Linking Japan

Spring 2012
Volume 2

Publisher: J. Michael Owen
Chief Editor: Rey DeBoer
Production Assistant: Megumi Ishizuka
Writer: Michael Deininger
Translation: Transpacific Enterprises
Creative Director: Junichi Hashimoto
Art Director: Miwa Nishikata
Advertising: Yasuo Ito

Published by Transpacific Enterprises
2-1-10 Nishikicho, Tachikawa, Tokyo 190-0022
Japan
President: J. Michael Owen

Inquiries
e-mail: lj@transpacific.jp
Fax: 03-5297-6133

Spring 2012

Linking Japan

Quarterly Investment Insights

A Stellar Reputation Created by Placing the Investor First

JRF and IIF Manifest Potential of Mitsubishi-UBS

Publisher's Note

Spring in Japan is an annual ritual that many find wonderful for the cherry blossoms, the riddance of heavy winter wear, and the sense of rebirth and rejuvenation. One other thing that we can rely on spring to bring is listed Japanese companies working hard to bolster stock prices through the end of March to reduce latent losses, only to watch them fall in April. Another true annual ritual in Japan.

Yet another activity that has become a yearly tradition over the past dozen years is griping about another year of ineptitude in the national and local governments. The trouble the past few years, earthquake aside, was that griping was as far as it went. Today, the air is different.

For some reason, in the month of March and early April I was asked to give toasts at three major functions. Not one to shy away from toasts, I conveyed a common message on each occasion – the government is horrible, there are many major issues to worry about and we could all fret BUT the future of Japan is great because so many firms out there have made the commitment to prove they are top companies regardless of the Japanese government and regardless of the apparent macroeconomic stagnation.

Those evenings many Japanese leaders in the corporate world spoke to me, offering thanks and voicing agreement. They were committed to being on top again in their sectors and fields. Many leading and emerging members of Corporate Japan appear to have made the decision that they will not allow the weight of the national government and domestic macroeconomic situation to hinder them as they work to drive their sector forward.

We continue our quest to find such firms and this issue we feature a market leader, a former market leader righting its ship, and a firm that is committed to growth and becoming a household name.

J. Michael Owen
President
Transpacific Enterprises

Contents

Spring 2012

On the Cover
The leadership of Mitsubishi Corp.-UBS Realty (L to R): Fuminori Imanishi,Takuya Kuga and Yoshito Nishikawa

Short-term Projections for the Japanese Economy

Benefits of the Recovery Budget to Emerge after April 2012
Gradual Recovery Supported by Solid Consumption

At the beginning of 2012, the Japanese economy, which had slumped after the Great East Japan Earthquake, showed signs of rapid recovery thanks to governmental measures that were implemented. Unfortunately, there have been signs of stagnation since the spring. In early April worries concerning the European debt issue once again came to the fore, while the yen grew stronger and the Nikkei Average weakened. At present indications are that the momentum that existed through March is dissipating. However, the benefits of the recovery budget are not expected to manifest themselves until later in the spring at the earliest and the consensus is that this budget will help ensure a gradual economic recovery. The following scrutinizes the background behind the measures and future steps that will likely be taken.

Japanese Economy Slow to Regain Footing

The consensus position among economic think tanks and specialists in Japan regarding 2012 is that recovery-linked demand will deliver on its potential and serve as a boon for economic growth. On the other hand, Japan continues to face negative factors such as the increasing severity of the European debt crisis, the strong yen and the downward pressure on corporate earnings caused by the flooding in Thailand. These factors will combine to put the brakes on some of the forward economic progress.

The think tanks and specialists are convinced that though a "V" recovery is impossible, a recovery will occur but the timing, scale and extent are not evident.

The fact is that economic growth in the last quarter of 2011 was negative due to the deepening European debt crisis, deceleration of overseas economies, entrenchment of the high yen and problems supplying components to manufacturers due to the Thai flooding. However, once 2012 started the landscape changed significantly, with solid economic recovery in the U.S., apparent quieting of the European debt crisis, global monetary easing and other factors causing the yen to depreciate and stock prices to rise. A bright future seemed inevitable as spring approached. The Nikkei Average even surpassed 10,000. There was hope that the Japanese economy would manage to achieve and maintain a gradual pace of recovery from the spring.

Personal Consumption Strong Despite Downward Revisions of Exporter Projections

However, the weakness of Japanese firms was clearly reflected in financial results released for the year ended March 2012. More companies than expected revised projections downward and many companies ultimately reported losses. In particular, exporters reported poor performance. Sony was reported to be reducing its workforce by 10,000 within the year with its TV business mired in a slump, while Sharp accepted investment from a Taiwanese group in its flagship Sakai Factory and is using that investment to map out a future. In the case of Sony, the company has been trapped in a labyrinth since losing its ability to release impact products into the market in its main business areas and Sharp, whose LCD TV was widely reported to be a great success, found that success can indeed be fleeting.

On the other hand, though personal consumption temporarily slumped after last year's earthquake it has bounced back quickly and been strong in part due to recovery-linked demand. The convenience store industry has been particularly strong, with brands such as 7-11 and Family Mart doing well. The past existing image of a convenience store was that of a small store whose shelves were filled with various products, but recently they have grown with a focus on lunches, snacks and food quantities ideal for individuals. Many of the convenience store chains recorded best-ever performance and are evidence of the strong consumption base. Unfortunately, the government has still not managed to show a commitment to increasing - or for that matter not increasing - consumption tax and the impact on the sentiment of consumers, who naturally initially oppose any tax increase, may negatively affect consumption for a short period of time.

Pace of Recovery Slows in Early April on Fears for Re-ignition of European Debt Issue

Thus we are faced with a mottled pattern in the Japanese economy with strong recovery-linked demand after the disasters, the deterioration in the performance of exporters and the strong base in domestic personal consumption. Unfortunately, a key concern once again reared its ugly head in early April, with the European debt issue showing signs of spreading like a deadly virus from Greece to other countries.

First, there is the issue of the inability to eliminate anxiety and concern over the European economy. Although the temporary early tension over the debt worries in Europe has abated to a certain degree, instability continues as the Greeks seem to be unable to find the right resolution and there is no guarantee that concern and anxiety won't spring forth again. As we entered April, the interest on Spanish debt rose, underscoring the risk of Italy and other Southern European countries finding themselves in similar circumstances. Worries persist that this dire situation will jump across the Atlantic to the U.S. economy and once again cause the Japanese yen to appreciate and its stocks to decline.

Next, there are voices saying that the positive effects of the monetary easing policy pursued by Japan and the West are waning. Some experts have been reported as saying that the rise in interest on the national debt of Spain is evidence that "the effectiveness of money supplying by the ECB has weakened" and there are signs that monetary easing measures that have bolstered stock prices are running out of steam.

Domestically, Bank of Japan Governor Shirakawa announced in April that "the Bank of Japan will pursue a strong monetary easing policy" to help the Japanese economy escape from its deflationary spiral and "support the measures of private financial institutions to provide capital as a means for reinforcing the foundation for growth." While he did attempt to assure us that monetary easing would continue, as is seemingly always the case, his comments lacked in specifics and as such had little impact on the market.

In addition, there are concerns that the pace of recovery in the U.S. economy is slowing. Employment numbers for the U.S. in March fell far below previous market forecasts. This was contrary to those pundits talking about the beneficial economic cycle of monetary easing raising stock prices, then raising consumption and ultimately raising employment and capital investment. And of course, the rise in gasoline prices, a side effect of monetary easing, has emerged as a new matter of concern.

Slow Growth in the U.S.; A European Economy Without Any Escape, and Temporary Slowing in Emerging Countries

Bearing all of these elements as of April in mind, we must consider what impact they will have on Japan's economic performance in the near future.

The potential for the European issue to spill over into the U.S. economy cannot be set aside or minimalized. Republican presidential candidate Romney has outright criticized the economic policies of President Obama during his campaign. President Obama is seeking to rejuvenate the fading middle class by increasing taxes on high income earners and realizing a "fair society;" while Romney wants to drive an economic recovery by energizing the economy through "free competition." We hope and pray that the U.S. economy, which is projected to grow at a gradual pace of less than 2%, will not sputter.

The European economy can't find an exit from its woes. The debt interest of Spain, Italy and Portugal has risen and there are clear-cut fears of a re-ignition of the debt crisis. All hope seems placed on the strength of the German economy.

