 2022) 3,046 yen
- The 30th Fiscal Period (Forecast: February 1, 2022 – July 31, 2022) 3,070 yen

Highlight of the 28th Period

	The 25th Period	The 26th Period	The 27th Period	The 28th Period (Actual)	The 29th Period (Forecast)	The 30th Period (Forecast)
Operating Revenue (million yen)	11,049	10,984	13,892	15,349	16,481	16,188
Net Income (million yen)	5,571	5,317	6,617	6,663	5,761	5,997
Total Asset (million yen)	327,950	342,223	406,290	407,428	-	-
Distribution per Unit (yen)*	3,085	2,832	3,201	3,266	3,046	3,070
Net Asset Value per Unit (yen)	82,743	82,503	91,812	91,842	-	-

* The figures include distribution in excess of profit.

Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support. I also would like to express my deepest sympathy to those who have suffered from the novel coronavirus disease, as well as to their families and related persons.



This report provides an update on IIF's performance for the fiscal period ended July 31, 2021 (the 28th period). In the fiscal period, IIF disposed three properties, IIF Hiroshima Manufacturing Center (land with leasehold interest) in March 2021, IIF Tsukuba Manufacturing Center (land with leasehold interest) and IIF Zama IT Solution Center in April 2021. The number of properties under management at the end of the fiscal period was 74, and the AUM was 360.9 billion yen (on an acquisition price basis).

With regards to IIF Atsugi Logistics Center III, we announced the redevelopment project in July 2021 and have promoted to build a cold storage facility for improving its competitiveness. In addition, IIF Akishima Logistics Center received S-rank ratings for CASBEE Real Estate Certification and IIF has established the new CO₂ emissions reduction targets toward carbon neutrality by 2050 with initiatives for climate change countermeasures toward realization of a decarbonized society accelerating in countries around the world.

As a result of these activities, the distribution per unit (including distribution in excess of profit) for the period was 3,266 yen. Currently, the Japanese economy should be closely monitored due to the impact of novel coronavirus pandemic, However, IIF will continue to strive for stable management and work to maximize unitholder value through continuous external and internal growth. I would like to look forward to your continuous support.

Kumi Honda
Executive Director
Industrial & Infrastructure Fund Investment Corporation

IIF Focus

Continuous improvement unitholder value through the promotion of asset replacement and redevelopment project, and first issuance of social bonds for IIF

Topics

- **Additional acquisition of remaining 40% co-ownership interest in IIF Shonan Health Innovation Park in August 2021. Furthermore, strengthen portfolio quality through disposition of four properties with potential risk of declining future profitability**
- **Announcement of a cold storage facility redevelopment project for Oisix ra daichi backed by expanding demand for at-home consumption~IIF Atsugi Logistics Center III~**
- **First issuance of social bonds for IIF as part of initiatives to resolve social issues**
- **ESG initiatives~ Establishment of new CO₂ emissions reduction targets toward carbon neutrality by 2050~**

Summary of the 28th Period (Fiscal Period Ended July 31, 2021)

In the period, due to the increase in rent revenues of the new properties which had been acquired in the tenth PO(full contribution) and the gain on sale from the disposition of the property, operating revenue was 15,349 million yen (an increase of 1,457 million yen from the previous period), and net income was 6,663 million yen (an increase of 45 million yen from the previous period).

As a result, the distribution per unit increased by 65 yen from the previous period to 3,266 yen (including distribution in excess of profit of 47 yen per unit). Net asset value (NAV) per unit*¹ increased by 630 yen from the previous fiscal period to 124,345 yen.

IIF's portfolio as of July 31, 2021 comprised 74 properties worth 360.9 billion yen (based on acquisition price) with a total leasable area of 2,389,009.46 m² and an occupancy rate of 100.0%*².

The average remaining lease term is 9.9 years, and based on these long-term lease agreements, we have secured stable management.

Prospect for the 29th Period (Fiscal Period Ending January 31, 2022), the 30th Period (Fiscal Period Ending July 31, 2022) and Future Management Policies

We forecast an operating revenue of 16,481 million yen, net income of 5,761 million yen, a distribution per unit of 3,046 yen (including distribution in excess of profit of 263 yen) for the fiscal period ending January 31, 2022 (the 29th period) and an operating revenue of 16,188 million yen, net income of 5,997 million yen, a distribution per unit of 3,070 yen (including distribution in excess of profit of 471 yen) for the fiscal period ending July 31, 2022 (the 30th period)

As Japan's only REIT specializing in industrial properties*³, IIF has cultivated manufacturing and research facilities and infrastructure facilities in recent years based upon our unique Corporate Real Estate (CRE*⁴) proposals. As a result, we have acquired the properties with low competition and high growth potential.

During the 28th and 29th fiscal periods, we disposed 4 properties with potential risk of declining future profitability, while acquiring remaining 40% co-ownership interest in IIF Shonan Health Innovation Park*⁵. In addition, we announced a redevelopment project for IIF Atsugi Logistics Center III, which is to construct a BTS-type logistics facility (cold storage facility) for Oisix ra daichi, a major food delivery company, capturing business expansion needs backed by expanding demand for at-home consumption in COVID-19 crisis. In addition, with regard to ESG, which has become increasingly important in recent years, IIF has established new targets for reducing CO₂ emissions toward carbon neutrality in 2050 and we issued first social bonds in September 2021 as part of initiatives to diversify financing methods and contribute to solving social issues.

Through these measures, we will continue to work diligently to contribute to the maximization of unitholder value in order to realize continuous growth by strengthening the quality of our portfolio and our foundation.

We would like to ask for your continued support and encouragement from our investors in the future.

*1 “NAV per unit” is based on the appraisal value (or researched value) as of the end of the most recent fiscal period.

*2 Figures are rounded off to one decimal place.

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

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

*5 The disposition of IIF Shinagawa IT Solution Center out of the 4 properties disposed and the acquisition of IIF Shonan Health Innovation Park (40% co-ownership interest) were executed on August 2, 2021 (the 29th fiscal period).

ESG initiatives

～Establishment of new CO₂ emissions reduction targets toward carbon neutrality by 2050～

IIF has established new CO₂ emissions reduction targets toward carbon neutrality by 2050. We will strive to achieve a carbon-free society by implementing environmental and energy-saving measures and improving the energy efficiency by switching to electric power derived from renewable energy and introducing energy-saving equipment.

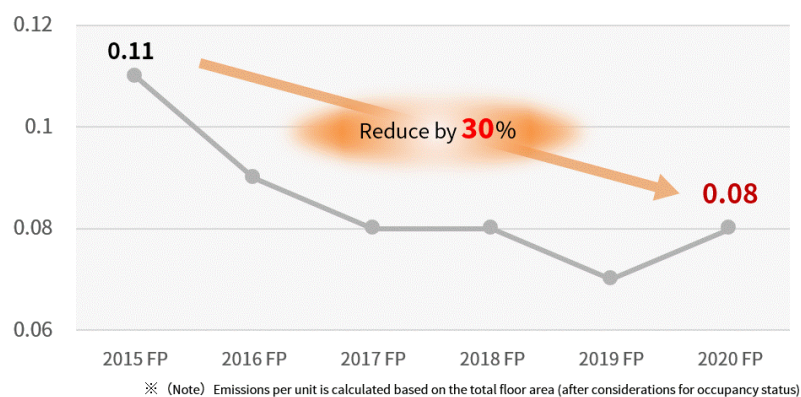
New CO₂ emissions reduction targets

- Aim to reach carbon neutrality by 2050
 - Reduce CO₂ emissions per unit by 50% by 2030 compared with 2015
- ※Previous target : Reduce CO₂ emissions per unit by 30% by 2030 compared with 2015

Main Measures for Achieving New CO₂ Emissions Reduction Targets

- Switching to electricity procured from renewable energy in IIF's directly managed properties
- Reduction of energy consumption by introducing the latest energy-saving air conditioners and LED lighting

Historical CO₂ emissions per unit



IIF's External Growth

Strengthen portfolio quality through replacing assets with potential risk of declining future profitability

From March 2021 to August 2021, IIF disposed 4 properties and acquired the remaining 40% co-ownership interest in IIF Shonan Health Innovation Park. We will strengthen the quality of our portfolio by acquiring highly profitable property while quickly disposing properties with potential risk of declining future profitability.



*1 "NOI yield" and "NOI yield after depreciation" are calculated using the net operating income in the direct capitalization method in the appraisal report as of June 30, 2021.

*2 "Appraisal value" of partial acquisition is the appraisal value equivalent to the 60% co-ownership interest based on the appraisal report as of June 1, 2020, "appraisal value" of additional acquisition is the appraisal value equivalent to the 40% co-ownership interest based on the appraisal report as of June 30, 2021 and "appraisal value" after additional acquisition is the appraisal value of entire property based on the appraisal report as of June 30, 2021.

*3 "Unrealized gain" is the difference between appraisal value and acquisition price.

*4 "Book value" is the figure as of January 31, 2021.

*5 "Appraisal value" is the appraisal value (survey value) as of January 31, 2021.

*6 Since the "difference between disposition price and book value" is shown for reference, the actual gain on sale is different from that value.

Redevelopment project of IIF Atsugi Logistics Center III

~Building a cold storage facility

for Oisix ra daichi backed by expanding demand for at-home consumption~





This property is located in prime industrial area allowing for 24-hour operation along the main highway nearby IC on Ken-O expressway. As about 40 years have passed since its building completion as of today, we have decided to implement redevelopment project. We will build a BTS-type logistics facility for the end tenant, Oisix ra daichi, which is a major food delivery company. The property will change a cold storage facility from dry logistics facility backed by expanding demand for at-home consumption.