The emerging economies led by China are also showing signs of deceleration. Their exports are struggling with an apparent global economic slowdown, resulting in slowing growth. According to the Asian Development Bank, the real economic growth rate of the 45 Asian-Pacific nations, excluding Japan and other advanced nations, is 6.9%. This represents a 0.3% drop against last year. On the other hand, consumption is expanding and growth is forecast to recover to 7.3% next year.

Japanese Economy Expecting Benefits of Huge Recovery-linked Demand in Spring

Despite the Japanese economy reporting negative growth in the final quarter of the last calendar year, a turnaround took place in the January – March 2012 period and the general belief is that it will continue to grow as it benefits from recovery-linked demand. Substantial growth in production, exports and capital investment cannot be expected due to the deceleration of the global economy and negative impact of the high yen. Both consumption and employment have a strong base and will enjoy the relative return to normalcy among the public as the earthquake disasters recede from the mind. The return of eco-car subsidies for a limited period through January 2013 will provide some support, though many specialists point out that this is a small-scale measure and that its impact will be limited. The unemployment rate is expected to drop gradually, a view fueled by the positive news that new college graduates with unofficially confirmed employment increased for the first time in four years.

Of course, the brightest news regarding the Japanese economy is the recovery-linked demand that will begin hitting full stride this spring. In addition to the four supplementary budgets compiled by the government, the prefectures hit by the disasters have compiled their own supplementary budgets to help ensure a recovery and these are flooding the economy with 4 trillion yen in special projects. A major hindrance to recovery speed is the time lag in recovery-linked demand. Also, many of the negative effects of the disasters were felt immediately after impact (shortage of materials, suspension of and delays in public works projects, lack of personnel for such projects, etc.) while political measures and related demand take time to flow through the economy. Now that a year has passed since the disasters, the society as a whole has settled down and begun moving in measured steps towards the future. It is vital that the solid consumption and energy of the private sector for recovery be effectively connected to the recovery-linked budget.

The most common position taken at the beginning of the year when predicting the growth of the Japanese economy is represented by the Japan Research Institute's position as outlined in the Japanese Economic Forecast (January 2012) and its less than optimistic position that, "The real growth rate in fiscal 2012 is 1.8%, in other words not even 2%." On the other hand some predicted a bright future such as Mitsubishi Research Institute which claimed, "There will be double-digit growth in public works contracts during fiscal 2012 (Japanese and Overseas Economic Outlooks for Fiscal 2011-2013)."

It is difficult to claim that only Japan will recapture explosive growth amidst this economic confusion. However, there is potential for gradual but sustainable growth if the vitality of the private sector uses the recovery budgets assembled by national and local governments as a springboard, and the fervor for recovery and a turnaround among individual citizens can be transformed into the energy desperately needed to drive this growth forward.

COVER STORY

A Stellar Reputation Created by Placing the Investor First

JRF and IIF Manifest Potential of Mitsubishi-UBS

Takuya Kuga
President & CEO

It manages Japan's first REIT ever to specialize in retail properties, and the first to focus on industrial and infrastructure facilities.
Its operating philosophy and growth strategy are built on a comprehensive policy of placing the investor first.
It is skilled in communicating corporate performance to investors globally and consistently conducts global offerings supported by investors, as evidenced by 'best equity deal' awards from FinanceAsia, Thomson Reuters and Capital Eye.
It is Mitsubishi Corp. – UBS Realty – and it manages two stellar REITs.

Mitsubishi Corp UBS Realty

MITSUBISHI CORP.–UBS REALTY

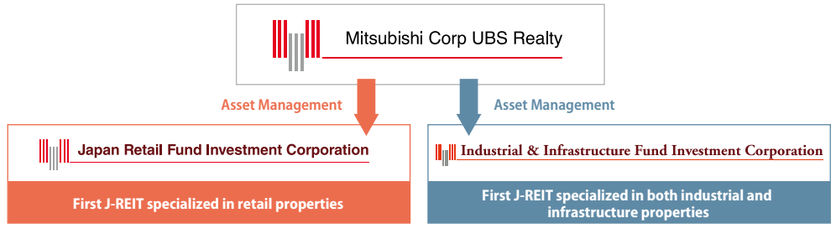
Mitsubishi Corp.–UBS Realty (MCUBS) is headed by President and CEO Takuya Kuga, who first joined Mitsubishi Corporation in 1986, and has a staff of nearly ninety engaged in the provision of investment management, property management oversight, property acquisition and disposition, IR and other services and functions. MCUBS has always communicated with the global investor as it pursued its policy of placing the investor first. MCUBS serves as an asset manager for two distinguished members of Japan's REIT market – Japan Retail Fund Investment Corporation (JRF), the third Japanese REIT (J-REIT) and first to specialize in retail properties; and Industrial & Infrastructure Fund Investment Corporation (IIF), a pioneer among J-REITs with a portfolio centered on industrial and infrastructure facilities.

MCUBS effectively applies the strong, broad-ranging relationships it has forged and cultivated in the retail sector since listing ten years ago, and the superior corporate governance capabilities nurtured by always keeping an eye on global investors and finance industry players. This combination enables MCUBS to intelligently acquire properties that enhance and expand the portfolios of the two REITs, and intelligently manage and operate their properties.

In the three years since Kuga took the helm, MCUBS and both JRF and IIF have successfully navigated some of the roughest, most unpredictable economic and environmental scenarios in recent times, to maintain strong performance and excellent standards for the J-REIT industry.

"I believe consumption is on a recovery track after a temporary drop due to the effects of the Great East Japan Earthquake. Although the European economies and potential economic uncertainty require our attention, this is true for any business. Our emergence from a difficult period for Japan in which we continued to perform steadily makes JRF and IIF a robust buy within the present strong buying opportunity of Japan. MCUBS is committed to continuing to outperform investor expectations by growing based on its resolute strategy of placing the investor first," states Kuga.

The REIT Management Structure of MCUBS



Inhouse View

Naoki Suzuki
Head of Research Department

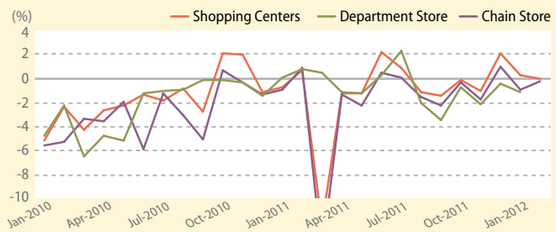
LJ: Can you describe the environment J-REITs find themselves in presently?
Suzuki: The environment is good. Investors are interested in J-REITs because of the consistently high dividends they continue to pay. The first J-REIT IPO in five years was announced recently, which is a good example of that. Debt financing conditions also are favorable and these factors combined have created a good business environment for us.

LJ: How about competition? During the past two post-Lehman years, powerful J-REITs like those managed by MCUBS – JRF and IIF – have dominated the acquisitions market. Are things changing?
Suzuki: More investors are taking a close look at opportunities in Japanese real estate. We believe we are well positioned in this environment to acquire blue-chip properties by applying our strong network that has been cultivated through our record of steady investment.
LJ: From an investor's standpoint, are there any new regulatory developments you can reference?
Suzuki: The government has newly established the Working Group to Review Regulation of Investment Trusts and Investment Corporations to find ways to improve financial stability and transparency. This will lead to new regulations that may enable us to conduct rights issues and share buybacks.

LJ: Let's drill down to retail properties, the sector that JRF is one of the dominant players in.
Suzuki: Retail sales have been stable despite the earthquake. This is probably a result of steady employment in Japan. Consumer sentiment is also recovering. There has also been a slowdown in the new development of shopping centers , which is causing better business conditions for retailers.
As a matter of fact, major retailers have recently announced strong results and many have reported new efforts to renovate existing stores. This is a great sign for us as it means they are aiming to grow sales at existing stores and not focusing on store closures and rent discounts.
These strategic changes have been noted by investors and have them closely looking at Japanese retail real estate. This has been evidenced in intensified competition in bids for certain retail properties.

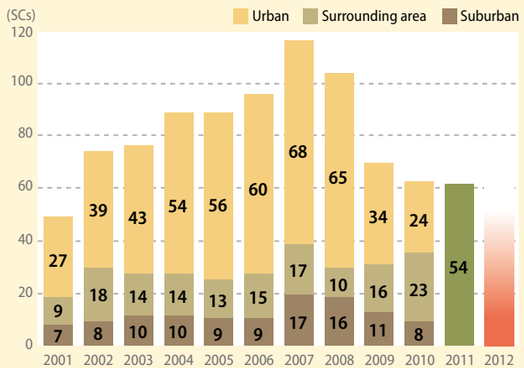
LJ: It is hard to quantify the industrial real estate market but what about logistics real estate?
Suzuki: Logistics is the sector that presently enjoys the most favorable business environment. Rents have started picking up, and vacancies are scarce near large cities. This sector is expected to continue to attract global core real estate investors.