Points of the Redevelopment Project

1	Improvement of competitiveness by building a cold storage facility
2	Improvement of NOI and appraisal value (unrealized gain) by realizing upside through utilization of surplus floor-area ratio
3	Conclusion of the long fixed-term building lease reservation contract (contract term: 15 years)

Effects of the Redevelopment Project

The redevelopment project will increase the total floor area and the floor area ratio. The appraisal value (survey value) of the property after redevelopment will be 7,030 million yen (an increase of 3,830 million yen) and the unrealized gain will be 2,597 million yen (unrealized gain ratio + 58.6%), which are expected to greatly improve compared to the figures before the redevelopment project.

	Before redevelopment	After redevelopment
		
Total floor area ^{*1}	16,470.24m ²	23,369.28m²
Floor area ratio ^{*1} (current/cap)	100.8% / 200%	132.9% / 200%
(Anticipated) Acquisition price ^{*2}	JPY 2,290 mn.	JPY 4,432 mn.
Appraisal value ^{*3}	JPY 3,200 mn.	JPY 7,030 mn. (JPY +3,830 mn.)
Unrealized gain ^{*4} (Ration)	JPY 813 mn. (+34.1%)	JPY 2,597 mn. (+58.6%)

*1 The figures for "total floor area" and "floor area ratio" after redevelopment, are shown for reference based on the current plan for the redevelopment project. The actual figures for "total floor area" and "floor area ratio" after redevelopment may change in the future due to changes of the plan for the redevelopment project.

*2 The figure for "(anticipated) acquisition price" after redevelopment is reference value by totaling anticipated acquisition price of the property after redevelopment (the total of construction costs, design fee, and CM fees) and the price of land already acquired (the acquisition price of the land described in the trust beneficiary right purchase and sale agreement for the property at the time of the acquisition in 2012). The actual acquisition price of the property after redevelopment may change in the future due to changes of the plan for the redevelopment project.

*3 The figure for "appraisal value" before redevelopment is the survey value based on the survey report as of January 31, 2021. The figure for "appraisal value" of the property after redevelopment is the survey value based on the survey report based on the plans for the Redevelopment Project as of June 1, 2021.

*4 The figure for "unrealized gain" before redevelopment is the difference between the survey value based on the survey report as of January 31, 2021 and the book value as of January 31, 2021. The figure for "Unrealized gain" of the property after redevelopment is the difference between the survey value based on the survey report on the plans for the Redevelopment Project as of June 1, 2021 and the anticipated acquisition price.

Acquisition of IIF Yokkaichi Logistics Center (Existing Building) (planned)


The property is located in industrial cluster in Yokkaichi city, Mie prefecture. IIF will acquire the existing building and implement joint development of the new building through CRE proposal in collaboration with Kajima Group capturing business expansion needs of a major logistics company.



New Building
(Development planned)



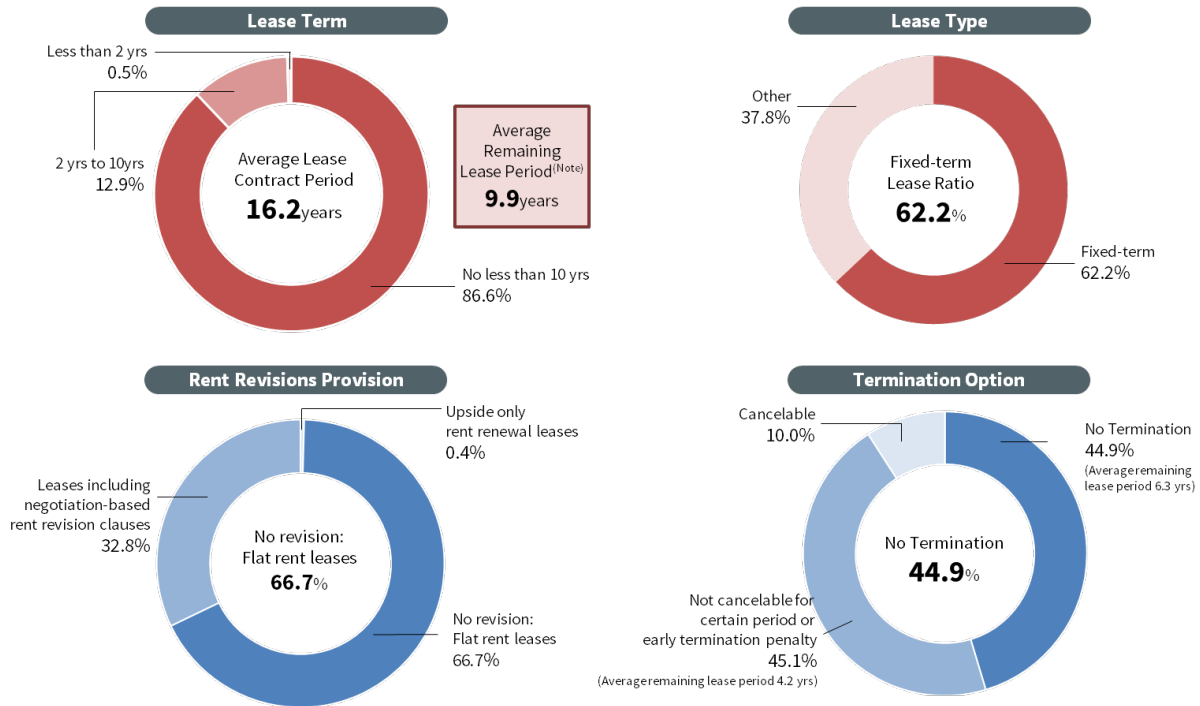
Existing Building
(Anticipated acquisition in Dec. 2021)



- 5 stories above ground (logistics area :4 stories)
- A floor weight capacity of 1.5t/m², effective ceiling height of 5.3-5.4m and pillar intervals of approx. 11m × approx. 11m
- Highly versatile logistics facility with capacity to divide into three spaces and lease them respectively

IIF's Internal Growth

Consistently maintained “Stable in Long-term Portfolio management strategy”



* This figure is based on annual rent.

Financial Initiatives of IIF

In this period, the percentages of long-term and fixed-interest rate borrowings were 100.0% and 100.0%, respectively, with an average applicable interest rate of 0.74% and an average of 5.0 years remaining until maturity. The loan to value (LTV) rate was 47.7%.

IIF will work to build up the continuative and stable financial foundation through the ALM (Asset Liability Management) strategy which is to implement long-term and fixed-interest rate borrowings.

IIF's Sustainability Management

01 First issuance of social bonds for IIF

IIF has issued the 1st IIF social bonds and the 2nd IIF social bonds as part of initiatives to resolve social issues in September 2021.

Social Bonds refer to bonds that are issued by business companies, funds, local governments, and other entities in order to procure funds for social projects.



Social Finance Framework

■ Use of the proceeds

Proceeds from social financing will be allocated towards acquisition funds, etc. to purchase Eligible Social Projects.

IIF has received “Social 1 (F)” (the highest for JCR Social Finance Framework Evaluation) rating from Japan Credit Rating Agency, Ltd. (JCR) for the Social Finance Framework.

■ The Eligible Social Criteria and the Eligible Social Projects (excerpt)

Facilities contributing to development in medical technology including medication, pharmaceutical, drug discovery etc., and treatment	 IIF Shonan Health Innovation Park
Facilities for job creation and development of regional economies through industrial promotion, etc.	 IIF Kawasaki Science Center

The Summary of Social Bonds

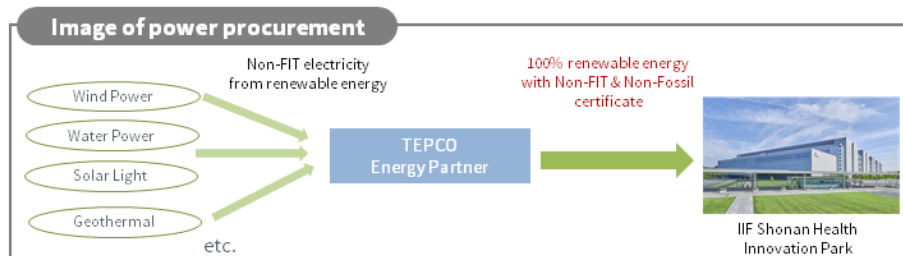
IIF issued the social bonds of totaling 5 billion yen based on the social finance framework.

	The 1st IIF social bonds	The 2nd IIF social bonds
Amount	3 billion yen	2 billion yen
Term	10 years	15 years
Interest rate	0.390 % per annum	0.680 % per annum
rating	Japan Credit Rating Agency, Ltd. (JCR) : AA	

02 ESG initiatives in IIF Shonan Health Innovation Park

■ Procure electricity from 100% renewable energy based on RE100

- Switch all electricity from TEPCO Energy Partner to electricity procured from **100% renewable energy with Non-FIT & Non-Fossil certificate** since Aug. 1, 2021



■ Temporary medical facilities

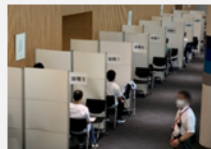
In response to the request from Kanagawa Prefecture, the ground in the Property has been provided free of charge as a site for the construction of temporary medical facilities for COVID-19.



【Temporary medical facilities】

■ Group vaccination

Workplace vaccination for employees of tenants and affiliates, and their families who wish to immunize COVID-19 vaccine (total of about 4,300 people). Furthermore, provision of part of the Property as venue for group vaccination of Fujisawa city is scheduled from Sep. 2021



【Area for Vaccination】



【Waiting area after vaccination】

03 Inclusion in the MSCI Japan ESG Select Leaders Index

IIF has been included in the MSCI Japan ESG^{*1} Select Leaders Index which had been launched by MSCI on July 3, 2017. IIF has received “A” rank as of June 2021. IIF sees inclusion in the index having a favorable effect to broaden our potential investor base and increase the liquidity of the fund.