Figure 1: Retail Sales



Source: JCSC, JDSA, JCSA

Figure 2: New Shopping Centers



Source: JCSC

Fuminori Imanishi
Head of Retail Division

Japan Retail Fund Investment Corporation

In just over ten years since its inception, JRF has grown into Japan's 3rd largest REIT in terms of assets under management (end of March 2012). JRF steadily acquired properties through its first five years after listing in March 2002. This enabled it to achieve its key goal of 400 billion yen in assets under management by the end of its 10th period (six months ended February 2007). JRF then embarked on a quest of portfolio diversification, broadening the type and geographical characteristics of its properties. A unique M&A allowed JRF to further enhance the quality of its portfolio with key acquisitions and dispositions of non-core properties in 2010. As of the end of March 2012, JRF's portfolio was comprised of seventy properties with a total acquisition price of 664,118 million yen, 868 tenants, and nearly 3 million square meters in leasable space, with a stunning occupancy rate of 99.8%. Properties are primarily held in Tokyo, Osaka, Nagoya and their surrounding areas, but stretch as far north as Sapporo and as far west as Nagasaki and Naha. MCUBS, as the asset manager, boasts a portfolio that combines income-type properties – properties with high-credit tenants in long-term contracts delivering steady income through fixed rents – and growth-type properties, which effectively ensure a stable stream of income while also providing room and opportunity for sensible, timely expansion. MCUBS distinguishes itself with professional staff that can proactively manage retail properties to the benefit of investors.

JRF's performance remained steady even through the post-Lehman era, and then began to grow. Despite the earthquake, tsunami and resulting devastation in Japan's Tohoku region, MCUBS also assisted JRF in successfully mitigating the impact of the post-Lehman crisis and earthquake on its results, to continually deliver satisfying performance. This performance is again clearly evidence of the "investor first" policy's effectiveness.

In the fall of 2011, JRF further enhanced the power of its portfolio with the acquisition of twelve properties – shopping centers and leisure/entertainment facilities in Tokyo, Chiba, Nagoya, Osaka, and as far west as Nagasaki. The average acquisition price-to-appraisal value was 91.3%, and the average NOI yield was 6.3%. These acquisitions reflected the scope of JRF's reach and, more importantly, heightened distributions to investors by buying properties at prices far below their appraisals and at a yield exceeding the portfolio average.

Capital for these acquisitions was raised through a global public offering in September that raised a total of 19,987 million yen – 806 million yen more than initially anticipated. This offering earned JRF the "Best Secondary Equity Offering" prize of Finance Asia's "Japan Achievement Awards 2011."

"We are certain that such proactive investment and funding activities will lead to higher unitholder value," says Fuminori Imanishi, who heads the Retail Division of MCUBS and oversees the JRF strategy.

The latest series of acquisitions is very much in line with the philosophy that has guided JRF over its 10-year history – the creation and maintenance of a well-balanced, high-quality portfolio of income-generating assets. The assets acquired in 2011 are spread over a relatively broad area to mitigate risk through regional diversification.

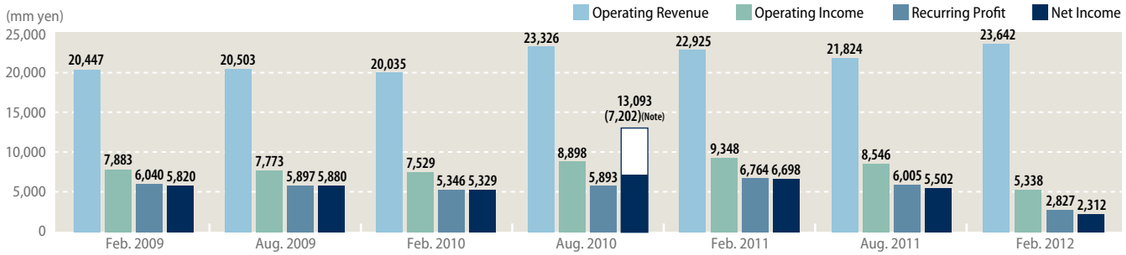
The crown jewel of these most recent acquisitions is the strategic stake in the mozo wonder city shopping complex, Nagoya City's biggest regional shopping mall. JRF acquired 10% joint co-ownership interest of the beneficiary rights of real estate in trust. JRF originally acquired the complex in 2005 with the intent of redeveloping and expanding the property. However, the project was intentionally stalled in 2006 due to revisions in zoning laws. The following year, JRF sold the property to co-sponsor Mitsubishi Corporation, which then spent 17 months redeveloping the property. Construction was completed in April 2009, and leasable space grew from just under 50,000m² to over 130,000m². The center now houses 223 tenants – up from 25 – and parking capacity has more than doubled to over 5,000.

"One of the significant features of JRF is its stable revenue base that is resilient against economic cycles," notes Kuga, adding that JRF will implement initiatives to maximize asset value through large-scale renovations, expansion and by attracting new, high-credit tenants, to complement external growth activities such as the series of acquisitions in 2011. Kuga believes that Japan's real estate market has bottomed out, and that J-REITs uniquely capable of raising capital are in a position to acquire prime properties.

Portfolio Facts of JRF (As of March 2012)

Number of Properties	Number of Tenants	Acquisition Price (mm yen)	Occupancy Ratio (simple average)
70	868	664,118	99.8%

Historical Performance of JRF



Note: This includes 7,202 million yen of negative goodwill calculated as special income.

mozo wonder city/Nagoya City, Aichi

Higashi-Totsuka Aurora City/Yokohama City, Kanagawa

GYRE/Shibuya Ward, Tokyo

GROWTH STRATEGIES

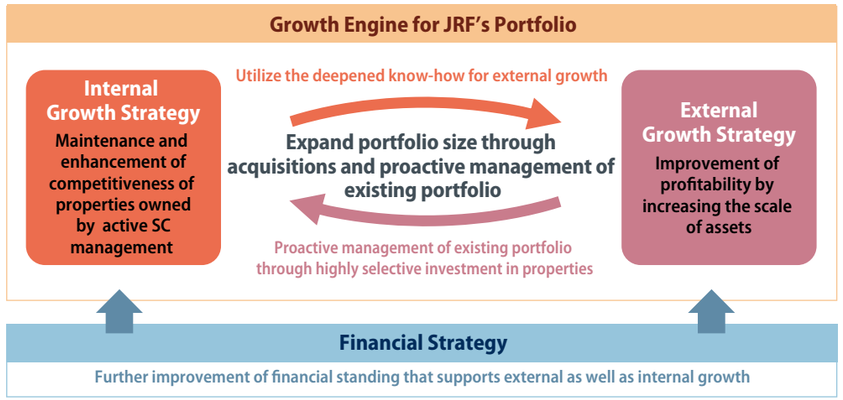
JRF will continue to implement strategies that aim to bolster unitholder value. JRF will broaden its target area, and prudently select blue-chip, large-scale retail properties in local areas, densely populated areas, prime locations such as in close proximity to major train stations, and well-located road-side stores and specialty store buildings. This strategy will strengthen the steady income stream, while providing increased opportunities for intelligent growth. JRF will continue to deftly apply diverse investment structures, including bridge structures that deliver heightened flexibility in financing acquisitions that further expand the portfolio.

As for internally growing portfolio sales and profits, support of the shopping center management function will be enhanced as it oversees the implementation of strategic renovation and expansion projects to further heighten the competitiveness of the JRF portfolio. The division will monitor tenant relationships and business conditions, and directly evolve the structure linking general operation management, leasing, and engineering.

JRF forged an agreement in August 2011 that raised its commitment line from 40 to 50 billion yen, and is looking at assuming new long-term debt and conducting additional corporate bond issuances. It has successfully maintained an LTV of around 54.3%, and going forward will continue to negotiate terms with its financial partners to achieve a sound, sustainable long-term debt ratio and fortify its financial base to facilitate future growth.

For the 20th period (six months ended February 2012), JRF announced 23,642 million yen in operating revenues, 5,338 million yen in operating income, 2,827 million yen in recurring profit, 2,312 million yen in net income, and 3,673 yen in dividend per unit.

Growth Strategy of JRF



Yoshito Nishikawa
Head of Industrial Division

Industrial & Infrastructure Fund Investment Corporation

OVERVIEW

The first REIT in Japan ever to specialize in industrial and infrastructure properties - IIF was founded and listed on the Tokyo Stock Exchange in 2007 with a distinctive focus on these property sectors, which were then perceived in Japan as alternative assets. Five years after its debut, IIF has successfully transformed them into "power" core assets, as recognized globally.

Industrial and infrastructure properties are comprised of logistics, manufacturing, and industrial R&D facilities, data centers, and power generation, telecommunications, transportation, water supply and other infrastructure properties. IIF is the only J-REIT and single fund to allocate capital to both industrial and infrastructure properties and its strategic goal is to grow unitholder value by properly allocating capital into these asset categories in an investor-optimal manner that possesses risk/return scenarios favorable for securing a long-term, stable income stream while achieving sustainable external growth.

As of April 2012, IIF has built a portfolio of 22 properties that are primarily occupied by single tenants, have nearly 470,000m² of leasable space and boast a total acquisition price of 145,514 million yen. Each property was selected from IIF's rich pipeline formed by its broad network and active proposal process in which it proposes that companies move corporate real estate off their balance sheets. Many of IIF's properties are leased by Japanese blue-chip tenants, including Sagawa Express and Osaka Gas.

PERFORMANCE TRACK RECORD

The track record in the table at right portrays IIF's consistent effort over the past two to three years to achieve sustainable external growth without sacrificing stability. IIF also significantly enhanced the value of its portfolio over several parameters through its two recent public offerings with the average NOI increasing from 5.0% to 5.8% and total appraisal value now exceeding the total acquisition price by 4,534 million yen. Put differently, although units outstanding grew by 1.8 times, net income grew by 2.4 times and thus growth generated additional income per unit for IIF investors.

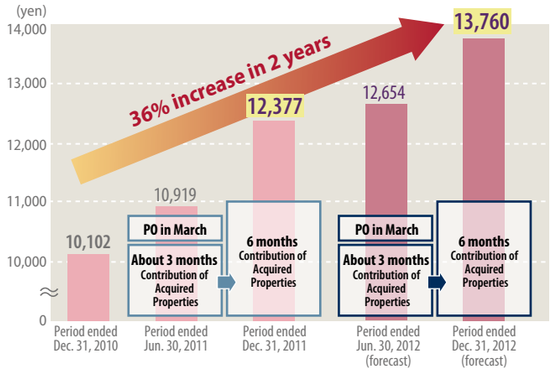
The recent acquisition of R&D and data centers also represents a commitment to infrastructure and evidence that Japan believes infrastructure properties to be a sound investment. The success of these consecutive follow-on public offerings have been much welcomed by the capital market, resulting in a surge of its unit price by 8.7% and 11.9% from the launch date to the pricing date of the respective offerings. The success of the offerings is further evidenced by recognition as J-REIT of the Year by Capital Eye in 2011 and as Deal of the Year by Capital Eye and Thomson Reuters in 2012.

Operating Results and Forecasts (Announced on February 15, 2012)

	Period ended Dec. 31, 2010 (7th Period)	Period ended Jun. 30, 2011 (8th Period)	Period ended Dec. 31, 2011 (9th Period)	Period ending Jun. 30, 2012 (10th Period) (Forecast)	Period ending Dec. 31, 2012 (11th Period) (Forecast)
Gross Revenue	2,962 (100.0)	3,295 (111.3)	3,526 (119.0)	4,402 (148.6)	4,903 (165.5)
Net Income	798 (100.0)	1,022 (128.1)	1,158 (145.2)	1,779 (222.9)	1,935 (242.4)
Units Outstanding (Unit)	79,035 (100.0)	93,632 (118.5)	93,632 (118.5)	140,632 (177.9)	140,632 (177.9)
DPU (Yen)	10,102 (100.0)	10,919 (108.1)	12,377 (122.5)	12,654 (125.3)	13,760 (136.2)

(mm yen)

Dividend per Unit (Actual and Forecast)



[Logistics Facility] IIF SHINONOME Logistics Center/Koto Ward, Tokyo
One of the hubs of Sagawa Express, a leading Japanese parcel delivery operator

[Manufacturing and R&D Facility] IIF TOTSUKA Technology Center/Yokohama City, Kanagawa
The sole R&D facility of Taisei Construction, one of Japan's largest general contractors

CRE STRATEGY PROPOSALS

This proactive portfolio expansion has been possible because of the strong corporate real estate (CRE) strategy - a term often used to describe the strategic effort to reevaluate the benefits of owning real estate and to make efficient real estate investments from the perspective of maximizing corporate value - employed by MCUBS. This strategy applies the expansive network of Mitsubishi Corporation with factories, R&D facilities and infrastructure investments. MCUBS proactively proposes the acquisition of properties in line with the original owners' CRE strategies to help them move the properties off their balance sheets to create stronger finances for the corporation and to acquire properties whose usage is at the core of the corporations' business strategies. Direct communication with prospective sellers often results in "off-the-market" negotiations, helping IIF to capture acquisition opportunities with less competition. Yoshito Nishikawa, the Head of the Industrial Division which oversees the MCUBS strategy for IIF, comments, "This proactive application of our sponsors' strengths creates a "win-win" situation with IIF and the seller and tenant of the property, and enables us to capture the opportunity in favorable terms, creating value for our investors."

Strong Track Record of Successful Unique Acquisitions

	2010	2011	2012
Total Acquisition Price	6,790 mm yen	11,340 mm yen	37,274 mm yen
Average NOI Yield (Note 1)	6.3%	6.9%	7.1%
Spread	+0.2%	+1.2%	+1.8%
IIF Implied Cap Rate (Note 2)	6.1% (on average during 2009)	5.7% (on average during 2010)	5.3% (on average during 2011)
Sellers	Taisei Corporation	Sapporo Breweries Odakyu Electric Railway Taiheiyo Cement Corporation	IBM Japan Furukawa Electric

Note 1: Average NOI yield is the weighted average yield of acquired properties in each year
Note 2: Implied cap rate is calculated in accordance with our calculation method

[Infrastructure Facility] IIF HANEDA Airport Maintenance Center/Ota Ward, Tokyo
A hangar of world-renowned Japan Airlines located within Haneda International Airport

GROWTH STRATEGIES

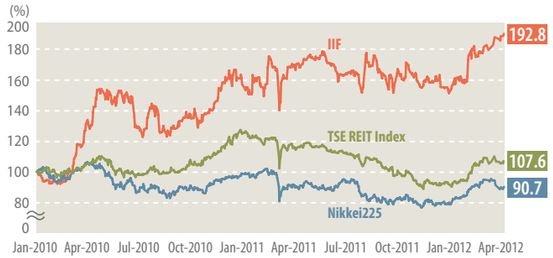
IIF consistently seeks opportunities to create unitholder value. Its CRE strategy aims to improve the financial standing of corporate clients while expanding the IIF portfolio. IIF uses various investment structures, including bridge structures, to capture future acquisition opportunities in its strategic property sectors. IIF is also convinced of the opportunity in publicly owned real estate that is still oblivious to private capital. The key growth strategy for IIF is that it seeks external growth at an increasingly fast pace and balances this with stability gained from portfolio cash flow and long-term fixed interest debt, 100% of its debt.

MAINTAINING STABILITY TO ENSURE SUSTAINABLE GROWTH

IIF currently owns 22 properties with an exemplary occupancy rate of more than 99.9% and an average initial lease period of 16.1 years. Furthermore, the present average remaining lease is 11.0 years. IIF also ensures stability with 100% fixed interest debt and long-term debt of up to 12 years, the longest in the J-REIT universe. IIF maintains a vigilant eye on tenant retention to maintain a stable stream of cash flow.

IIF's diligence in improving its financial condition has resulted in an AA- rating for its debt from Japan Credit Agency, Ltd. this January. It is key to note that IIF is delivering on its potential to provide investors with steady performance and growth strategies that grew out of its investor-first policy.

Recent Unit Price Trends (January 4, 2010 to April 18, 2012)



Note 1: Closing price base
Note 2: Left axis describes relative unit price trends with the closing price of the Tokyo Stock Exchange on January 4, 2010 set as 100%
Source: Based on Bloomberg data

TAKING NOTE

Somay-Q Technology: A Growth Company

Somay-Q's expertise in the application of nanotechnology has enabled it to create a product that achieves superior penetration of the surface of an item, preventing peeling even if pressure is applied or the item is physically contorted - all without affecting the feel of the item.