MSCI Japan ESG Select Leaders Index:

MSCI, an American stock index provider listed on the New York Stock Exchange, launched index called the MSCI Japan ESG Select Leaders Index^{*2}. The index is the capitalization weighted index

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

which provides exposure to companies with high Environment, Social, and Governance (ESG) performance relative to their sector peers. The Government Pension Investment Fund (GPIF) also announced on July 3, 2017 that it has selected the index one of three ESG indices. As announced in June 2021 by MSCI, the index covers the top 700 equities in the MSCI Japan Investable Market Index (IMI), and selects 229 equities with outstanding ESG ratings

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

*2 The inclusion of IIF in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of IIF by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos, trademarks or service marks of MSCI or its affiliates.

04 Third-Party Evaluation and Certifications (As of the end of July, 2021)

GRESB Real Estate Assessment

IIF was designated by the GRESB Real Estate rating which is based on GRESB Overall Score and its quintile position relative to global participants as the highest rank “five stars” (five-star scale) in 2020. IIF also received a “Green Star” designation for the eight consecutive years by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned. As well as, “A” rating, the highest rating, for the GRESB Public Disclosure in three consecutive years.



CASBEE

IIF has been promoting environmental and energy conservation measures as well as the efficient use of energy in its properties for the effort to strengthen environmental consciousness and reduce environmental load. 19 properties in IIF's portfolio were awarded CASBEE Real Estate Certification.



BELS

12 properties in IIF's portfolio were awarded BELS Certification.



DBJ Green Building Certification

Five properties in IIF's portfolio have received the DBJ Green Building Certification.



05 Continuous Efforts Regarding ESG

Mitsubishi Corp.- UBS Realty Inc., the asset manager of IIF, has been promoting ESG initiatives. Having established basic policy on sustainability in 2013, IIF has implemented the following initiatives. IIF shares this policy in making investments.

In 2013

- Established an “Environment Charter”
- Established the Basic Policy for Responsible Property Investment
 - Established Sustainability Committee with the Asset Manager’s CEO as Chairman
- Signed the “Principles for Responsible Investment (PRI)” proposed by the UN Secretary General
- Became the first J-REIT asset manager to sign the “Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)” drawn up with the Ministry of Environment serving as secretariat

In 2015

- Became the first J-REIT asset manager to sign the “Montreal Carbon Pledge”, a new commitment to reduce CO2, drawn up by the United Nations PRI General Assembly

In 2016

- Became the first J-REIT asset manager to sign the “United Nation’s Environment Programme – Finance Initiative (UNEP FI)” and participate in a working group
- Became the first J-REIT asset manager to sign the United Nations Global Compact (UNGC), an organization led by the UN Secretary General

In 2019

- Expressed support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)”

In 2020

- Newly organized a “Sustainability Committee”
- Introduced Chief Sustainability Officer (CSO)



Since 2016, the Asset Manager has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

Financial Statements
of
INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

As of July 31, 2021,
With Independent Auditors' Report

Independent Auditor's Report

The Board of Directors
Industrial & Infrastructure Fund Investment Corporation

Opinion

We have audited the accompanying financial statements of Industrial & Infrastructure Fund Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2021, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.



Ernst & Young ShinNihon LLC
Tokyo, Japan
October 27, 2021

田口 和徳

Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant

井上 裕人

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

BALANCE SHEETS

As of January 31, 2021 and July 31, 2021

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 3 and 18).....	¥ 30,246	¥ 40,148	\$ 366,683
Cash and bank deposits in trust (Notes 3 and 18).....	6,114	5,471	49,970
Rental receivables.....	463	772	7,055
Prepaid expenses.....	631	838	7,662
Income taxes receivable.....	-	0	0
Consumption taxes refundable.....	58	-	-
Other.....	0	8	77
Total current assets.....	37,513	47,239	431,449
Noncurrent assets:			
Property, plant and equipment (Notes 4 and 6):			
Buildings, at cost.....	34,565	34,843	318,233
Less: Accumulated depreciation.....	(8,353)	(8,770)	(80,104)
Buildings, net.....	26,211	26,072	238,128
Structures, at cost.....	113	116	1,068
Less: Accumulated depreciation.....	(43)	(47)	(433)
Structures, net.....	69	69	634
Machinery and equipment, at cost.....	11	11	108
Less: Accumulated depreciation.....	(11)	(11)	(108)
Machinery and equipment, net.....	0	0	0
Tools, furniture and fixtures, at cost.....	21	26	241
Less: Accumulated depreciation.....	(9)	(10)	(95)
Tools, furniture and fixtures, net.....	11	16	146
Land.....	20,150	19,192	175,291
Buildings in trust, at cost.....	99,873	97,300	888,666
Less: Accumulated depreciation.....	(15,522)	(16,211)	(148,059)
Buildings in trust, net.....	84,350	81,089	740,606
Structures in trust, at cost.....	1,050	1,095	10,004
Less: Accumulated depreciation.....	(468)	(511)	(4,670)
Structures in trust, net.....	582	583	5,333
Machinery and equipment in trust, at cost.....	133	141	1,289
Less: Accumulated depreciation.....	(45)	(53)	(485)
Machinery and equipment in trust, net.....	87	88	804
Tools, furniture and fixtures in trust, at cost.....	55	64	591
Less: Accumulated depreciation.....	(23)	(27)	(253)
Tools, furniture and fixtures in trust, net.....	31	37	337
Land in trust.....	215,746	211,728	1,933,773
Construction in progress in trust.....	4	6	60
Total net property, plant and equipment.....	347,246	338,884	3,095,115
Intangible assets (Notes 5 and 6):			
Leasehold rights.....	19,833	19,833	181,148
Other.....	7	7	64
Total intangible assets.....	19,841	19,841	181,213

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION

BALANCE SHEETS

As of January 31, 2021 and July 31, 2021

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Investments and other assets:			
Investment securities (Note 18).....	95	89	816
Lease and guarantee deposits.....	10	10	93
Long-term prepaid expenses.....	1,362	1,200	10,966
Other.....	3	3	27
Total investments and other assets.....	1,470	1,303	11,903
Total noncurrent assets.....	368,559	360,028	3,288,233
Deferred assets:			
Investment unit issuance costs.....	190	136	1,250
Investment corporation bonds issuance costs.....	27	23	216
Total deferred assets.....	218	160	1,467
TOTAL ASSETS.....	¥ 406,290	¥ 407,428	\$ 3,721,150

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of January 31, 2021 and July 31, 2021

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Operating accounts payable.....	¥ 1,122	¥ 1,640	\$ 14,986
Current portion of long-term loans payable (Notes 7 and 18).....	5,600	12,600	115,079
Accounts payable – other.....	748	740	6,763
Accrued expenses.....	134	130	1,191
Income taxes payable.....	0	0	8
Consumption taxes payable.....	-	951	8,691
Advances received.....	2,609	2,396	21,883
Other.....	17	65	596
Total current liabilities.....	10,233	18,525	169,201
Noncurrent liabilities:			
Investment corporation bonds – unsecured (Notes 8 and 18).....	10,000	10,000	91,332
Long-term loans payable (Notes 7 and 18).....	178,783	171,783	1,568,937
Tenant leasehold and security deposits (Note 18).....	2,422	2,491	22,753
Tenant leasehold and security deposits in trust (Note 18).....	14,045	13,802	126,060
Asset retirement obligations (Note 20).....	637	639	5,836
Derivatives liabilities (Notes 18 and 19).....	114	70	648
Other.....	0	0	0
Total noncurrent liabilities.....	206,003	198,786	1,815,568
TOTAL LIABILITIES.....	216,237	217,312	1,984,769
NET ASSETS (Note 9)			
Unitholders' equity:			
Unitholders' capital,			
32,000,000 units authorized; 2,070,016 units as of January 31, 2021 and July 31, 2021 issued and outstanding.....	183,865	183,865	1,679,287
Total deduction from unitholders' capital.....	(452)	(438)	(4,004)
Allowance for temporary difference adjustment (Note 10).....	(159)	(144)	(1,322)
Other deduction of unitholders' capital.....	(293)	(293)	(2,682)
Retained earnings.....	6,755	6,778	61,908
Total unitholders' equity.....	190,167	190,205	1,737,191
Valuation and translation adjustments:			
Deferred gains or (losses) on hedges.....	(114)	(88)	(810)
Total valuation and translation adjustments.....	(114)	(88)	(810)
TOTAL NET ASSETS.....	190,053	190,116	1,736,380
TOTAL LIABILITIES AND NET ASSETS.....	¥ 406,290	¥ 407,428	\$ 3,721,150

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the six months ended January 31, 2021 and July 31, 2021

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rent revenue — real estate (Note 13).....	¥ 13,867	¥ 14,884	\$ 135,947
Gain on sales of property (Note 14).....	23	460	4,210
Dividend income from investments in Tokumei Kumiai	1	3	35
Total operating revenue.....	13,892	15,349	140,192
Operating expenses			
Expenses related to property rental business (Note 13).....	4,886	6,067	55,417
Loss on sales of property (Note 15).....	-	185	1,698
Asset management fees.....	1,202	1,211	11,061
Directors' compensations.....	7	7	67
Asset custody fees.....	8	9	83
Administrative service fees.....	37	38	352
Other.....	137	187	1,712
Total operating expenses.....	6,278	7,707	70,393
Operating income.....	7,614	7,642	69,799
Non-operating income			
Interest income.....	0	0	1
Interest on refund.....	2	0	0
Reversal of distribution payable.....	0	0	3
Other.....	-	0	0
Total non-operating income.....	2	0	5
Non-operating expenses			
Interest expenses.....	658	659	6,024
Interest expenses on investment corporation bonds.....	50	49	453
Amortization of investment corporation bonds issuance costs.....	3	3	34
Borrowing related expenses.....	209	209	1,915
Amortization of investment unit issuance costs.....	76	53	492
Other.....	0	0	7
Total non-operating expenses.....	997	977	8,928
Ordinary income.....	6,618	6,665	60,876
Income before income taxes.....	6,618	6,665	60,876
Income taxes (Note 16):			
Current.....	1	1	15
Total income taxes.....	1	1	15
Net income.....	6,617	6,663	60,861
Retained earnings brought forward.....	137	114	1,046
Unappropriated retained earnings (Note 11).....	¥ 6,755	¥ 6,778	\$ 61,908