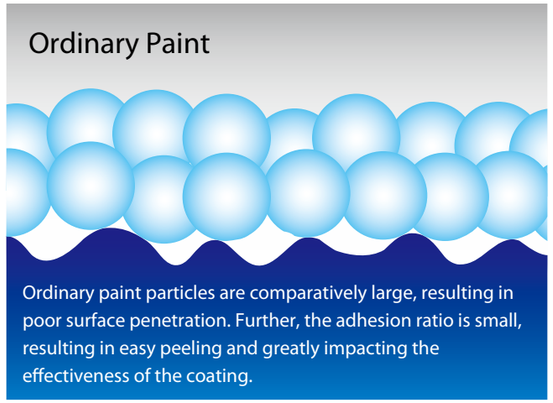
株式会社 染めQテクノロジィ Somay-Q Technology

Making Waves with the Recoating of a Motorcycle Seat

Somay-Q products initially sold poorly. Fortunes changed, however, when one day the product was introduced to the editor of a biking magazine, who responded, "This is an interesting product. I want to introduce it in our magazine." The article appeared soon after. Previously motorcycle seats had generally been repaired with reupholstering, and it had never occurred to anyone that the problem might be solved by the simple application of a coat of primer. However, the power of Somay-Q easily brought new life to an old, faded seat, and the article created quite a stir.

Finally in the fall of 2004, sales of Somay-Q products finally began in DIY centers, but were limited to a few bottles a month. Procurement personnel at the DIY chain who had fallen in love with Somay-Q were committed to getting their customers to understand the excellence of Somay-Q products and began doing live demonstrations to sell the products. This proved to be the turning point. The demonstration events drew a massive reaction and generated more sales than ever before achieved through similar performances with other products.

There's no end of examples of small inconveniences that hinder efforts to improve customer service and work efficiency. The products of Somay-Q Technology provide one-stop solutions to these difficulties. Somay-Q offers a broad variety of products that demonstrate amazing effectiveness in daily life and do-it-yourself moments involving mold, odors, heat, cold, fading, dirt, viruses, bacteria, repairs, remodeling, pollen, stains, and rust; and also products for construction, drug stores and



convenience stores, as well as sporting goods, car accessories, and beauty and real estate products. The company is gradually winning acclaim in Japan and is growing rapidly.

Somay-Q Technology… Provides Magical Coating Technology that Works and Looks Like a Dye

The trigger behind the growth of Somay-Q is the successful development of an unprecedented coating material that can be applied in a manner such that it appears to be a dye. The surface of materials that are coated appears to be rough when viewed through an electronic microscope and the particles of traditional paints in effect only sit on the surface. In other words, there is no precise adhesion to the material. Thus, as time passes the paint tends to peel off the surface, creating a defect.

Somay-Q Technology represents the successful development of a very fine particle primer via Somay-Q's exclusive nano and adhesion technologies. This has enabled the proprietary coating material to penetrate to the depths of the rough surface of materials. This penetrative ability has dramatically increased the adhesion ratio to the material and combines with a flexibility that prevents cracking regardless of how often reverse pressure is applied. The superior penetration of the material surface also means that regardless of the extent of scratching that may result from an impact, all that happens is that the coating material on the peaks of the surface peels off, which means it appears as though nothing has changed. In this way, the superior penetration ability has resulted in unparalleled durability.

Somay-Q has developed and released many products that solve the various previously mentioned problems by using nanotechnology to combine adhesion strength with a variety of other qualities.

Capture Notoriety through DIY Performances and Become Standard DIY Shop Product

Somay-Q exhibited its products at the 2005 Japan DIY Homecenter Show, where it enjoyed widespread acclaim and won the METI (Ministry of Economy, Trade and Industry) Manufacturing Industries Bureau Chief Prize, the Silver Prize as a product that is friendly to people and to the environment, and the Silver Prize in a popularity contest that totals the opinions of 10,000 general visitors to the show. As a result, Somay-Q was introduced on the popular Trend Tamago segment of World Business Satellite (TV Tokyo), after which it was flooded with inquiries despite the late hour of the broadcast.

At the 2006 Japan DIY Homecenter Show Somay-Q released various new products - evolutions of the initial product - called Bathtub Somay-Q, Jeans Somay-Q, Shoes Somay-Q, Tatami Somay-Q and Tire Somay-Q. For the second year in a row, visitors gave it the Silver Prize and it also won the Bronze Prize among people and environmentally friendly products as well as the Best Hit Product award, once again garnering prizes in all categories.

Somay-Q products have become fixtures at DIY stores since then and Somay-Q Technology develops, manufactures and sells a diverse range of products including primers and finishing agents for bicycles, construction and boats, robust waterproofing and rust proofing systems and various unique putties. Somay-Q brand products have branched out from the professional arena in recent years and begun to penetrate daily lifestyle applications (see "Ins and Outs of Somay-Q Products" on page 17).

Somay-Q Enters the Recoating Remodeling Market

In addition to developing and selling Somay-Q brand products, Somay-Q Technology is beginning its full-fledged entry into the remodeling and renovation market. With stagnation in the market for new housing starts, interest is growing in the strong potential of the remodeling market. Somay-Q products make possible remodeling through recoating without changing the feel of the old material. This is possible thanks to Somay-Q technology, which not only revitalizes items but leads to considerable cost savings.

Furthermore, the work can be done in a short period of time as the coating product dries extremely quickly. Somay-Q promotes the following six key selling points of Somay-Q Remodeling.

1. Unrivaled Technology

Products formed with the adhesion technology proprietary to Somay-Q Technology and its nanotechnology; the product adheres to a diverse range of materials and can create "new" materials that also have odor-eliminating and bacteria-fighting qualities.

2. Taming New Frontiers

Including the previously impossible application of the coating product to leather, the products can be applied to a wide range of items including carpeting, tatami, flooring, furniture, kitchen appliances, bathtubs, sinks, toilets, aluminum screens, and more.

3. Recyclable

New life is breathed into old products and products you are tired of just by applying a coat of Somay-Q products. The transformation of a worn item into a bright, colorful product renews the user's affection for the item and enables long-term use.

Somay-Q Technology Solves the Following Types of Problems

- The quick return of mildew after cleaning your bathroom and kitchen.
- The bothersome odor emanating from your boots and pumps.
- The faded color of your furniture and curtains.
- There is a hole in your leather sofa that you want to fix, but not for the cost of reupholstering.

We all encounter similar issues in our lives. The question is, can they be easily resolved?

Such issues are encountered in business as well.

- The ceiling of the large public path at a Japanese inn is pitch black with mildew. How do you make it mildew resistant?
- Health care facilities are known for a particular kind of odor that even silver ion and photocatalytic treatments can't clear. Is there no way to eliminate the smell?
- On farms in midwinter, even wearing gloves doesn't keep your fingertips from freezing up and affecting your work.
- Your smartphone screen fogs up from the grease on your hands, and you're looking for a simple, inexpensive way to keep it sparkling clean.

Sadao Hishiki
Founder and President

4. Time Savings
The proprietary coating material of Somay-Q consists of nano-sized particles and creates a thin film that dries quickly and thus can be applied and finished in a shorter amount of time.

5. Low Price
Unlike ordinary remodeling that entails complete renovation, Somay-Q Remodeling products coat item surfaces to restore the original beauty of items at incomparably low prices.

6. Safe and Secure
Somay-Q products have earned the highest attainable safety rating of F☆☆☆☆ in accordance with Japan Paint Manufacturers Association Standards, which indicates the amount of formaldehyde broadcast. Formaldehyde is one of the causes of 'sick house' syndrome. The products further achieve the highest level of safety among coating materials by not using any of the six substances banned under The Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive: Lead, polybrominated biphenyl, chrome, polybrominated diphenyl ether, mercury and cadmium).

Uncommonly Resolute Leadership

The following is an excerpt from the Somay-Q website where company founder and president Sadao Hishiki talks about his aspirations for the Somay-Q brand and its new line of renovation products.

"Using the beauty industry for women as an example, remodeling is in essence plastic surgery. Women getting plastic surgery have adjustments made such as giving themselves double eyelids and making their noses more distinct, but in truth the number that can afford to and actually undergo plastic surgery is small. However, unlike plastic surgery, all of the women who want to use cosmetics to improve their appearance actually do so (of course, lately some men do, too). Selecting cosmetic products that are right for them is something women and now men do on a daily basis."

"Somay-Q is a cosmetic; one that is used to make rooms, walls, floor, furniture, bath, kitchen, bags, shoes and other such items beautiful. It is a regular daily cosmetic rather than being an expensive, comprehensive remodeling-type undertaking, like plastic surgery."