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended January 31, 2021 and July 31, 2021

	Unitholders' equity							Valuation and translation adjustments			
	Unitholders' capital										
	Deduction from unitholders' capital				Surplus						
	Unitholders' capital	Allowance for temporary difference adjustment	Other deduction of unitholders' capital	Total capital deduction	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
	(in millions of yen)										
Balance as of July 31, 2020.....	¥ 150,235	¥ (182)	¥ (293)	¥ (475)	¥ 149,759	¥ 5,484	¥ 5,484	¥ 155,243	¥ (136)	¥ (136)	¥ 155,107
<u>Changes during the period</u>											
Issuance of new investment units.....	33,630	-	-	-	33,630	-	-	33,630	-	-	33,630
Dividends from surplus.....	-	-	-	-	-	(5,316)	(5,316)	(5,316)	-	-	(5,316)
Reversal of allowance for temporary difference adjustment.....	-	30	-	30	30	(30)	(30)	-	-	-	-
Dividend in excess of profit from allowance for temporary difference adjustment.....	-	(7)	-	(7)	(7)	-	-	(7)	-	-	(7)
Net income.....	-	-	-	-	-	6,617	6,617	6,617	-	-	6,617
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	-	22	22	22
Total changes during the period.....	33,630	23	-	23	33,653	1,270	1,270	34,923	22	22	34,946
Balance as of January 31, 2021.....	¥ 183,865	¥ (159)	¥ (293)	¥ (452)	¥ 183,412	¥ 6,755	¥ 6,755	¥ 190,167	¥ (114)	¥ (114)	¥ 190,053
<u>Changes during the period</u>											
Dividends from surplus.....	-	-	-	-	-	(6,617)	(6,617)	(6,617)	-	-	(6,617)
Reversal of allowance for temporary difference adjustment.....	-	22	-	22	22	(22)	(22)	-	-	-	-
Dividend in excess of profit from allowance for temporary difference adjustment.....	-	(8)	-	(8)	(8)	-	-	(8)	-	-	(8)
Net income.....	-	-	-	-	-	6,663	6,663	6,663	-	-	6,663
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	-	25	25	25
Total changes during the period.....	-	14	-	14	14	23	23	37	25	25	62
Balance as of July 31, 2021.....	¥ 183,865	¥ (144)	¥ (293)	¥ (438)	¥ 183,426	¥ 6,778	¥ 6,778	¥ 190,205	¥ (88)	¥ (88)	¥ 190,116

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended January 31, 2021 and July 31, 2021

	Unitholders' equity							Valuation and translation adjustments			
	Unitholders' capital										
	Deduction from unitholders' capital				Surplus						
	Unitholders' capital	Allowance for temporary difference adjustment	Other deduction of unitholders' capital	Total capital deduction	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains or (losses) on hedges	Total valuation and translation adjustments	Total net assets
	(in thousands of U.S. dollars)										
Balance as of January 31, 2021.....	\$ 1,679,287	\$ (1,453)	\$ (2,682)	\$ (4,135)	\$ 1,675,152	\$ 61,695	\$ 61,695	\$ 1,736,847	\$ (1,041)	\$ (1,041)	\$ 1,735,805
<u>Changes during the period</u>											
Dividends from surplus.....	-	-	-	-	-	(60,442)	(60,442)	(60,442)	-	-	(60,442)
Reversal of allowance for temporary difference adjustment.....	-	206	-	206	206	(206)	(206)	-	-	-	-
Dividend in excess of profit from allowance for temporary difference adjustment.....	-	(75)	-	(75)	(75)	-	-	(75)	-	-	(75)
Net income.....	-	-	-	-	-	60,861	60,861	60,861	-	-	60,861
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	-	230	230	230
Total changes during the period.....	-	130	-	130	130	212	212	343	230	230	574
Balance as of July 31, 2021.....	\$ 1,679,287	\$ (1,322)	\$ (2,682)	\$ (4,004)	\$ 1,675,282	\$ 61,908	\$ 61,908	\$ 1,737,191	\$ (810)	\$ (810)	\$ 1,736,380

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the six months ended January 31, 2021 and July 31, 2021

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Net cash provided by (used in) operating activities:			
Income before income taxes.....	¥ 6,618	¥ 6,665	\$ 60,876
Depreciation and amortization.....	1,791	1,918	17,524
Amortization of investment corporation bonds issuance costs.....	3	3	34
Amortization of investment unit issuance costs.....	76	53	492
Interest income.....	(0)	(0)	(1)
Interest expenses.....	708	709	6,478
Changes in assets and liabilities:			
Decrease (increase) in operating accounts receivable.....	233	(309)	(2,825)
Decrease (increase) in consumption taxes refundable.....	808	58	531
Decrease (increase) in prepaid expenses.....	67	(207)	(1,897)
Decrease (increase) in long-term prepaid expenses.....	(87)	161	1,473
Increase (decrease) in operating accounts payable.....	37	458	4,184
Increase (decrease) in accounts payable - other.....	55	10	92
Increase (decrease) in accrued expenses.....	0	(0)	(1)
Increase (decrease) in consumption taxes payable.....	-	951	8,691
Increase (decrease) in advances received.....	820	(213)	(1,949)
Increase (decrease) in other noncurrent liabilities.....	(0)	(0)	(3)
Decrease from sales of property and equipment.....	1,193	957	8,745
Decrease from sales of property and equipment in trust.....	-	6,645	60,698
Other, net.....	(31)	36	336
Subtotal.....	12,296	17,899	163,479
Interest income received.....	0	0	1
Interest expenses paid.....	(701)	(713)	(6,515)
Income taxes paid.....	(0)	(1)	(15)
Net cash provided by operating activities.....	11,595	17,184	156,950
Net cash provided by (used in) investing activities:			
Purchases of property, plant and equipment.....	(125)	(386)	(3,527)
Purchases of property, plant and equipment in trust.....	(48,428)	(730)	(6,667)
Proceeds from tenant leasehold and security deposits.....	9	99	906
Payments of tenant leasehold and security deposits.....	(30)	(39)	(356)
Proceeds from tenant leasehold and security deposits in trust.....	4,235	6	63
Payments of tenant leasehold and security deposits in trust.....	(56)	(253)	(2,316)
Proceeds from investment securities.....	-	6	55
Other.....	-	(0)	(5)
Net cash used in investing activities.....	(44,396)	(1,297)	(11,847)
Net cash provided by (used in) financing activities:			
Proceeds from long-term loans payable.....	23,800	-	-
Proceeds from issuance of investment units.....	33,630	-	-
Payments of investment unit issuance costs.....	(79)	(3)	(32)
Dividends paid.....	(5,324)	(6,625)	(60,507)
Net cash provided by (used in) financing activities.....	52,026	(6,628)	(60,540)
Net change in cash and cash equivalents.....	19,225	9,258	84,562
Cash and cash equivalents at beginning of period.....	17,135	36,360	332,090
Cash and cash equivalents at end of period (Note 3).....	¥ 36,360	¥ 45,619	\$ 416,653

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

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the six months ended January 31, 2021 and July 31, 2021

Note 1 — Organization

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 29, 2019, the Company completed its ninth public offering of 90,700 investment units at a price of ¥125,092 per unit. On June 25, 2019, the Company issued 4,500 investment units in connection with the exercise of an over-allotment option. Net proceeds of ¥11.4 billion from the ninth offering were used to acquire five additional properties and investment in Tokumei Kumiai agreement.

On December 18, 2019, the Company completed its tenth public offering of 83,900 investment units, out of which 40,900 new units were offered through a domestic public offering and 43,000 new units were offered through an overseas offering, at a price of ¥160,387 per unit. On January 15, 2020, the Company issued 2,100 investment units in connection with the exercise of an over-allotment option. Net proceeds of ¥13.3 billion from the tenth offering were used to acquire five additional properties.

On August 11, 2020, the Company completed its 11th public offering of 181,000 investment units at a price of ¥182,845 per unit. On September 8, 2020, the Company issued 9,000 investment units in connection with the exercise of an over-allotment option. Net proceeds of ¥33.6 billion from the 11th offering were used to acquire three additional properties.

As of July 31, 2021, the Company's portfolio consisted of 74 properties.

Note 2 — Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥109.49 = US\$1, the effective rate of exchange prevailing at July 31, 2021. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended July 31, 2021 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

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

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

(b) Cash and Cash Equivalents

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

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

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

Buildings	13 - 70 years
Structures	2 - 45 years
Machinery and equipment	3 - 10 years
Tools, furniture and fixtures	6 - 15 years

(d) Intangible Assets

Intangible assets are amortized on a straight-line basis.

(e) Long-term Prepaid Expenses

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

(f) Impairment of Fixed Assets

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

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

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

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

(h) Hedge Accounting

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

(i) Securities

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (silent partnership) agreements are accounted for by using the equity method of accounting.

(j) Investment Units Issuance Costs

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

(k) Investment Corporation Bonds Issuance Costs

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

(l) Income Taxes

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

(m) Consumption Taxes

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

(n) Taxes on Property, Plant and Equipment

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

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

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥162,826 thousand for the six months ended January 31, 2021. No taxes on property, plant and equipment were capitalized for the six months ended July 31, 2021.