"In other words, despite being a 10 trillion yen market, remodeling (plastic surgery) is still limited in scope. Somay-Q products, which are cosmetics, are more accessible and can help make your today beautiful in a variety of ways. Thus, the market is potentially gigantic. Users can apply cosmetics to improve their daily lives without spending the huge sums incurred in remodeling projects. They can enjoy the process of making their residences and belongings beautiful. It is also easy to ask professionals to do the work if people aren't confident enough to do it themselves. And of course consumers love the fact that they can do this at low cost."

"Somay-Q products contribute to the lives of many people, and we would be very pleased if our products helped people learn about beauty, fun and comfort."

COMPANY INFO

Company Name SOMAY-Q Tecnology
Establishment February, 2002
Head office 5971-31, Moto-Kurihashi, Gokamachi, Sashima-gun, Ibaraki-ken
Phone +81-0280-80-0005 (main number)
Capital 50 million yen
President Sadao Hishiki

Company Name SOMAY-Q USA
Address 15 N Central Ave Suite 213 Glendale, CA 91203 USA
Phone 818-434-2609
Facsimile 818-546-1383

SOMEX Corporation
Somex is a US corporation established to help you buy or inquire about the products in the US manufactured by Somay-Q Technology Corporation in Japan.
We are geared to assist both individual and corporate customers with our highest level of services.

Company Name SOMEX Corporation
Address 36 Meadowview Court, Leonia, New Jersey 07605 USA
Phone 201-615-3535
Facsimile 201-592-5984

Sumaho Kirei ('smartphone beautiful')
Protect your smartphone from hand grease, bacteria, viruses and soiling!
Sumaho Kirei is completely different from alcohol-based sterilizers and protective sheets.
Even if soiled by greasy fingers and other things, the screen can be cleaned by lightly wiping it. The adhesion technology also creates a sustained anti-bacterial effect.

Why Feels So Nice & Cool
Somay-Q Technology's Why Feels So Nice & Cool has been developed to make you feel more comfortable in the heat of summer.
This will keep you cool for hours as our unique technology ensures that the heat absorbent and radiating substance adhere securely to your clothing. It's easy to apply – just spray on the inside of your shirts and underwear and enjoy the cooling effect when the fabric touches your skin.

Extinct Virus Proliferation Environment
The effects of washing your hands only lasts a short time. Moments after washing, when your hands come in contact with dirty objects such as doorknobs and handles, your hands once again carry viruses.
Viruses flourish in kitchens, toilets and bathtubs. Extinct Virus Proliferation Environment cleans these areas and surfaces, making them uninhabitable to viruses.

Nano Spray Paint
Somay-Q Technology's Nano Spray Paint employs a revolutionary nano-based binder, which does not change the original texture of the substrate whatsoever.
Nano Spray Paint can be applied to aluminum, wood, and all other substrates, and it won't crack or peel when pulled or twisted!

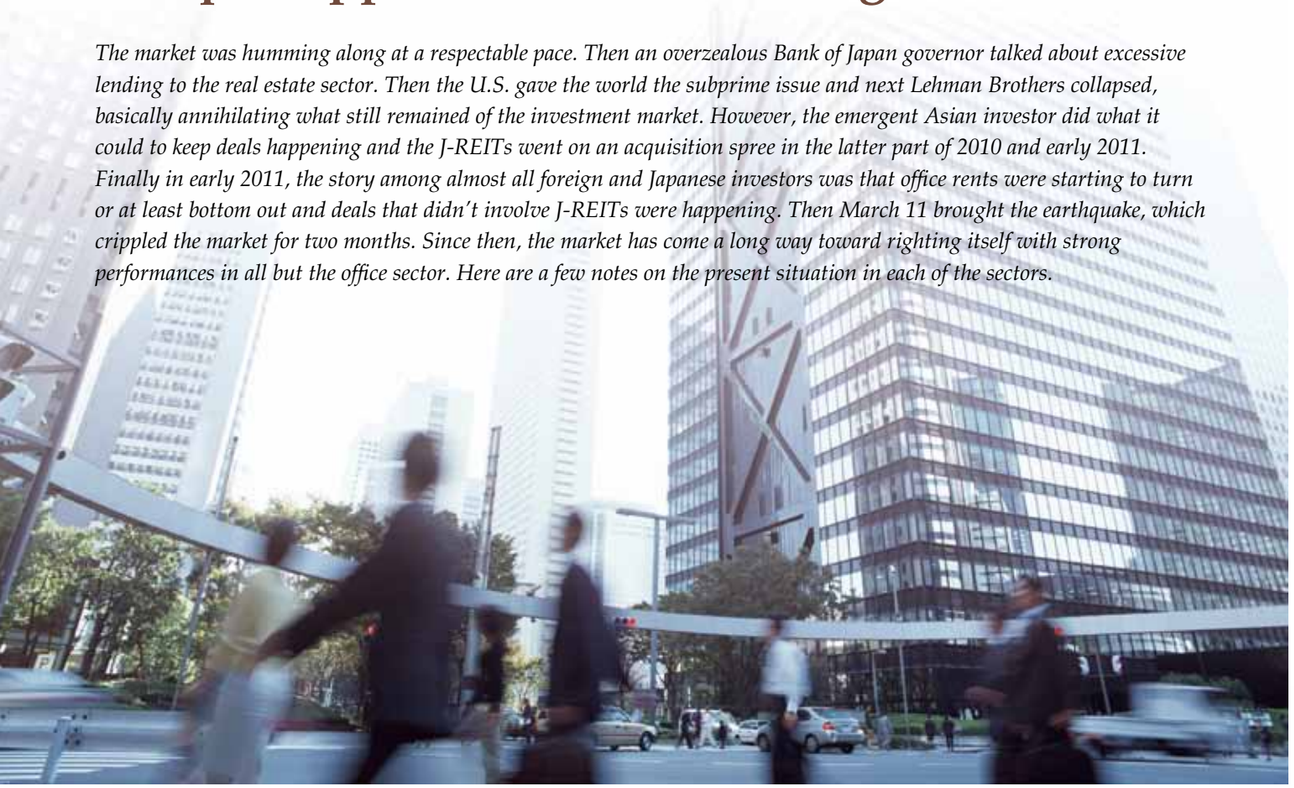
Super Odor Eater
You can solve stubborn odor problems using Somay-Q Technology's Super Odor Eater.
It effectively eliminates bad odor from items such as your favorite sporting gear. It's a powerful deodorizer. Sporting gear is vulnerable to invasion by bacteria that cause unpleasant odor. Even if you can't wash the items, don't worry… All you need to do is spray Super Odor Eater on them, and your gear will be odor-free for a long time.

Fungus Preventive
(Multi Purpose Type & Bathroom Type)
The revolutionary nano-binder keeps your bathroom free from fungus for a long time.
Fungus Preventive also works to fight bacteria.

The Japanese Market

Unique Opportunities - Both Bright and Dim

The market was humming along at a respectable pace. Then an overzealous Bank of Japan governor talked about excessive lending to the real estate sector. Then the U.S. gave the world the subprime issue and next Lehman Brothers collapsed, basically annihilating what still remained of the investment market. However, the emergent Asian investor did what it could to keep deals happening and the J-REITs went on an acquisition spree in the latter part of 2010 and early 2011. Finally in early 2011, the story among almost all foreign and Japanese investors was that office rents were starting to turn or at least bottom out and deals that didn't involve J-REITs were happening. Then March 11 brought the earthquake, which crippled the market for two months. Since then, the market has come a long way toward righting itself with strong performances in all but the office sector. Here are a few notes on the present situation in each of the sectors.



Office Sector

The Tokyo office market has remained stagnant since the earthquake. According to research by Miki Shoji, a major real estate broker, the average vacancy rate for office buildings with floors of 100 tsubos or more in the central five wards has peaked at a high 9.04% and rents per tsubo continue to gradually drop, fueled largely by the completion of Class A buildings in the absence of significant demand.

In addition to the Marunouchi Eiraku Building, completed in Marunouchi 1-chome in January with a total floor area of 140,000m^2, Shibuya Hikarie will be completed in April. Hikarie is located in front of Shibuya Station and offers more than 140,000m^2 of office space and retail stores. Mori Building is also in the midst of a large multi-use development in Toranomon 1-chome that will be completed in 2013 and also have office space.

According to a representative of a major broker, "Movement among renters is brisk within the office sector, with IT firms relocating to new buildings, and other companies consolidating their operations. We reached our budget goals quickly in 2011. Although we have great expectations for 2012, this is primarily limited to Class A buildings. Severe conditions will probably continue for the other existing office buildings."

Presently the dominant trend in the Tokyo office market is for tenants to move to high-grade office buildings - new buildings in particular. This inevitably leads to vacancy increases at existing buildings. There still seems to be no clear road for a real market recovery for Class A or, for that matter, small- and medium-size buildings.

Housing Sector

The high liquidity and stable returns of for-rent condominiums in Tokyo have made them the focus of the investment market as the recovery picture surrounding the office market remains murky. Most of the buyers are J-REITs. Advance Residence, the largest of the residential J-REITs, has been proactively acquiring properties since the start of the year. In January, Advance Residence acquired 15 properties in Tokyo, Nagoya and Kansai for a total of 23,470 million yen. The NOI return in Tokyo ranged between 5.3% and 5.9%.

Investors from abroad – particularly from Asia – are involved in an increasing number of larger transactions. Grosvenor bought Roppongi Arentz in October 2011 with an Asian investor. The luxury for-rent condominium, located at Roppongi 6-chome, Minato Ward, was purchased from Japan Tobacco for at least 18 billion yen. The investment ratio comprised by Asia in the total Grosvenor portfolio is 7.8% and they intend to raise this to 15% in the medium to long term. Grosvenor has committed to investing in Tokyo because the city has the largest metropolitan GDP in the world and the market has a solid floor to it.

Retail Sector

The investment market for retail facilities continues to be slow. Following the rush to almost overbuild under the Large Retail Store Act a few years back, there has been a dramatic slowdown in the building of large retail centers and this has led to a drop in transactions. In 2012, there have been four transactions involving the two retail J-REITs (two of these comprised the acquisition of land beneath retail properties).

Recently, tenant demand in areas of central Tokyo such as Omotesando and Ginza has recovered and may be starting a positive trend. Many major brands like GAP and UNIQLO have opened large stores in these areas and there is almost no spare first-floor space due to voracious demand. And people are taking notice. Highly appraising the demand and the scarcity value of quality locations, a European fund recently bought a retail building in Roppongi 7-chome in Minato Ward. The Axall Roppongi building was bought by AM alpha in March. AM alpha is a real estate investment firm headquartered in Munich, Germany that is convinced that Tokyo's market, as the center of the economy and government, will perform strongly in the medium to long-term. This belief was key to their acquisition of this 7-story building with 2 basement floors and a total floor area of 4,777m^2. However, it is also important to note that upper-floor demand has been slower to recover and a full-scale market recovery is still not showing itself.

Hotel Sector

Average daily rates (ADR) have been recovering since the summer of 2011 following a rapid slump immediately after the earthquake and related disasters. November and December saw ADR surpass the year-on-year level that existed prior to the earthquake. Demand for hotels has been driven to date by domestic investors, who primarily invest in business hotels. On the other hand, overseas investors are also showing strong motivation to invest as a result of a projected increase in inbound demand fueled by a rise in Asian visitors to Japan.

Logistics Sector

The demand for high-quality warehouses for lease continues to grow backed by the restoration of supply chains, the growth in internet retail sales and other factors. Both the sales and development markets are beginning to move dramatically.

In February, Global Logistic Properties (GLP) of Singapore acquired a portfolio of 15 logistics centers from Lasalle Investment Management for 122.6 billion yen in a 50-50 partnership with China Investment Corporation, a Chinese sovereign wealth fund. GLP is planning to list these properties on the J-REIT market in the near future. Daiwa House Industries, a domestic player, is also planning to list a REIT that contains both warehouses and retail properties within 2012.

Even major real estate developers are jumping on the bandwagon and accelerating development in reaction to this striking demand for warehouses. Mitsui Fudosan is jointly developing a logistics center in Ichikawa City, Chiba Prefecture with GLP and Mitsubishi Estate is developing centers in Sagamihara City and other locations.

Conclusion

While the logistics market is sizzling, the hotel and retail sectors are also gaining strength. Though office, with the pending bump in supply, is a concern, the residential sector is healthy. How does Japan do it? Its relative success can be attributed to "being the best of the worst." Nobody can manage downtime better and with the problems in Europe, potential for problems in the U.S. and decelerating growth in emerging countries, the secure country to invest in today is Japan and increasingly capital is being directed here. Now the question is, can it be placed and can the desired return be gained? If so, another renaissance may be coming. Where do you feel like placing your bets?

Atsushi Yamaguchi

Index Corporation

Trimmed Down, Realigned and Equipped with the Ring Savvy to Deliver a Knockout Punch in the Mobile Content Industry

Yoshimi Ogawa
President

"A company must pursue profit… if an enterprise is not profitable it is meaningless, regardless of how great the concept might be."

Paging devices, also known as "pagers" were popular globally in the 1980s and were used initially to convey numbers of the originating call. However, use evolved with codes developed by users that enabled more complex messages to be relayed and shared. Youth in Japan took to being connected to others through the pager and this lay the groundwork for the vastness of the mobile content industry today.

Launched with the 3-kilogram "shoulder phone" released by NTT in 1985, the market took off a decade later when mobile phone carriers in Japan were allowed to sell their phones to customers instead of arranging leasing agreements. In the six years between 1994 and 2000, the proportion of the population owning mobile phones grew from 1% to 10%, and just two years later half the population owned a mobile phone. Today you would be hard pressed to find an individual or a family, even in a rural area, without at least one mobile phone. Taking a mobile phone away from a high school student today would be denying them a lifeline they've had for as long as they can remember.

Mobile phone applications began with the well known arcade games, calculators, and ringtone controllers. With the advent of more sophisticated data transmission technology, mobile applications began evolving dramatically with much of the development driven today by the spread in popularity of smartphones. This was made possible by more advanced operating systems, open to third-party software. Given that nearly 88 of every 100 residents of Japan is a broadband mobile subscriber (with nearly half accessing the web regularly), and that Japan's mobile phone owners consider the device a necessity rather than a luxury, this is clearly a market constantly hungering for new content, new applications, new ways to pass time, new tools to make business more efficient, and faster and easier access to entertainment, travel, gourmet, news and other information that adds value to daily life.

Index Corporation, a Japanese mobile content and application provider, has experienced a volatile past from initially rapid growth to trimming and realigning strategies in an extremely competitive environment. The new lean, mean, and agile Index has the business acumen and experience, technological prowess and market comprehension to intelligently react, meet and anticipate relentlessly evolving consumer needs and wants while staying true to the goals set when the company was founded in 1997 – to be a mobile content provider that created buzz and sparked trends, one that had an impact on society.

Strong Leadership

Index Corporation is headquartered in Tokyo's Setagaya Ward. Chairman Masami Ochiai, President Yoshimi Ogawa and the rest of the executive team lead a staff of over 475 in the development and provision of mobile content with a focus on entertainment. Combined with the burgeoning domestic operation, Index has development bases in Europe, the Middle East, Southeast Asia and the U.S. In 2002 the company put itself on the map when, in a cooperative effort with Takara Tomy, it released "BowLingual," a computer-based translation device that was supposed to enable dog owners understand what their pets were saying by analyzing their barks. Time Magazine recognized the device as Best Invention of 2002, and it was later released in South Korea, Europe and North America.

A company in a competitive industry – even one with the proven technological and creative capabilities of Index Corporation – needs someone tough at the helm, and today that's President Yoshimi Ogawa. Like Chairman Masami Ochiai, Ogawa started her career at Nissho Iwai (now Sojitz), and while seconded to a subsidiary as general manager of the company's media division, she realized she was better equipped to succeed in an environment where she was in charge of things and shouldered a considerable portion of the risk. She joined Ochiai's company in 1998, eventually becoming President in 2002.

Index itself had in the meantime transformed into a holding company, with as many as 70 subsidiaries and more than 3,000 employees. The bulkiness of the organization was preventing fast, trailblazing decisions and making the group reactive instead. Upon realizing this, the company drafted and began undertaking a challenging, carefully planned reorganization, the results and value of which have gradually become evident.

In fiscal 2011 (September 2010 – August 2011), Index Corporation recorded 22,934 million yen in revenue, with operating income of 978 million yen. Following some extraordinary charges, net income was -4,498 million yen. This represents the latest step forward the company has made in its efforts to streamline – the net income deficit, which after peaking in fiscal 2008 at -30,177 million yen has improved by 30 to 50% annually thanks to successful identification of Index's optimal structure and identity. Index thus finds itself once again to be on the verge of profitability.