(o) Revenue Recognition

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

(New accounting standards not yet applied)

- "Accounting Standard for Revenue Recognition"
(Accounting Standards Board of Japan (ASBJ) Statement No. 29 revised on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition"
(ASBJ Guidance No. 30 revised on March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments"
(ASBJ Guidance No. 19 revised on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 in IASB and Topic 606 in FASB) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance. The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

The Company will adopt the accounting standards from the beginning of the six months ending January 31, 2022.

(3) Impact of applying the accounting standards

The Company is currently evaluating the effect on its financial statements by applying the "Accounting Standard for Revenue Recognition", etc.

- "Accounting Standard for Fair Value Measurement"
(ASBJ Statement No. 30 issued on July 4, 2019)
- "Accounting Standard for Financial Instruments"
(ASBJ Statement No. 10 revised on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement"
(ASBJ Guidance No. 31 issued on June 17, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments"
(ASBJ Guidance No. 19 revised on March 31, 2020)

(1) Overview

The IASB and FASB have established similar detailed guidance regarding fair value measurement (IFRS 13 "Fair Value Measurement" in IFRS and Accounting Standards Codification Topic 820 "Fair Value Measurement" in FASB).

The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to ensure the consistency of Japanese GAAP with such international accounting standards, and issued the Accounting Standard for Fair Value Measurement, etc.

As the basic policy of the ASBJ for the development of accounting standard for fair value measurement, the ASBJ basically adopted all provisions of IFRS 13 by using the unified measurement method, from the point of view of improving the comparability of financial statements among domestic and foreign companies.

In addition, considering the actual practices that have been executed in Japan, other treatments for individual items are established within the scope not to impair comparability between the financial statements.

(2) Scheduled date of application

The Company will adopt the accounting standards from the beginning of the six months ending January 31, 2022.

(3) Impact of applying the accounting standards

The Company is currently evaluating the effect on its financial statements by applying the "Accounting Standard for Fair Value Measurement", etc.

(Change in accounting estimates)

Change in estimated useful life of property

Since a redevelopment project for IIF Atsugi Logistics Center III (held in trust beneficial interest) has been decided, the useful life of the property scheduled to be dismantled has been shortened so that the depreciation will be completed by the time the tenants move out.

As a result of this change, operating income, ordinary income and income before income taxes for the six months ended July 31, 2021 decreased by ¥89 million (US\$817 thousand), respectively.

Note 3 — Cash and Cash Equivalents

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

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Cash and bank deposits.....	¥ 30,246	¥ 40,148	\$ 366,683
Cash and bank deposits in trust.....	6,114	5,471	49,970
Cash and cash equivalents.....	¥ 36,360	¥ 45,619	\$ 416,653

Note 4 — Property, Plant and Equipment

The following tables show the summary of movement in property, plant and equipment for the six months ended July 31, 2021.

For the six months ended July 31, 2021:

	At cost				Accumulated depreciation	Depreciation for the period	Net property, plant and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in millions of yen)						
Buildings.....	¥ 34,565	¥ 278	¥ 0	¥ 34,843	¥ 8,770	¥ 417	¥ 26,072
Structures.....	113	3	-	116	47	4	69
Machinery and equipment.....	11	-	-	11	11	-	0
Tools, furniture and fixtures.....	21	5	0	26	10	1	16
Land.....	20,150	-	957	19,192	-	-	19,192
Buildings in trust.....	99,873	810	3,383	97,300	16,211	1,442	81,089
Structures in trust.....	1,050	44	-	1,095	511	42	583
Machinery and equipment in trust....	133	7	-	141	53	7	88
Tools, furniture and fixtures in trust	55	8	-	64	27	3	37
Land in trust.....	215,746	-	4,017	211,728	-	-	211,728
Construction in progress in trust.....	4	1	-	6	-	-	6
Total.....	¥ 371,726	¥ 1,161	¥ 8,360	¥ 364,527	¥ 25,643	¥ 1,918	¥ 338,884

	At cost				Accumulated depreciation	Depreciation for the period	Net property, plant and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of U.S. dollars)						
Buildings.....	\$ 315,693	\$ 2,546	\$ 6	\$ 318,233	\$ 80,104	\$ 3,808	\$ 238,128
Structures.....	1,032	35	-	1,068	433	36	634
Machinery and equipment.....	108	-	-	108	108	-	0
Tools, furniture and fixtures.....	192	54	4	241	95	10	146
Land.....	184,037	-	8,745	175,291	-	-	175,291
Buildings in trust.....	912,170	7,399	30,904	888,666	148,059	13,173	740,606
Structures in trust.....	9,598	405	-	10,004	4,670	392	5,333
Machinery and equipment in trust....	1,217	71	-	1,289	485	66	804
Tools, furniture and fixtures in trust	509	81	-	591	253	35	337
Land in trust.....	1,970,467	-	36,694	1,933,773	-	-	1,933,773
Construction in progress in trust.....	42	17	-	60	-	-	60
Total.....	\$ 3,395,070	\$ 10,612	\$ 76,356	\$ 3,329,326	\$ 234,210	\$ 17,524	\$ 3,095,115

Note 5 — Intangible Assets

Intangible assets consist of mainly leasehold rights to use nationally-owned land on which IIF Haneda Airport Maintenance Center is located with approval of the authorities under Article 18-6 and 19 of the National Property Act of Japan.

Note 6 — Fair Value of Investment and Rental Property

The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended January 31, 2021 and July 31, 2021.

	As of / For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Net book value⁽¹⁾			
Balance at the beginning of the period.....	¥ 321,217	¥ 367,081	\$ 3,352,644
Net increase (decrease) during the period ⁽²⁾	45,863	(8,362)	(76,374)
Balance at the end of the period.....	¥ 367,081	¥ 358,718	\$ 3,276,269
Fair value⁽³⁾	¥ 439,309	¥ 433,531	\$ 3,959,548

Note:

(1) The net book value includes leasehold rights.

(2) For the six months ended January 31, 2021:

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

		Increase (decrease) in net book value	
		(in millions of yen)	
Acquisitions:	IIF Shonan Health Innovation Park.....	¥	23,553
	IIF Ichihara Manufacturing Center (Land with leasehold interest).....		16,605
	IIF Shonan Logistics Center.....		7,682
Disposition:	IIF Hitachinaka Port Logistics Center (Land with leasehold interest).....		(1,193)

For the six months ended July 31, 2021:

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

		Increase (decrease) in net book value	
		(in millions of yen)	(in thousands of U.S. dollars)
Disposition:	IIF Zama IT Solution Center.....	¥ (4,952)	\$ (45,235)
	IIF Hiroshima Manufacturing Center (Land with leasehold interest).....	(1,693)	(15,462)
	IIF Tsukuba Manufacturing Center (Land with leasehold interest).....	(957)	(8,745)

(3) Fair value has been determined based on the appraisal or researched value provided by independent real estate appraisers. For IIF Shinagawa IT Solution Center signed disposition contract on April 30, 2021, the selling price is used for the six months ended July 31, 2021.

For rental revenues and expenses for the six months ended January 31, 2021 and July 31, 2021, please refer to “Note 13 — Rent Revenue-Real Estate and Expenses Related to Property Rental Business.”

Note 7 — Loans Payable

The following table shows the details of loans payable for the six months ended July 31, 2021.

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Development Bank of Japan Inc.	¥ 1,000	¥ -	¥ -	¥ 1,000	\$ 9,133	\$ -	\$ -	\$ 9,133	2.2%	March 29, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	2,000	-	-	2,000	18,266	-	-	18,266	1.9%	March 29, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,566	-	-	4,566	1.9% (2)	March 31, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,133	-	-	9,133	1.8%	February 5, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	2,534	-	-	2,534	23,143	-	-	23,143	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	966	-	-	966	8,822	-	-	8,822				
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,566	-	-	4,566	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	1.5% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Nippon Life Insurance Company	500	-	-	500	4,566	-	-	4,566	1.6%	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Shinsei Bank, Limited	500	-	-	500	4,566	-	-	4,566	1.4% (2)	February 6, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	362	-	-	362	3,306	-	-	3,306	1.2% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	138	-	-	138	1,260	-	-	1,260				
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,566	-	-	4,566	1.2% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Nippon Life Insurance Company	2,000	-	-	2,000	18,266	-	-	18,266	1.8%	June 28, 2024	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,500	-	-	2,500	22,833	-	-	22,833	1.7% (2)	June 30, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,500	-	-	1,500	13,699	-	-	13,699	1.6% (2)	June 30, 2022	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	7,500	-	-	7,500	68,499	-	-	68,499	1.4% (2)	October 18, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	2,000	-	-	2,000	18,266	-	-	18,266	1.4% (2)	December 29, 2023	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	700	-	-	700	6,393	-	-	6,393	1.3%	August 6, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	900	-	-	900	8,219	-	-	8,219	1.2% (2)	February 6, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	1.1%	August 4, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	1.0% (2)	August 5, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	868	-	-	868	7,934	-	-	7,934	0.9% (2)	February 4, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	331	-	-	331	3,024	-	-	3,024				
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,133	-	-	9,133	1.7%	March 13, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	724	-	-	724	6,612	-	-	6,612	1.7% (2)	March 13, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	276	-	-	276	2,520	-	-	2,520				
	MUFG Bank, Ltd.	1,158	-	-	1,158	10,579	-	-	10,579	1.3% (2)	March 13, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	441	-	-	441	4,033	-	-	4,033				