Areas of Business

The robust domestic mobile content business of Index Corporation is centered on games. Applying its accumulated know-how in the operation of public websites, the company also offers a range of solutions, including content services, in conjunction with TV stations.

Among its areas of focus are what are referred to as "social" games, primarily community sites, where players can create imaginary opposites, as well as smartphone applications for iPhone and Android terminals; mobile solutions, which include planning and development solutions for corporations, as well as tie-up services combining broadcast and communications for TV stations; and public mobile websites.

Index Corporation offers a full catalog of package and mobile games. Running the gamut from action and role-playing games – featuring the popular Persona series – to hospital-based dramas and 'youth' adventures, the company provides games that combine to offer compatibility with virtually all major game consoles, formats and mobile devices. Index further offers game soundtracks on CD, game guides, backstories and hint books, and a range of figurines based on characters from its games. The catalog is rich, varied and constantly growing. Via its public site, atlusnet (http://www.atlusnet.jp/), the company enables gamers to experience introductions to its games.

Index Internationally

Index Multimedia, the company's development base in France, is one of the country's largest content providers, with more than 4.5 million users, and its focus is the social game domain. It has developed a website called Tchatche.com which features a very active chat room, logging an amazing 500 million page views each month. Founded in 1987, the firm became part of the Index network in 2004 and since then endeavored to expand sales channels and breadth of products and services. In late 2010 Index Multimedia launched its inaugural online game, "Tower of Druaga," which is based on a well-known Japanese manga and has been extremely successful.

Index Middle East is located in Riyadh, Kingdom of Saudi Arabia, and provides multimedia education, mobile content, online games and animation. "Persona," a popular Japanese role-playing game (RPG) has been completely localized into Arabic and is available for free on Facebook.

In 2009, Index Middle East and the King Abdulaziz City for Science and Technology (KACST) launched the Multimedia Technologies Center of Excellence. The focus of the center, part of Saudi Arabia's digital content initiative and national policy for science and technology, is the cultivation and training of personnel in the field of multimedia. Index Corporation is considering involvement in similar programs in other areas of the world in support of the further advancement of multimedia and digital content products and services.

Established in 2002, Index Corp. (Thailand) Ltd. (IDT) provides mobile content and services to the country's mobile users, and has established relationships with major mobile network operators in Thailand as well as with leading handset makers. Index's Thai base offers services such as mobile billing solutions, its content hosting platform IDT, a wide range of quality content, and "Mobi Town," Thailand's second largest mobile SNS.

Based in Irvine, California, Index Digital Media - which became a wholly owned subsidiary of Index in 2010 - is Index Corporation's U.S. base, and is driven by video game developer Atlus. Since its establishment as Asuka, the U.S. branch of Atlus Co., Ltd. in 1991, Atlus has produced games for a variety of consoles and handheld systems and earned a reputation for its skillful localization of titles from abroad. Its online game arm, Atlus Online, provides an online entertainment portal where users gather to play and download games, collect information about upcoming releases, and participate in discussion at one of the website's forums.

Top 10 Countries by Active Mobile Broadband Subscriptions per 100 Inhabitants

Rank	Country	Percentage	Rank	Country	Percentage
1	Korea (Rep.)	91.0	6	Hong Kong, China	74.5
2	Japan	87.8	7	Potugal	72.5
3	Sweden	84.0	8	Luxembourg	72.1
4	Australia	82.7	9	Singapore	69.7
5	Finland	78.1	10	Austria	67.4

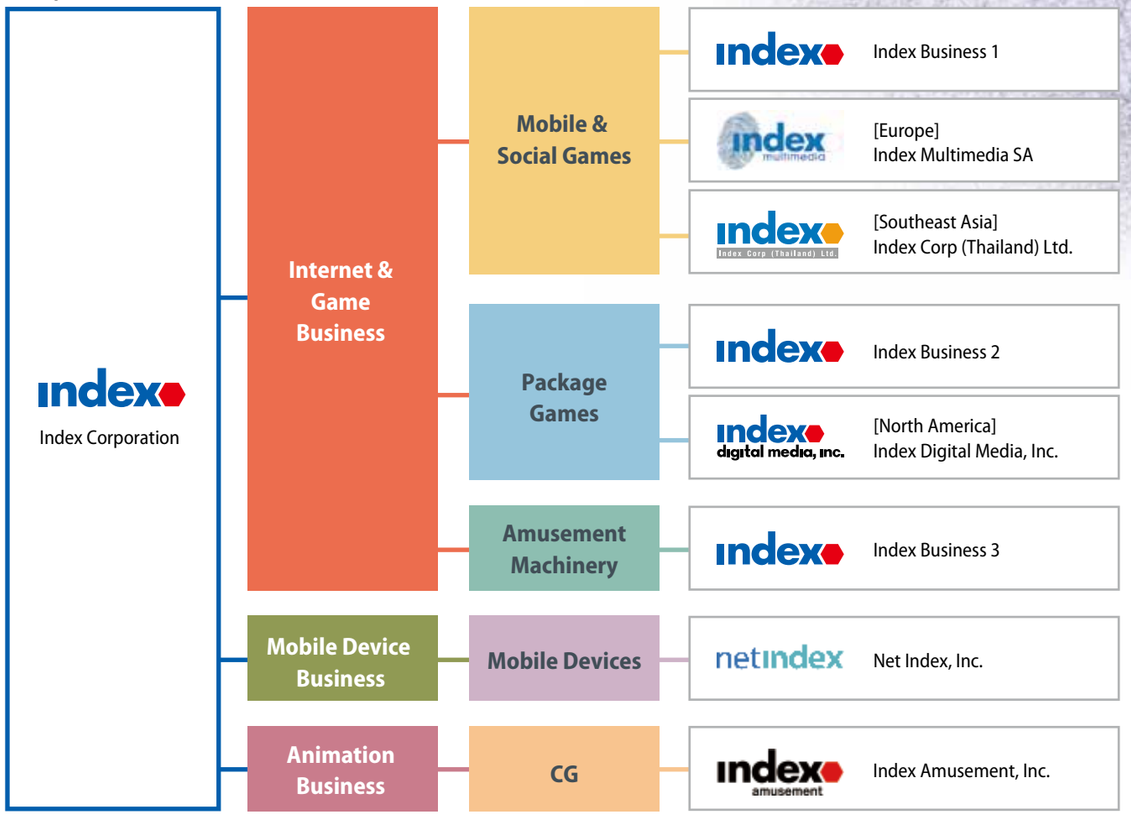
Source: ITU and Wireless Intelligence (2011)
via: mobile Thinking

Percentage of Mobile Subscribers Accessing Mobile Web at Least Monthly

Country	Percentage	Country	Percentage
Japan	47%	Hong Kong, China	16%
Urban China	43%	Europe	12%
United States	22%	Urban India	8%

Source: Forrester (June 2011)
via: mobile Thinking

Group Structure



Looking Ahead

Index is one of a host of Japanese firms that have been affected by the severe flooding in Thailand – Net Index was unable to meet its sales target for mobile communications terminals, and this along with deliberate delays in selected creative undertakings led Index Corporation to adjust its financial results forecast for the first half of fiscal 2012 (September 1, 2011 – February 29, 2012). The adjusted forecast showed revenue at 7,859 million yen (adjusted downward from 9,148 million yen), operating income at 108 million yen (482 million yen), ordinary income at 105 million yen (137 million yen) and net income at -487 million yen, which represents a dramatic improvement from the deficit of 4,498 million yen recorded in fiscal 2011.

The unique niche that Index has succeeded in carving for itself, the technological prowess which allows it to provide content for virtually every mobile device in use, and its unfaltering dedication to the creation of new value and positively impacting people's daily lives are all manifestations of the company's drive to reach higher and farther. Notice is hereby served – Index Corporation is back.

COMPANY INFO

Company Name	Index Corporation
Established	September 1995
Head Office	Carrot Tower, Taishido 4-1-1, Setagaya-ku, Tokyo 154-0004
URL	indexweb.jp
Phone	+81-(0)3-5779-5080 (Main)
Capital	39,379 million yen (as of August 31, 2011)

Group Strategy

Since our establishment in 1997, with mobile content business as our core, we have been offering various entertainment content such as anime and games.

Becoming a pure holding company as Index Holdings in 2006, Index Holdings has been reborn as Index Corporation by absorbing its two subsidiaries - Index, a mobile content service provider, and Atlus, a game software developer.

Enhancing the group value chain by uniting the know-how of "Net & Games" as our core, we are offering high-quality entertaiment content and solutions worldwide.