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd.	1,350	-	-	1,350	12,329	-	-	12,329	1.0%	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Shinsei Bank, Limited	850	-	-	850	7,763	-	-	7,763	1.0% (2)	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	850	-	-	850	7,763	-	-	7,763	1.0% (2)	March 14, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	2,570	-	-	2,570	23,474	-	-	23,474	0.9% (2)	September 13, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	979	-	-	979	8,948	-	-	8,948				
	The Chugoku Bank, LTD.	700	-	-	700	6,393	-	-	6,393	0.7% (2)	September 15, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,133	-	-	9,133	1.3%	March 31, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Meiji Yasuda Life Insurance Company	850	-	-	850	7,763	-	-	7,763	1.2%	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500	-	-	1,500	13,699	-	-	13,699	1.0%	March 31, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	832	-	-	832	7,604	-	-	7,604	0.9% (2)	September 30, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	317	-	-	317	2,898	-	-	2,898				
	Mizuho Bank, Ltd.	800	-	-	800	7,306	-	-	7,306	0.5% (2)	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	800	-	-	800	7,306	-	-	7,306	0.5%	March 31, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	2,000	-	-	2,000	18,266	-	-	18,266	0.4%	August 31, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,600	-	-	1,600	14,613	-	-	14,613	0.5%	August 15, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	3,255	-	-	3,255	29,734	-	-	29,734	0.6%	March 6, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,244	-	-	1,244	11,365	-	-	11,365				
	MUFG Bank, Ltd.	2,170	-	-	2,170	19,822	-	-	19,822	0.7%	September 4, 2026	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	829	-	-	829	7,576	-	-	7,576				
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,699	-	-	13,699	0.5%	March 6, 2025	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	2,099	-	-	2,099	19,176	-	-	19,176	0.6%	September 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	800	-	-	800	7,310	-	-	7,310				
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.5%	March 17, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000	-	-	1,000	9,133	-	-	9,133	0.9%	March 16, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,699	-	-	13,699	0.5%	March 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.6%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.7%	March 17, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	The Norinchukin Bank	1,000	-	-	1,000	9,133	-	-	9,133	0.5%	March 17, 2025	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	4,054	-	-	4,054	37,029	-	-	37,029	0.6%	September 30, 2025	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,545	-	-	1,545	14,116	-	-	14,116				
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.7%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	600	-	-	600	5,479	-	-	5,479	0.5%	March 31, 2025	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Shinsei Bank, Limited	1,000	-	-	1,000	9,133	-	-	9,133	0.7%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,300	-	-	1,300	11,873	-	-	11,873	0.8%	March 30, 2029	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,200	-	-	1,200	10,959	-	-	10,959	0.6%	March 31, 2027	Repayment of outstanding short-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	2,791	-	-	2,791	25,490	-	-	25,490	0.3%	September 30, 2022	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,009	-	-	1,009	9,215	-	-	9,215				
	MUFG Bank, Ltd.	2,938	-	-	2,938	26,833	-	-	26,833	0.7%	September 30, 2027	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,062	-	-	1,062	9,699	-	-	9,699				
	MUFG Bank, Ltd.	2,791	-	-	2,791	25,490	-	-	25,490	0.9%	September 28, 2029	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,009	-	-	1,009	9,215	-	-	9,215				
	MUFG Bank, Ltd.	2,099	-	-	2,099	19,176	-	-	19,176	0.5%	August 1, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	800	-	-	800	7,310	-	-	7,310				
	JAPAN POST INSURANCE Co., Ltd.	2,300	-	-	2,300	21,006	-	-	21,006	0.9%	February 1, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	100	-	-	100	913	-	-	913				
	Mizuho Bank, Ltd.	700	-	-	700	6,393	-	-	6,393	0.7%	February 1, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	2,500	-	-	2,500	22,833	-	-	22,833	0.7%	August 31, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	2,500	-	-	2,500	22,833	-	-	22,833	0.9%	February 28, 2030	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Development Bank of Japan Inc.	400	-	-	400	3,653	-	-	3,653	0.7%	September 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	400	-	-	400	3,653	-	-	3,653	0.6%	September 7, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	400	-	-	400	3,653	-	-	3,653	0.6%	March 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	1,100	-	-	1,100	10,046	-	-	10,046	0.6%	March 7, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,808	-	-	1,808	16,512	-	-	16,512	0.3%	September 9, 2021	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	692	-	-	692	6,320	-	-	6,320				
	MUFG Bank, Ltd.	3,618	-	-	3,618	33,044	-	-	33,044	0.7%	March 9, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,382	-	-	1,382	12,622	-	-	12,622				
	MUFG Bank, Ltd.	724	-	-	724	6,612	-	-	6,612	0.8%	March 9, 2029	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	276	-	-	276	2,520	-	-	2,520				
	MUFG Bank, Ltd.	796	-	-	796	7,273	-	-	7,273	0.3%	September 30, 2021	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	303	-	-	303	2,772	-	-	2,772				
	MUFG Bank, Ltd.	434	-	-	434	3,967	-	-	3,967	0.6%	September 30, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	165	-	-	165	1,512	-	-	1,512				
	Development Bank of Japan Inc.	1,200	-	-	1,200	10,959	-	-	10,959	0.7%	September 29, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,000	-	-	1,000	9,133	-	-	9,133	0.3%	September 30, 2021	Acquisition of real estate property	Unsecured and unguaranteed

		Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
Classification	Name of lender	(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	600	-	-	600	5,479	-	-	5,479	0.6%	September 30, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	0.6%	March 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	500	-	-	500	4,566	-	-	4,566	0.5%	March 31, 2027	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,699	-	-	13,699	0.2%	March 29, 2024	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.4%	September 30, 2027	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.5%	September 29, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	3,274	-	-	3,274	29,902	-	-	29,902	0.5%	March 29, 2029	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.2%	November 30, 2021	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	900	-	-	900	8,219	-	-	8,219	0.4%	November 30, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	800	-	-	800	7,306	-	-	7,306	0.2%	May 31, 2022	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	800	-	-	800	7,306	-	-	7,306	0.4%	November 30, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	The Norinchukin Bank	1,000	-	-	1,000	9,133	-	-	9,133	0.3%	August 2, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	800	-	-	800	7,306	-	-	7,306	0.4%	November 30, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	800	-	-	800	7,306	-	-	7,306	0.4%	November 30, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.4%	May 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.5%	May 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Shinsei Bank, Limited	1,000	-	-	1,000	9,133	-	-	9,133	0.5%	May 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,600	-	-	1,600	14,613	-	-	14,613	0.6%	May 31, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Nippon Life Insurance Company	1,500	-	-	1,500	13,699	-	-	13,699	0.6%	May 31, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	583	-	-	583	5,324	-	-	5,324	0.5%	November 30, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,626	-	-	1,626	14,850	-	-	14,850	0.3%	September 29, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,500	-	-	1,500	13,699	-	-	13,699	0.4%	March 29, 2030	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	200	-	-	200	1,826	-	-	1,826	0.2%	April 30, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	400	-	-	400	3,653	-	-	3,653	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	200	-	-	200	1,826	-	-	1,826	0.3%	October 31, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	300	-	-	300	2,739	-	-	2,739	0.4%	October 31, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	300	-	-	300	2,739	-	-	2,739	0.3%	April 30, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	300	-	-	300	2,739	-	-	2,739	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
Long-term loans payable		(in millions of yen)				(in thousands of U.S. dollars)							
	Sumitomo Mitsui Banking Corporation	500	-	-	500	4,566	-	-	4,566	0.4%	October 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	300	-	-	300	2,739	-	-	2,739	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	500	-	-	500	4,566	-	-	4,566	0.5%	October 31, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	300	-	-	300	2,739	-	-	2,739	0.2%	April 30, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	500	-	-	500	4,566	-	-	4,566	0.3%	October 31, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	700	-	-	700	6,393	-	-	6,393	0.4%	October 31, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	0.3%	April 30, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	800	-	-	800	7,306	-	-	7,306	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,100	-	-	1,100	10,046	-	-	10,046	0.4%	October 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	800	-	-	800	7,306	-	-	7,306	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,300	-	-	1,300	11,873	-	-	11,873	0.5%	October 31, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000	-	-	1,000	9,133	-	-	9,133	0.4%	June 30, 2027	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	The Norinchukin Bank	1,500	-	-	1,500	13,699	-	-	13,699	0.3%	June 30, 2028	Repayment of outstanding long-term loans payable	Unsecured and unguaranteed
	MUFG Bank, Ltd.	300	-	-	300	2,739	-	-	2,739	0.2%	April 30, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	200	-	-	200	1,826	-	-	1,826	0.2%	October 31, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	400	-	-	400	3,653	-	-	3,653	0.4%	October 31, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	200	-	-	200	1,826	-	-	1,826	0.3%	April 30, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	500	-	-	500	4,566	-	-	4,566	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	700	-	-	700	6,393	-	-	6,393	0.4%	October 31, 2028	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	500	-	-	500	4,566	-	-	4,566	0.4%	October 31, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	700	-	-	700	6,393	-	-	6,393	0.5%	October 31, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.2%	March 28, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.3%	March 28, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	MUFG Bank, Ltd.	3,000	-	-	3,000	27,399	-	-	27,399	0.4%	September 27, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,300	-	-	1,300	11,873	-	-	11,873	0.2%	September 30, 2024	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500	-	-	1,500	13,699	-	-	13,699	0.2%	March 29, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,200	-	-	1,200	10,959	-	-	10,959	0.3%	September 28, 2027	Acquisition of real estate property	Unsecured and unguaranteed
	Development Bank of Japan Inc.	2,800	-	-	2,800	25,573	-	-	25,573	0.5%	September 29, 2031	Acquisition of real estate property	Unsecured and unguaranteed

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate(1)	Maturity date	Use of proceeds	Remarks
		(in millions of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,000	-	-	1,000	9,133	-	-	9,133	0.2%	September 28, 2023	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,699	-	-	13,699	0.2%	September 28, 2026	Acquisition of real estate property	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,500	-	-	1,500	13,699	-	-	13,699	0.3%	September 28, 2029	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,000	-	-	1,000	9,133	-	-	9,133	0.4%	March 28, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	3,000	-	-	3,000	27,399	-	-	27,399	0.4%	September 27, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	Shinsei Bank, Limited	1,500	-	-	1,500	13,699	-	-	13,699	0.4%	September 27, 2030	Acquisition of real estate property	Unsecured and unguaranteed
	The Norinchukin Bank	2,500	-	-	2,500	22,833	-	-	22,833	0.3%	March 28, 2029	Acquisition of real estate property	Unsecured and unguaranteed
Total long-term loans payable		¥ 184,383	¥ -	¥ -	¥ 184,383	\$ 1,684,016	\$ -	\$ -	\$ 1,684,016				
Total		¥ 184,383	¥ -	¥ -	¥ 184,383	\$ 1,684,016	\$ -	\$ -	\$ 1,684,016				

Notes:

- (1) The average interest rate indicates a weighted average interest rate for the period, rounded to the first decimal place.
- (2) These long-term loans payable are hedged by interest rate swaps and the average interest rate of these long-term loans payable is calculated adjusting for the effect of the interest rate swaps.
- (3) Annual repayments of long-term loans payable scheduled for the next five years after the balance sheet date were as follows:

As of July 31, 2021		
	(in millions of yen)	(in thousands of U.S. dollars)
Up to 1 year.....	¥ 12,600	\$ 115,079
1-2 years.....	14,300	130,605
2-3 years.....	19,000	173,531
3-4 years.....	20,650	188,601
4-5 years.....	20,050	183,121

Note 8 — Investment Corporation Bonds

The details of the unsecured investment corporation bonds issued and outstanding as of July 31, 2021 were as follows:

	As of July 31, 2021	
	(in millions of yen)	(in thousands of U.S. dollars)
Investment corporation bonds — unsecured		
¥ 5,000 million of 10-year bonds, issued on December 27, 2012, maturing on December 27, 2022 with a coupon of 1.40%..... ¥	5,000	\$ 45,666
¥ 2,000 million of 10-year bonds, issued on June 26, 2014, maturing on June 26, 2024 with a coupon of 0.89%.....	2,000	18,266
¥ 3,000 million of 10-year bonds, issued on December 26, 2016, maturing on December 25, 2026 with a coupon of 0.40%.....	3,000	27,399
Total..... ¥	10,000	\$ 91,332

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

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

	As of July 31, 2021	
	(in millions of yen)	(in thousands of U.S. dollars)
Up to 1 year..... ¥	-	\$ -
1-2 years.....	5,000	45,666
2-3 years.....	2,000	18,266
3-4 years.....	-	-
4-5 years.....	-	-

Note 9 — Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50 million (US\$456 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of units issued and outstanding were 2,070,016 units as of January 31, 2021 and July 31, 2021.

Note 10 — Allowance for Temporary Difference Adjustments

Information on allowance for temporary difference adjustments for the six months ended January 31, 2021 and July 31, 2021 is as follows:

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

For the six months ended January 31, 2021:

(in millions of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	¥ 22	¥ 15	¥ 7	¥ -	¥ 22	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	405	166	-	(30)	136	Changes in fair value of derivative transactions
Total		¥ 428	¥ 182	¥ 7	¥ (30)	¥ 159	

For the six months ended July 31, 2021:

(in millions of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	¥ 30	¥ 22	¥ 8	¥ -	¥ 30	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	405	136	-	(22)	113	Changes in fair value of derivative transactions
Total		¥ 436	¥ 159	¥ 8	¥ (22)	¥ 144	

For the six months ended July 31, 2021:

(in thousands of U.S. dollars)

Related assets, etc.	Reason	Initial amount	Balance at beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Excess of depreciation allowance	\$ 282	\$ 207	\$ 75	\$ -	\$ 282	—
Deferred gains or (losses) on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	3,703	1,245	-	(206)	1,039	Changes in fair value of derivative transactions
Total		\$ 3,985	\$ 1,453	\$ 75	\$ (206)	\$ 1,322	

2. Method of reversal

(1) Buildings in trust

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

(2) Deferred gains or losses on hedges

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

Note 11 — Appropriation of Retained Earnings

In accordance with the distribution policy in Article 25, Paragraph 1, Item 2 of the Company's articles of incorporation, which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (not including distributions in excess of profit) declared for the six months ended July 31, 2021 were ¥6,663,381,504 (US\$60,858 thousand), comprising profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan), except for fractional distribution per investment unit less than one yen.

In addition, the Company makes distributions in excess of profit considering the effect of differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) in accordance with the policy for the distributions in excess of profit prescribed in Article 25, Paragraph 2 of its articles of incorporation. Distributions in excess of profit as unitcapital refund from allowance for temporary difference adjustment for the six months ended July 31, 2021 were ¥97,290,752 (US\$888 thousand), corresponding to the differences between net income and taxable income for the period, except for fractional distribution per investment unit in excess of profit less than one yen.

Therefore, cash distributions declared for the six months ended July 31, 2021 were ¥6,760,672,256 (US\$61,746 thousand).

The following table shows the appropriation of retained earnings for the six months ended January 31, 2021 and July 31, 2021, respectively.

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings.....	¥ 6,755	¥ 6,778	\$ 61,908
Distributions in excess of profit.....	8	97	888
Capitalization.....	22	25	230
Cash distribution declared.....	6,626	6,760	61,746
Profit distributions.....	6,617	6,663	60,858
Allowance for temporary difference adjustments.....	8	97	888
Retained earnings carried forward.....	¥ 114	¥ 89	\$ 818

A dividend in respect of the six months ended July 31, 2021 of ¥3,266 (US\$29), per investment unit, amounting to a total dividend of ¥6,760 million (US\$61,746 thousand), was proposed and approved at the Board of Directors Meeting on September 15, 2021. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥3,201 and ¥3,266 (US\$29) for the fiscal periods ended January 31, 2021 and July 31, 2021, respectively. For the fiscal periods ended January 31, 2021 and July 31, 2021, the cash distributions per investment unit included distributions in excess of profit as stipulated in Article 25, Paragraph 2 of the Company's articles of incorporation in the amounts of ¥4 and ¥47 (US\$0), respectively.

Note 12 — Information on Allowance for Temporary Difference Adjustments

Information on temporary differences subject to allowance for temporary difference adjustments for the six months ended January 31, 2021 and July 31, 2021 is as follows:

For the six months ended January 31, 2021:

1. Reasons, related assets and allowance

(in millions of yen)		
Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust	Excess of depreciation allowance	¥ 8

2. Reasons, related assets and reversal

(in millions of yen)		
Related assets, etc.	Reason	Allowance for temporary difference adjustments
Deferred gains or (losses) on hedges	Changes in the fair value of derivative transactions	¥ 22

3. Method of reversal

(1) Buildings in trust

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

(2) Deferred gains or losses on hedges

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

For the six months ended July 31, 2021:

1. Reasons, related assets and allowance

(in millions of yen)			(in thousands of U.S. dollars)
Related assets, etc.	Reason	Allowance for temporary difference adjustments	Allowance for temporary difference adjustments
Buildings in trust, etc.	Excess of depreciation allowance	¥ 97	\$ 888

2. Reasons, related assets and reversal

(in millions of yen)			(in thousands of U.S. dollars)
Related assets, etc.	Reason	Allowance for temporary difference adjustments	Allowance for temporary difference adjustments
Deferred gains or (losses) on hedges	Changes in the fair value of derivative transactions	¥ 25	\$ 230

3. Method of reversal

(1) Buildings in trust

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

(2) Deferred gains or losses on hedges

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

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

Rent revenue—real estate and expenses related to property rental business for the six months ended January 31, 2021 and July 31, 2021 consist of the following:

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Rent revenue — real estate:			
Rental and parking revenue.....	¥ 13,506	¥ 14,344	\$ 131,013
Common area charges.....	254	260	2,377
Other.....	106	279	2,557
Total rent revenue—real estate.....	¥ 13,867	¥ 14,884	\$ 135,947
Expenses related to property rental business:			
Property management fees.....	¥ 89	¥ 87	\$ 800
Facility management fees.....	651	1,032	9,426
Utilities.....	540	747	6,827
Property-related taxes.....	942	1,103	10,080
Insurance.....	36	41	375
Repair and maintenance.....	375	684	6,249
Depreciation.....	1,791	1,918	17,524
Trust fees.....	20	18	166
Leasehold rents.....	425	428	3,914
Other.....	12	5	52
Total expenses related to property rental business.....	¥ 4,886	¥ 6,067	\$ 55,417
Operating income from property leasing activities.....	¥ 8,981	¥ 8,817	\$ 80,530

Note 14 — Gain on Sales of Property

Information on gain on sales of property is as follows:

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Proceeds from sale of property.....	¥ 1,230	¥ 3,230	\$ 29,500
Cost of property.....	1,193	2,650	24,208
Other sales expenses.....	13	118	1,081
Gain on sales of property, net.....	¥ 23	¥ 460	\$ 4,210

Note 15 — Loss on Sales of Property

Information on loss on sales of property is as follows:

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Proceeds from sale of property.....	¥ -	¥ 4,800	\$ 43,839
Cost of property.....	-	4,952	45,235
Other sales expenses.....	-	33	302
Loss on sales of property, net.....	¥ -	¥ 185	\$ 1,698

Note 16 — Income Taxes

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

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

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

	For the six months ended	
	January 31, 2021	July 31, 2021
	(Rate)	
Statutory tax rates.....	31.46%	31.46%
Deductible cash distributions.....	(31.49)	(31.91)
Other.....	0.05	0.47
Effective tax rates.....	0.02%	0.03%

Deferred tax assets consist of the following:

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable.....	¥ 0	¥ 0	\$ 0
Asset retirement obligations.....	200	201	1,836
Depreciation.....	-	28	257
Deferred losses on hedges.....	35	27	255
Subtotal.....	236	257	2,348
Valuation allowance.....	(236)	(257)	(2,348)
Total.....	¥ -	¥ -	\$ -
Net deferred tax assets.....	¥ -	¥ -	\$ -

Note 17 — Leases

As lessor; Operating leases - Lease rental revenues

The Company leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of January 31, 2021 and July 31, 2021 scheduled to be received are summarized as follows:

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year.....	¥ 26,613	¥ 25,509	\$ 232,986
Due after one year.....	121,090	109,927	1,003,996
Total.....	¥ 147,703	¥ 135,437	\$ 1,236,983

Note 18 — Financial Instruments

Qualitative and quantitative information for financial instruments for the six months ended January 31, 2021 and July 31, 2021 was as follows:

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

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

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

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

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

(iii) Supplemental information on fair value of financial instruments

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

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of January 31, 2021 and July 31, 2021.

	As of								
	January 31, 2021			July 31, 2021			July 31, 2021		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in millions of yen)						(in thousands of U.S. dollars)		
Assets:									
(1) Cash and bank deposits.....	¥ 30,246	¥ 30,246	¥ -	¥ 40,148	¥ 40,148	¥ -	\$ 366,683	\$ 366,683	\$ -
(2) Cash and bank deposits in trust	6,114	6,114	-	5,471	5,471	-	49,970	49,970	-
Total.....	¥ 36,360	¥ 36,360	¥ -	¥ 45,619	¥ 45,619	¥ -	\$ 416,653	\$ 416,653	\$ -
Liabilities:									
(1) Current portion of									
long-term loans payable.....	¥ 5,600	¥ 5,606	¥ 6	¥ 12,600	¥ 12,641	¥ 41	\$ 115,079	\$ 115,457	\$ 378
(2) Investment corporation									
bonds — unsecured.....	10,000	10,076	76	10,000	10,053	53	91,332	91,821	488
(3) Long-term loans payable.....	178,783	182,587	3,804	171,783	175,242	3,459	1,568,937	1,600,536	31,598
(4) Tenant leasehold and security									
deposits in trust.....	485	483	(2)	401	398	(2)	3,662	3,643	(19)
Total.....	¥ 194,868	¥ 198,753	¥ 3,885	¥ 194,784	¥ 198,336	¥ 3,552	\$ 1,779,011	\$ 1,811,458	\$ 32,446
Derivative instruments.....	¥ (114)	¥ (114)	¥ -	¥ (88)	¥ (88)	¥ -	\$ (810)	\$ (810)	\$ -

Note (1): The methods and assumptions used to estimate fair value are as follows:

Assets

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

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

Liabilities

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

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

(2) Investment corporation bonds — unsecured

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

(4) Tenant leasehold and security deposits in trust

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

Derivative instruments

The fair value of the interest rate swaps subject to deferred hedge accounting method is evaluated separately using the fair value estimated by the counterparty to the interest rate swap contracts based on market interest rates and other assumptions. The fair value of the interest rate swaps subject to special treatment for hedge accounting of interest rate swaps under Japanese GAAP is included in that of the hedged long-term loans payable as noted above. Please refer to “Note 19 — Derivative Instruments” for further information on the interest rate swaps.

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

	As of		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Investment securities.....	¥ 95	¥ 89	\$ 816
Total assets.....	¥ 95	¥ 89	\$ 816
Tenant leasehold and security deposits.....	¥ 2,422	¥ 2,491	\$ 22,753
Tenant leasehold and security deposits in trust.....	13,560	13,401	122,397
Total liabilities.....	¥ 15,983	¥ 15,892	\$ 145,150

The investment securities (equity interests in silent partnership) are not traded in markets, and it is too difficult to estimate reasonable fair value. Also, tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

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

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of January 31, 2021:						
Cash and bank deposits.....	¥ 30,246	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust.....	6,114	-	-	-	-	-
Total.....	¥ 36,360	¥ -	¥ -	¥ -	¥ -	¥ -
As of July 31, 2021:						
Cash and bank deposits.....	¥ 40,148	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust.....	5,471	-	-	-	-	-
Total.....	¥ 45,619	¥ -	¥ -	¥ -	¥ -	¥ -
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of July 31, 2021:						
Cash and bank deposits.....	\$ 366,683	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust.....	49,970	-	-	-	-	-
Total.....	\$ 416,653	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of January 31, 2021:						
Investment corporation bonds — unsecured.....	¥ -	¥ 5,000	¥ -	¥ 2,000	¥ -	¥ 3,000
Long-term loans payable.....	5,600	12,000	20,300	18,500	20,250	107,733
Total.....	¥ 5,600	¥ 17,000	¥ 20,300	¥ 20,500	¥ 20,250	¥ 110,733
As of July 31, 2021:						
Investment corporation bonds — unsecured.....	¥ -	¥ 5,000	¥ 2,000	¥ -	¥ -	¥ 3,000
Long-term loans payable.....	12,600	14,300	19,000	20,650	20,050	97,783
Total.....	¥ 12,600	¥ 19,300	¥ 21,000	¥ 20,650	¥ 20,050	¥ 100,783
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of July 31, 2021:						
Investment corporation bonds — unsecured.....	\$ -	\$ 45,666	\$ 18,266	\$ -	\$ -	\$ 27,399
Long-term loans payable.....	115,079	130,605	173,531	188,601	183,121	893,076
Total.....	\$ 115,079	\$ 176,271	\$ 191,798	\$ 188,601	\$ 183,121	\$ 920,476

Note 19 — Derivative Instruments

Information on derivative transactions undertaken by the Company as of January 31, 2021 and July 31, 2021 was as follows. Derivative instruments are used only for hedging purposes and are subject to hedge accounting.

Method of hedge accounting	Type of derivatives	Hedged item	As of January 31, 2021			As of July 31, 2021		
			Notional amounts ⁽²⁾		Fair value ⁽¹⁾⁽³⁾	Notional amounts ⁽²⁾		Fair value ⁽¹⁾⁽³⁾
			Total	Over 1 year (in millions of yen)		Total	Over 1 year (in thousands of U.S. dollars)	
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 4,800	¥ 4,800	¥ (114)	\$ 43,839	\$ 30,139	\$ (810)
Special treatment for hedge accounting of interest rate swaps ⁽¹⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	28,800	28,800	(689)	263,037	238,377	(5,192)
Total.....			¥ 33,600	¥ 33,600	¥ (803)	\$ 306,877	\$ 268,517	\$ (6,003)

Notes:

- (1) As disclosed in “Note 2 – Summary of Significant Accounting Policies (h) Hedge Accounting”, the Company applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (1) in “Financial Instruments (b) Quantitative information for financial instruments”.
- (2) The notional amounts do not represent the market risk exposure associated with the derivative instruments.
- (3) The fair value is estimated by the counterparty to the interest rate swaps contracts by using market interest rates and other assumptions.

Note 20 — Asset Retirement Obligations

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

The Company has obligations to remove asbestos contained in the buildings of IIF Kazo Logistics Center (acquired on September 1, 2016), IIF Hamura Logistics Center (acquired on December 22, 2016), IIF Ichikawa Food Processing Center (acquired on June 3, 2019) and IIF Yokohama Tsuzuki R&D Center (acquired on March 2, 2020). The estimated periods of use of the properties are estimated at 53 years, 33 years, 50 years and 41 years, respectively, based on the useful life of each building containing asbestos. The asset retirement obligations for the removal of asbestos are recognized as a liability using discount rates at 0.500%, 0.689%, 0.550% and 0.312%, respectively.

Movements in asset retirement obligations are as follows:

	For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(in millions of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period.....	¥ 636	¥ 637	\$ 5,824
Adjustment for passage of time.....	1	1	12
Balance at the end of the period.....	¥ 637	¥ 639	\$ 5,836

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

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

Note 21 — Related-Party Transactions

There were no related-party transactions to be disclosed for the six months ended January 31, 2021 and July 31, 2021.

Note 22 — Per Unit Information

The following table shows net asset value per unit as of January 31, 2021 and July 31, 2021, and net income per unit for the fiscal periods then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the fiscal period. The Company has no potentially dilutive units.

	As of / For the six months ended		
	January 31, 2021	July 31, 2021	July 31, 2021
	(Yen)		(U.S. dollars)
Net asset value per unit.....	¥ 91,812	¥ 91,842	\$ 838
Net income per unit.....	¥ 3,215	¥ 3,219	\$ 29
Weighted average number of units.....	2,058,320	2,070,016	

Note 23 — Segment Information

Segment information for the fiscal periods ended January 31, 2021 and July 31, 2021 is as follows:

(a) Operating Segment Information

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

(b) Enterprise-wide Disclosures

(i) Information about Products and Services

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

(ii) Information about Geographic Areas

Revenues from Overseas Customers:

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

Tangible Fixed Assets:

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

(c) Information about Major Customers

For the six months ended January 31, 2021:

Name of Customer	Revenues	Related Segment
	(in millions of yen)	
Japan Airlines Co., Ltd.	¥ 1,467	Property rental business

For the six months ended July 31, 2021:

Name of Customer	Revenues		Related Segment
	(in millions of yen)	(in thousands of U.S. dollars)	
Japan Airlines Co., Ltd.	¥ 1,491	\$ 13,622	Property rental business

Note: The revenues from Takeda Pharmaceutical Company Limited, which are more than 10% of total operating revenues for the six months ended July 31, 2021, are not disclosed because the consent from the customer has not been obtained. The related segment is the property rental business.